

**FY 2022**  
**Baseline Book**

**January 2021**

**JLBC**

# FY 2022 BASELINE BOOK

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Prepared By

### **THE STAFF OF THE JOINT LEGISLATIVE BUDGET COMMITTEE**

1716 West Adams Street  
Phoenix, Arizona 85007  
Phone: (602) 926-5491

*E-mail:* [jlbcwebmaster@azleg.gov](mailto:jlbcwebmaster@azleg.gov)  
*JLBC Website:* <http://www.azleg.gov>

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## FY 2022 BASELINE SUMMARY

### Overview

The FY 2022 Baseline provides an estimate of the state's General Fund balances. The revenue projections reflect 2 different economic forecasts 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:

- Projected FY 2022 revenues range from \$13.9 billion and \$14.3 billion:
  - ⇒ The lower end of the range represents the 4-sector estimate, including 2 University of Arizona econometric models, the Finance Advisory Committee panelists, and the JLBC Staff. The higher end of the range reflects just the JLBC Staff sector.
  - ⇒ The primary difference in the 2 forecasts revolves around FY 2021. After adjusting for the income tax deferral at the beginning of FY 2021, year-to-date revenue growth is 8.6%. To achieve the 4-sector forecast, revenues would have to decline (3.6)% for the remainder of this year. Revenues would grow by 1.3% under the JLBC Staff forecast.
  - ⇒ Given the year-to-date growth, the 4-sector forecast appears to be unrealistically low.
- FY 2022 General Fund Baseline spending is projected to be \$12.3 billion, an increase of \$602 million, or 5.1%, above FY 2021. This increase consists of:
  - ⇒ A \$729 million increase in ongoing spending.
  - ⇒ A \$(127) million decrease in one-time spending.
- Compared to the original FY 2021 budget, the revised FY 2021 Baseline spending level would decline by \$(298) million for federal Medicaid match rate savings and a \$(301) million reduction due to lower K-12 enrollment.
- The FY 2022 cash balance is projected to be between \$1.6 billion and \$2.0 billion. This amount is in addition to nearly \$1 billion available in the Budget Stabilization Fund (BSF) by the end of FY 2022.
- Under the Baseline projections, the Legislature would have the ability to dedicate \$300 million to \$400 million of the balance to ongoing initiatives without creating a shortfall through the 3-year planning period.
- The remaining \$1.3 billion to \$1.6 billion of the Baseline balance would be available for one-time purposes.

These estimates likely overstate the level of available resources in the FY 2022 budget. Some of the one-time spending in the FY 2021 budget has been labeled as such in the last 4 budgets. School facility building renewal grants (\$91 million) and the state employee health insurance subsidy (\$22 million) fall into this category.

### FY 2021

The FY 2021 budget is currently projected to have a \$1.5 billion to \$1.8 billion balance. Relative to the JLBC Staff forecast, this is an increase of \$1.1 billion from the enacted March budget. The net \$1.1 billion increase has 4 primary components:

- Higher revenue of \$600 million, almost entirely due to the deferral of income tax filing deadline from April 15 to July 15, 2020. After adjusting for this factor, the current FY 2021 revenue forecast is comparable to the enacted March budget.
- The carryover balance from FY 2020 to FY 2021 is \$(190) million less than anticipated in the enacted March budget.
- FY 2021 K-12 spending is projected to be \$(300) million less than the appropriation due to lower school enrollment.
- FY 2021 Medicaid spending is forecast to be \$(300) million less than budgeted due to a temporary higher federal match rate.

### FY 2022 Baseline Revenues

Total FY 2022 revenue collections would be \$13.9 billion to \$14.3 billion. Beyond overall forecast assumptions outlined above, other adjustments are:

- The state set-aside for urban revenue sharing formula distributions would decrease from \$828 million to \$756 million, thereby increasing state revenue by \$72 million.
- Repayment of a deposit for groundwater infrastructure required in the FY 2020 budget increases one-time revenues by \$20 million.
- Legislation enacted prior to the 2021 Regular Session is estimated to reduce ongoing revenue by \$(40) million.

Conformity with federal 2020 tax legislation would cost over \$500 million. The Baseline does not assume conformity as the JLBC Staff standard practice is to have the Legislature confirm with any new federal tax provisions before incorporating those changes into the Baseline.

### FY 2022 Baseline Spending

Based on statutory funding formulas and other obligations, FY 2022 Baseline spending is projected to increase by 5.1% to \$12.3 billion, or \$602 million more than FY 2021 expenditures. The major adjustments are:

- Arizona Department of Education (ADE) formula spending would have a net increase of \$239 million due to 0.6% growth in student enrollment and a 1.2% inflation factor. The spending increase also includes the last step in returning to full funding of Additional Assistance as required by past budget plans. These growth factors would be partially offset by savings associated with higher K-12 property tax collections. These estimates do not account for changes in student enrollment associated with the COVID-19 pandemic.
- AHCCCS formula spending would grow by \$223 million, reflecting flat caseload growth for most populations, a 3.0% capitation rate increase. The increase does not presume that COVID-related enhanced federal match continues into FY 2022.
- The Department of Economic Security (DES) budget would increase by \$89 million, entirely for Developmental Disabilities Medicaid growth, reflecting 5.0% enrollment growth and a 3.0% capitation rate increase.
- Arizona Department of Corrections (ADC) spending is unchanged from FY 2020.
- University spending would increase by \$495,600 for adjustments to capital appropriations. Universities would also receive \$21 million in one-time monies for the cost of a 27<sup>th</sup> pay period in FY 2022.
- Community College spending would increase by \$1.8 million for formula growth.
- School Facilities Board funding would be reduced by \$(74) million, reflecting the elimination of \$(91) million of one-time building renewal monies offset by a \$17 million increase in new school construction costs. The Baseline includes a total of \$76 million for new construction, including \$12 million for the second and final year of FY 2021 authorizations and \$64 million for the first year of 5 new FY 2022 authorizations.
- Department of Public Safety spending would increase by \$161 million to backfill the lost revenues from the current-law repeal of the Highway Safety Fee effective June 2021.
- Agency budgets would be reduced by \$(65) million statewide to eliminate a one-time \$22 million state employer health insurance increase and a \$43 million increase for the non-University costs of a 27<sup>th</sup> pay period in FY 2021.

The \$12.3 billion spending level would support a Full-Time Equivalent (FTE) Position ceiling of 53,620.4 state employees from both General Fund and Other Appropriated Funds.

### Long-Term General Fund Estimates

A.R.S. § 35-125 requires the annual General Appropriation Act to include 3-year revenue and expenditure projections. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2024, as shown on page S-5. Based on the assumptions described below and depending on the forecast used, the Baseline ending balance is estimated to be \$232 million to \$323 million in FY 2023 and \$521 million to \$617 million in FY 2024. These figures assume that the \$1.6 billion to \$2.0 billion in the estimated FY 2022 ending balance is completely allocated.

These estimates exclude the Budget Stabilization Fund (BSF) monies. The BSF is estimated to have a fund balance of \$993 million by the end of FY 2022.

## Other Fiscal Challenges

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

- *Continued Threat from COVID-19:* The general assessment in the forecasting profession is the continued threat from the pandemic. In recent weeks, there has been a significant upturn in new cases of infections, hospitalizations and deaths, all of which could result in the reintroduction of measures aimed at containing the spread of the virus. The introduction of vaccines may stem the increase in cases, however. Consumer confidence may hinge on how quickly the number of cases, hospitalizations and deaths reverse course.
- *Federal Response to COVID-19:* In December 2020, the federal government passed the 2021 Consolidated Appropriations Act which will spend more than \$900 billion to address economic and health issues created by the pandemic. This should provide additional assistance to the economy through early spring. Many of the provisions, such as for Unemployment Insurance, will only last through early spring; if the pandemic continues to have a significant dampening effect on consumer confidence, additional federal response may further affect economic recovery.
- *Current Strong Revenue Growth:* As of now, however, Arizona's economy and its revenue growth are still strong compared to other states. The state ranks third overall in the country in terms of its economic momentum (personal income, population, and employment growth). While Arizona's revenues declined by (1.6)% in FY 2020, that amount would have been positive were it not for the deferral of income tax filing from April 15 to July 15, 2020. The 17.8% growth year-to-date in FY 2021 (8.6% after adjusting for the deferral of income tax filing) indicates revenues are still strong.

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 \$750 million through FY 2024 – these risks could significantly change the final results of these budgets.

The state also 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.
- Litigation against the Arizona Department of Corrections in United States District Court regarding inmate health care.

## Debt

At the end of FY 2022, the state's projected level of lease-purchase and bonding obligations will be \$6.1 billion. The associated annual debt service payment is \$748 million.

Of the \$6.1 billion in total obligations, the General Fund share is \$1.2 billion. The General Fund annual debt service is projected to be \$228 million in FY 2022 (*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 Baseline reduces this amount to \$901 million pursuant to a decision in the FY 2020 budget's 3-year spending plan. The \$6.1 billion estimate of total obligations also does not include any unfunded retirement liability.

Arizona's current debt rating from Moody's is Aa1, which represents Moody's second-highest credit rating. Arizona's rating with Standard & Poor's is AA, which represents Standard & Poor's third-highest credit rating.

## 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 2022 Other Fund appropriated spending level of \$4.3 billion, or (3.5)% below FY 2021.

The level of FY 2022 non-appropriated state funds is expected to be \$11.3 billion, while non-appropriated Federal Funds are forecast to be \$22.1 billion. When all appropriated and non-appropriated fund sources are combined, total FY 2022 state spending would be \$50.0 billion.

**STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES  
WITH ONE-TIME FINANCING SOURCES**

**JLBC STAFF FORECAST**

	<u>FY 2021 Baseline JLBC Forecast</u>	<u>FY 2022 Baseline JLBC Forecast</u>	<u>FY 2023 Baseline JLBC Forecast</u>	<u>FY 2024 Baseline JLBC Forecast</u>
<b>REVENUES</b>				
Ongoing Revenues	\$13,321,390,400	\$13,264,774,500	\$13,848,405,600	\$14,448,918,800
Urban Revenue Sharing	(828,492,900)	(756,391,100)	(948,581,500)	(907,536,900)
Net Ongoing Revenues	<u>\$12,492,897,500</u>	<u>\$12,508,383,400</u>	<u>\$12,899,824,100</u>	<u>\$13,541,381,900</u>
One-time Financing Sources				
Balance Forward	\$372,457,000	\$1,776,502,000		
Water Infrastructure Repayment		20,000,000		
Other Fund Transfers	16,700,000	16,700,000	16,700,000	16,700,000
Subtotal One-time Revenues	<u>\$389,157,000</u>	<u>\$1,813,202,000</u>	<u>\$16,700,000</u>	<u>\$16,700,000</u>
<b>Total Revenues</b>	<b>\$12,882,054,500</b>	<b>\$14,321,585,400</b>	<b>\$12,916,524,100</b>	<b>\$13,558,081,900</b>
<b>EXPENDITURES</b>				
Ongoing Operating Appropriations	\$11,469,755,900	\$12,176,255,300	\$12,582,627,900	\$12,939,813,700
Administrative Adjustments	55,000,000	120,000,000	162,000,000	162,000,000
Revertments	(150,000,000)	(192,000,000)	(198,000,000)	(198,000,000)
Subtotal Ongoing Expenditures	<u>\$11,374,755,900</u>	<u>\$12,104,255,300</u>	<u>\$12,546,627,900</u>	<u>\$12,903,813,700</u>
One-time Expenditures				
Capital Outlay	\$11,000,000			
Reduce K-12 Rollover (Enacted)		30,000,000		
Operating One-Time Spending	275,373,600	152,015,300	46,402,500	37,427,000
AHCCCS/DES/DCS One-Time FMAP Savings <sup>1/</sup>	(297,940,800)			
ADE One-Time Enrollment Savings <sup>2/</sup>	(300,714,800)			
27th Pay Period (Enacted)	43,078,600	20,052,100		
Subtotal One-time Expenditures	<u>(\$269,203,400)</u>	<u>\$202,067,400</u>	<u>\$46,402,500</u>	<u>\$37,427,000</u>
<b>Total Expenditures</b>	<b>\$11,105,552,500</b>	<b>\$12,306,322,700</b>	<b>\$12,593,030,400</b>	<b>\$12,941,240,700</b>
<b>Ending Balance <sup>3/</sup></b>	<u><b>\$1,776,502,000</b></u>	<u><b>\$2,015,262,700</b></u> <sup>5/</sup>	<u><b>\$323,493,700</b></u>	<u><b>\$616,841,200</b></u>
<b>Ongoing Balance <sup>4/</sup></b>	<u><b>\$1,118,141,600</b></u>	<u><b>\$404,128,100</b></u>	<u><b>\$353,196,200</b></u>	<u><b>\$637,568,200</b></u>

<sup>1/</sup> The federal Families First Coronavirus Response Act temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020, through the last quarter that the federal public health emergency is in effect. This amount reflects savings associated with the enhanced match rate for AHCCCS/DES/DCS, net of costs from increased caseload growth from the pandemic.

<sup>2/</sup> This amount reflects the savings associated with lower-than-budgeted Basic State Aid expenses in FY 2021. The ex-appropriation would permit the Legislature to either return these monies to the General Fund or to redirect them into the school system through other adjustments.

<sup>3/</sup> This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

<sup>4/</sup> This calculation reflects the difference between ongoing revenues and ongoing expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.

<sup>5/</sup> The FY 2022 cash balance is presumed to be allocated as part of the FY 2022 budget process.

**STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES  
WITH ONE-TIME FINANCING SOURCES**

**4-SECTOR FORECAST**

	<u>FY 2021 Baseline 4-Sector Forecast</u>	<u>FY 2022 Baseline 4-Sector Forecast</u>	<u>FY 2023 Baseline 4-Sector Forecast</u>	<u>FY 2024 Baseline 4-Sector Forecast</u>
<b>REVENUES</b>				
Ongoing Revenues	\$13,020,834,800	\$13,116,515,000	\$13,721,972,000	\$14,337,921,400
Urban Revenue Sharing	(828,492,900)	(756,391,100)	(913,624,900)	(892,048,900)
Net Ongoing Revenues	<u>\$12,192,341,900</u>	<u>\$12,360,123,900</u>	<u>\$12,808,347,100</u>	<u>\$13,445,872,500</u>
One-time Financing Sources				
Balance Forward	\$372,457,000	\$1,475,946,400		
Water Infrastructure Repayment		20,000,000		
Other Fund Transfers	16,700,000	16,700,000	16,700,000	16,700,000
Subtotal One-time Revenues	<u>\$389,157,000</u>	<u>\$1,512,646,400</u>	<u>\$16,700,000</u>	<u>\$16,700,000</u>
<b>Total Revenues</b>	<b>\$12,581,498,900</b>	<b>\$13,872,770,300</b>	<b>\$12,825,047,100</b>	<b>\$13,462,572,500</b>
<b>EXPENDITURES</b>				
Ongoing Operating Appropriations	\$11,469,755,900	\$12,176,255,300	\$12,582,627,900	\$12,939,813,700
Administrative Adjustments	55,000,000	120,000,000	162,000,000	162,000,000
Revertments	(150,000,000)	(192,000,000)	(198,000,000)	(198,000,000)
Subtotal Ongoing Expenditures	<u>\$11,374,755,900</u>	<u>\$12,104,255,300</u>	<u>\$12,546,627,900</u>	<u>\$12,903,813,700</u>
One-time Expenditures				
Capital Outlay	\$11,000,000			
Reduce K-12 Rollover (Enacted)		30,000,000		
Operating One-Time Spending	275,373,600	152,015,300	46,402,500	37,427,000
AHCCCS/DES/DCS One-Time FMAP Savings <u>1/</u>	(297,940,800)			
ADE One-Time Enrollment Savings <u>2/</u>	(300,714,800)			
27th Pay Period (Enacted)	43,078,600	20,052,100		
Subtotal One-time Expenditures	<u>(\$269,203,400)</u>	<u>\$202,067,400</u>	<u>\$46,402,500</u>	<u>\$37,427,000</u>
<b>Total Expenditures</b>	<b>\$11,105,552,500</b>	<b>\$12,306,322,700</b>	<b>\$12,593,030,400</b>	<b>\$12,941,240,700</b>
<b>Ending Balance <u>3/</u></b>	<u>\$1,475,946,400</u>	<u>\$1,566,447,600 <u>5/</u></u>	<u>\$232,016,700</u>	<u>\$521,331,800</u>
<b>Ongoing Balance <u>4/</u></b>	<u>\$817,586,000</u>	<u>\$255,868,600</u>	<u>\$261,719,200</u>	<u>\$542,058,800</u>

1/ The federal Families First Coronavirus Response Act temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020, through the last quarter that the federal public health emergency is in effect. This amount reflects savings associated with the enhanced match rate for AHCCCS/DES/DCS, net of costs from increased caseload growth from the pandemic.

2/ This amount reflects the savings associated with lower-than-budgeted Basic State Aid expenses in FY 2021. The ex-appropriation would permit the Legislature to either return these monies to the General Fund or to redirect them into the school system through other adjustments.

3/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

4/ This calculation reflects the difference between ongoing revenues and ongoing expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.

5/ The FY 2022 cash balance is presumed to be allocated as part of the FY 2022 budget process.

**GENERAL FUND SPENDING BY BUDGET UNITS 1/  
ONGOING FUNDING**

EXPENDITURES	FY 2021 Baseline	FY 2022 \$ Above FY 2021	FY 2022 Baseline	FY 2023 \$ Above FY 2022	FY 2023 Baseline	FY 2024 \$ Above FY 2023	FY 2024 Baseline
Operating Budget							
– Department of Administration	\$7,828,900		\$7,828,900		\$7,828,900		\$7,828,900
– Office of Administrative Hearings	885,000		885,000		885,000		885,000
– African-American Affairs Commission	127,700		127,700		127,700		127,700
– Arizona Department of Agriculture	10,124,500		10,124,500		10,124,500		10,124,500
– AHCCCS	1,942,797,800	231,292,300	2,174,090,100	60,151,300	2,234,241,400	56,077,800	2,290,319,200
– Attorney General	24,472,000		24,472,000		24,472,000		24,472,000
– State Board for Charter Schools	2,102,000		2,102,000		2,102,000		2,102,000
– Department of Child Safety	384,596,300		384,596,300		384,596,300		384,596,300
– Commerce Authority	16,175,000		16,175,000		16,175,000		16,175,000
– Community Colleges	62,895,400	1,830,200	64,725,600	2,207,900	66,933,500	2,307,000	69,240,500
– Corporation Commission	615,500		615,500		615,500		615,500
– Department of Corrections	1,173,247,600		1,173,247,600		1,173,247,600		1,173,247,600
– County Funding	10,650,700		10,650,700		10,650,700		10,650,700
– Schools for the Deaf and the Blind	23,069,700		23,069,700		23,069,700		23,069,700
– Office of Economic Opportunity	466,700		466,700		466,700		466,700
– Department of Economic Security	807,967,500	89,088,200	897,055,700	62,323,700	959,379,400	67,399,700	1,026,779,100
– State Board of Education	1,307,600		1,307,600		1,307,600		1,307,600
– Department of Education	5,511,824,600	222,678,500	5,734,503,100	279,413,300	6,013,916,400	230,289,900	6,244,206,300
– Dept. of Emergency & Military Affairs	12,182,800		12,182,800		12,182,800		12,182,800
– Department of Environmental Quality	10,000,000		10,000,000		10,000,000		10,000,000
– State Board of Equalization	657,300		657,300		657,300		657,300
– Board of Executive Clemency	1,147,300		1,147,300		1,147,300		1,147,300
– Dept. of Forestry and Fire Management	13,143,000		13,143,000		13,143,000		13,143,000
– Department of Gaming	1,779,500		1,779,500		1,779,500		1,779,500
– Office of the Governor	8,667,600		8,667,600		8,667,600		8,667,600
– Gov's Ofc of Strategic Planning and Budgeting	2,684,900		2,684,900		2,684,900		2,684,900
– Department of Health Services	92,503,800		92,503,800		92,503,800		92,503,800
– Arizona Historical Society	3,091,500		3,091,500		3,091,500		3,091,500
– Prescott Historical Society	830,700		830,700		830,700		830,700
– Independent Redistricting Commission	500,000	2,500,000	3,000,000	(3,000,000)			
– Dept. of Insurance and Financial Institutions	7,604,700		7,604,700		7,604,700		7,604,700
– Judiciary	135,371,200		135,371,200		135,371,200		135,371,200
– Department of Juvenile Corrections	28,996,500		28,996,500		28,996,500		28,996,500
– State Land Department	12,084,400	(96,300)	11,988,100		11,988,100		11,988,100
– Legislature							
Auditor General	20,144,500		20,144,500		20,144,500		20,144,500
House of Representatives	16,319,600		16,319,600		16,319,600		16,319,600
Joint Legislative Budget Committee	2,825,400		2,825,400		2,825,400		2,825,400
Legislative Council	8,791,600		8,791,600		8,791,600		8,791,600
Senate	12,889,900		12,889,900		12,889,900		12,889,900
SUBTOTAL - Legislature	\$60,971,000	\$0	\$60,971,000	\$0	\$60,971,000	\$0	\$60,971,000
– State Mine Inspector	1,263,500		1,263,500		1,263,500		1,263,500
– Navigable Stream Adjudication Commission	128,200		128,200		128,200		128,200
– Commission for Postsecondary Education	1,680,900		1,680,900		1,680,900		1,680,900
– Department of Public Safety	88,304,700	160,709,300	249,014,000		249,014,000		249,014,000
– Public Safety Personnel Retirement System	6,000,000		6,000,000		6,000,000		6,000,000
– State Real Estate Department	2,897,500		2,897,500		2,897,500		2,897,500
– Department of Revenue	31,118,400		31,118,400		31,118,400		31,118,400
– School Facilities Board	85,559,600	(1,000)	85,558,600	(4,400)	85,554,200	1,700	85,555,900
– Secretary of State	16,909,200	(4,000,000)	12,909,200	4,000,000	16,909,200	70,000	16,979,200

**GENERAL FUND SPENDING BY BUDGET UNITS 1/**  
**ONGOING FUNDING**

	FY 2021 Baseline	FY 2022 \$ Above FY 2021	FY 2022 Baseline	FY 2023 \$ Above FY 2022	FY 2023 Baseline	FY 2024 \$ Above FY 2023	FY 2024 Baseline
– Tax Appeals, State Board of	280,800		280,800		280,800		280,800
– Office of Tourism	8,216,100		8,216,100		8,216,100		8,216,100
– State Treasurer	1,509,500	1,500,000	3,009,500		3,009,500		3,009,500
– Governor’s Office on Tribal Relations	62,600		62,600		62,600		62,600
– Universities	736,805,700	495,600	737,301,300	780,600	738,081,900	538,700	738,620,600
– Department of Veterans’ Services	7,770,100		7,770,100		7,770,100		7,770,100
– Department of Water Resources	14,178,600		14,178,600		14,178,600		14,178,600
– Phoenix Convention Center Payment	23,997,900	500,600	24,498,500	500,900	24,999,400	499,200	25,498,600
– Rio Nuevo District	16,000,000		16,000,000		16,000,000		16,000,000
– Asset Sale/Lease-Back Debt Service	53,701,800	2,100	53,703,900	(700)	53,703,200	1,800	53,705,000
– Unallocated Retirement Adjustments	100	(100)					
Total - Operating Budget	<u>\$11,469,755,900</u>	<u>\$706,499,400</u>	<u>\$12,176,255,300</u>	<u>\$406,372,600</u>	<u>\$12,582,627,900</u>	<u>\$357,185,800</u>	<u>\$12,939,813,700</u>
– AHCCCS/DES/DCS One-Time FMAP Savings	(297,940,800)	297,940,800					
– ADE One-Time Enrollment Savings	(300,714,800)	300,714,800					
– Capital Outlay	11,000,000	(11,000,000)					
– Reduce K-12 Rollover		30,000,000	30,000,000	(30,000,000)			
– Operating One-Time Spending	275,373,600	(123,358,300)	152,015,300	(105,612,800)	46,402,500	(8,975,500)	37,427,000
– Additional (27th) Pay Period	43,078,600	(23,026,500)	20,052,100	(20,052,100)			
– Administrative Adjustments	55,000,000	65,000,000	120,000,000	42,000,000	162,000,000		162,000,000
– Revertments	(150,000,000)	(42,000,000)	(192,000,000)	(6,000,000)	(198,000,000)		(198,000,000)
Total Spending	<u>\$11,105,552,500</u>	<u>\$1,200,770,200</u>	<u>\$12,306,322,700</u>	<u>\$286,707,700</u>	<u>\$12,593,030,400</u>	<u>\$348,210,300</u>	<u>\$12,941,240,700</u>

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 the "Summary Of One-Time General Fund Spending" table (see page S-9).

## SUMMARY OF ONE-TIME GENERAL FUND SPENDING 1/

	FY 2021 Baseline	FY 2022 Baseline	FY 2023 Baseline	FY 2024 Baseline
<b>Operating</b>				
AHCCCS - Children's Behavioral Health Services Fund Deposit	\$ 8,000,000	\$ -	\$ -	\$ -
Community Colleges - Maricopa/Pima STEM Funding	2,000,000	2,000,000		
ADE - Proposition 301 Bridge	14,100,000			
ADE - High Quality Teacher Scholarships	400,000	400,000		
ADE - CTED Incentive Program	5,000,000	5,000,000		
ADE - Fully Restore Additional Assistance Funding	67,774,700	67,774,600		
DEQ - WQARF Funding	5,000,000			
Gaming - County Fair Promotion	730,000	730,000		
DHS - Rural Hospital Prenatal Equipment	500,000	500,000		
DIFI - Mental Health Parity Implementation Costs	250,000			
SFB - Building Renewal Grants	90,832,100			
SFB - New School Construction (FY 20 Authorization)	45,805,900			
SFB - New School Construction (FY 21 Authorization)	12,980,900	11,730,900		
SFB - New School Construction (FY 22 Authorization)		63,879,800	29,164,300	
SFB - New School Construction (FY 23 Authorization)			17,238,200	17,238,200
SFB - New School Construction (FY 24 Authorization)				20,188,800
Other - HITF Deposit	22,000,000			
<b>Subtotal - Operating Funding</b>	<b>\$ 275,373,600</b>	<b>\$ 152,015,300</b>	<b>\$ 46,402,500</b>	<b>\$ 37,427,000</b>
<b>27th Pay Period (Enacted)</b>	<b>\$ 43,078,600</b>	<b>\$ 20,052,100</b>		
<b>AHCCCS/DES/DCS One-Time FMAP Savings</b>	<b>\$ (297,940,800)</b>			
<b>ADE One-Time Enrollment Savings</b>	<b>\$ (300,714,800)</b>			
<b>Reduce K-12 Rollover (Enacted)</b>		<b>\$ 30,000,000</b>		
<b>Capital Outlay</b>				
Capital - ADC - Lewis/Yuma Locks, Fire, HVAC	11,000,000			
<b>Subtotal - Capital Outlay</b>	<b>\$ 11,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total - One-time Spending</b>	<b>\$ (269,203,400)</b>	<b>\$ 202,067,400</b>	<b>\$ 46,402,500</b>	<b>\$ 37,427,000</b>

1/ The displayed amounts reflect one-time General Funding spending items included in the FY 2021 enacted budget's multi-year budget projections. The Legislature makes the one-time classification as part of its 3-year spending plan. These items are not included in the ongoing agency spending amounts listed on pages S-7 and S-8.

## FY 2022 FUNDING FORMULA SUSPENSIONS 1/

	FY 2022 Formula Requirement
<b><u>Statutory</u></b>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 11,112,800 <u>2/</u>
Community Colleges - Operating State Aid	N/A <u>3/</u>
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	5,000,000 <u>4/</u>
Universities - Arizona Financial Aid Trust	32,931,000 <u>5/ 6/</u>
Total - FY 2022 Statutory Funding Formula Suspensions	\$ 49,043,800
<b><u>Non-Statutory</u></b>	
Department of Administration - Building Renewal	\$ 33,831,400 <u>6/</u>
Department of Corrections - Building Renewal	22,605,800 <u>6/</u>
Universities - Building Renewal	186,100,000 <u>6/</u>
Total - FY 2022 Non-Statutory Funding Formula Suspensions	\$ 242,537,200

1/ Represents the General Fund cost of funding formulas that are currently suspended on an annual basis.

2/ Represents unfunded STEM and Workforce Programs formula amounts of \$618,100 (86.5%) for Pinal, \$1,771,700 (81.6%) for Pima, and \$8,723,000 (84.5%) for Maricopa.

3/ The dollar value of the suspensions of Operating State Aid for Maricopa and Pima Community Colleges is unknown because 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 2021.

4/ A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2022 Baseline provides a total of \$10,000,000 from the General Fund in FY 2022 as designated in the FY 2021 budget's 3-year budget plan. The \$10,000,000 allocation is presumed to leave \$5,000,000 of the formula suspended.

5/ Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2022 General Fund contribution would be \$42,972,200. Of this amount, the Baseline assumes the continuation of \$10,041,200 in General Fund support.

6/ Based on agency estimates. Reflects amount above the appropriation in the FY 2022 Baseline.

## Summary of FY 2022 Baseline Revenue and Spending Assumptions

### General Fund Cash Balances

- Depending on the forecast, FY 2021 General Fund revenues would range from \$12.6 billion to \$12.9 billion. Given spending of \$11.1 billion, FY 2021 has a projected cash balance between \$1.5 billion and \$1.8 billion.
- General Fund revenues in FY 2022 are projected to range from \$13.9 billion to \$14.3 billion. Given spending of \$12.3 billion, the Baseline has a projected FY 2022 cash balance between \$1.6 billion and \$2.0 billion.

### Available General Fund Dollars in the FY 2022 Budget Process

- Under the Baseline projections, the Legislature would have the ability to dedicate \$300 million to \$400 million of the balance to ongoing initiatives without creating a shortfall through the 3-year planning period. The specific number will depend on the level of the revenue forecast.
- The remaining \$1.3 billion to \$1.6 billion of the Baseline balance would be available for one-time purposes.

### Budget Stabilization Fund

- The Budget Stabilization Fund will have an estimated balance of \$993 million in FY 2022. These monies are separate from any General Fund balance.

### General Fund Baseline Revenues

- Projected FY 2022 revenues range from \$13.9 billion and \$14.3 billion, based on the following assumptions:
  - ⇒ The lower end of the range represents the 4-sector estimate, including 2 University of Arizona econometric models, the Finance Advisory Committee panelists, and the JLBC Staff. The higher end of the range reflects just the JLBC Staff sector.
  - ⇒ The primary difference in the 2 forecasts revolves around FY 2021. After adjusting for the income tax deferral at the beginning of FY 2021, year-to-date revenue growth is 8.6%. To achieve the 4-sector forecast, revenues would have to decline (3.6)% for the remainder of this year. Revenues would grow by 1.3% under the JLBC Staff forecast.
  - ⇒ Given the year-to-date growth, the 4-sector forecast appears unrealistically low.

### General Fund Baseline Spending

- FY 2022 General Fund Baseline spending is projected to be \$12.3 billion, an increase of \$602 million, or 5.1%, above FY 2021. This increase consists of:
  - ⇒ A \$729 million increase in ongoing spending.
  - ⇒ A \$(127) million decrease in one-time spending.
- Compared to the original FY 2021 budget, the revised FY 2021 Baseline spending level would decline by \$(298) million for federal Medicaid match rate savings and a \$(301) million reduction due to lower K-12 enrollment.
- The entire FY 2022 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$50.0 billion.

### Education

#### **Department of Education**

- ADE General Fund spending increases by \$238.6 million, or 4.3%, including:
  - ⇒ \$87.0 million for 0.6% unweighted student growth (1.0% weighted) for a total unweighted student count of 1.13 million (1.56 million weighted). These estimates do not account for changes in student enrollment associated with the COVID-19 pandemic.
  - ⇒ \$88.0 million for a 1.23% inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
  - ⇒ \$67.8 million for an increase in Additional Assistance funding as required by last year's budget. This adjustment would result in full funding of Additional Assistance for the first time since FY 2008.
  - ⇒ \$30.0 million to eliminate the rollover for districts with between 600 and 1,350 ADM (previously enacted).
  - ⇒ \$(53.7) million for growth in property taxes from new construction.
  - ⇒ \$26.4 million for Empowerment Scholarship Account (ESA) caseload growth.
  - ⇒ \$(6.9) million for other adjustments.
- The Baseline includes an ex-appropriation of \$(300.7) million in FY 2021 for Basic State Aid savings associated with lower-than-budgeted enrollment. These savings do not include an adjustment related to distance learning, which is funded at 95% of in-person learning. The distance learning savings may approach another \$(200) million, but will not be known

with greater certainty until later in the year. The ex-appropriation would permit the legislature to determine whether to return the savings to the general fund or reallocate the monies for another purpose.

- The Baseline continues to defer \$900.7 million in General Fund spending for school district payments from FY 2022 to FY 2023.

#### **School Facilities Board**

- SFB General Fund spending decreases by \$(74.0) million, or (31.4)% including:
  - ⇒ \$(90.8) million for a decrease in one-time building renewal grant monies.
  - ⇒ \$16.8 million for an increase in the number of newly constructed schools. The Baseline funds a total of \$75.6 million for new construction, which includes \$11.7 million for the second and final year of new FY 2021 authorizations and \$63.9 million for the first year of 5 new FY 2022 authorizations.

#### **Universities**

- University General Fund spending increases by \$495,600, or 0.07%, for adjustments to capital appropriations.
- Fall 2020 enrollment increased by 6,371 full-time equivalent students, or 3.5% above 2019, for a total enrollment of 190,931.

#### **Community Colleges**

- Community College General Fund spending increases by \$1.8 million, or 2.8%, for formula growth.
- The Community College funding formula is based on student counts from 2 years prior. FY 2020 rural district enrollment decreased by (782) full-time equivalent students, or (2.8)%, for a total enrollment of 26,826. Including the Maricopa and Pima districts, total enrollment decreased by (992), or (0.9)%, for total enrollment of 108,172.

### **Health and Welfare**

#### **AHCCCS**

- AHCCCS General Fund spending increases by \$223.3 million, or 11.4%, including:
  - ⇒ \$228.3 million for formula adjustments, including flat enrollment growth for most populations and a 3.0% capitation rate increase.
  - ⇒ \$3.0 million for an increase in Graduate Medical Education funding in health professional shortage areas, as agreed to in the FY 2020 budget's 3-year spending plan.
  - ⇒ \$(8.0) million for removal of one-time funding of Behavioral Health Services in School for low-income, non-Medicaid students.
- The Baseline includes an ex-appropriation of \$(297.9) million in FY 2021 for savings associated with the 6.2% enhanced federal match rate authorized by the Families First Coronavirus Response Act, including \$(204.3) million from AHCCCS, \$(79.0) from DES, and \$(14.6) million from DCS. The Baseline assumes the enhanced federal match rate will be in effect through March 31, 2021. Savings may increase if the federal public health emergency is extended.
- AHCCCS enrollment is projected to grow to 2.1 million by June 2021. This level represents a caseload increase of 256,600, or 14.2%, above June 2020. In FY 2022, enrollment is expected to remain flat for all populations except ALTCS, which is projected to grow by 0.5%. There is no material change to enrollment between June 2021 and June 2022.

#### **Department of Child Safety**

- DCS General Fund spending remains unchanged in the FY 2022 Baseline.
- The FY 2021 budget sets a DCS benchmark of having fewer than 13,964 children in out-of-home care. As of September 2020, there were 14,373 children in out-of-home care.

#### **Department of Economic Security**

- DES General Fund spending increases by \$89.1 million, or 11.0%, for Developmental Disabilities (DD) formula adjustments, including 5.0% enrollment growth and a 3.0% capitation rate increase.
- Medicaid Developmental Disability caseloads are projected to grow to 37,446 by June 2021. This level represents a caseload increase of 1,672, or 4.7%, above June 2020. Caseloads are projected to increase to 39,339 by June 2022, or an additional 5.1% above June 2021.

### **Criminal Justice/Public Safety**

#### **Department of Corrections**

- ADC General Fund spending remains unchanged in the FY 2022 Baseline.

## **Judiciary**

- Judiciary General Fund spending remains unchanged in the FY 2022 Baseline.

## **Department of Juvenile Corrections**

- DJC General Fund spending remains unchanged in the FY 2022 Baseline.

## **Department of Public Safety**

- DPS General Fund spending increases by \$160.7 million, or 176.3%, to backfill the lost revenues from the Highway Safety Fee in the Highway Patrol Budget. Under current law, the existing \$32 Highway Safety Fee is repealed as of June 2021.

## **Natural Resources**

### **Department of Water Resources**

- DWR General Fund spending remains unchanged.
- The FY 2022 Baseline includes \$20 million in revenue as a result of the repayment of an FY 2020 appropriation for the rehabilitation of wells and related infrastructure within qualifying irrigation districts. The FY 2020 budget required repayment by FY 2022.

## **Local Issues**

- 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 2020 Decennial Census data is estimated to be available between February and April 2021. The Legislature may choose to update the reference to the 2020 Decennial Census, which could result in different allocations in FY 2022.
- The Baseline continues to appropriate \$3.0 million for distribution to counties to offset increased Elected Officials' Retirement Plan (EORP) liabilities.

## **State Employee Issues**

### **FTE Positions**

- The Baseline increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 0.5 FTE Positions in FY 2022. These adjustments would bring the total FTE Position ceiling to 53,620.4 in FY 2022.

### **Statewide Adjustments**

- The Baseline includes a decrease of \$(22.0) million from the General Fund and \$(43.5) million in Total Funds for the removal of a one-time FY 2021 health insurance adjustment.
- The Baseline includes a one-time decrease of \$(43.1) million for costs of the 27<sup>th</sup> pay period in FY 2021. Approximately every 10 years, the state has 27 pay periods in a fiscal year rather than 26. Universities will receive a separate appropriation of \$20.1 million for their 27<sup>th</sup> pay period in FY 2022, for a net spending change of \$(23.0) million in FY 2022.

## **Capital**

- The Baseline includes \$36.1 million from Other Funds for building renewal and capital projects at ADC, Arizona Department of Transportation (ADOT), Arizona Department of Administration (ADOA), Game and Fish, and the State Lottery.
- The Baseline eliminates \$(30.0) million for one-time lock and fire alarm replacements at ADC, which consists of \$(11.0) million from the General Fund and \$(19.0) million from Other Funds.

## **Revertments**

- Administrative adjustments represent a statewide estimate of obligations from one fiscal year paid in the next year. The Baseline assumes administrative adjustments of \$120 million in FY 2022, or an increase of \$65 million compared to the FY 2021. These additional administrative adjustments are due to expected increase in revertments at the end of FY 2021.
- Revertments reflect unexpended General Fund appropriations at the end of a fiscal year. The Baseline assumes revertments of \$(192) million in FY 2022, or an increase of \$(42) million from FY 2021. These additional revertments are expected to return to more normal levels in FY 2022.
- The Baseline assumes FY 2021 administrative adjustments of \$55 million and revertments of \$(150) million.

## FY 2022 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2021 Estimate	GF FY 2022 Baseline	GF FY 2022 Baseline - FY 2021
<b><u>BUDGET UNITS</u></b>			
Administration, Arizona Department of	\$8,209,900	\$8,209,900	\$0
Administrative Hearings, Office of	921,500	921,500	0
African-American Affairs, Arizona Commission of	133,200	133,200	0
Agriculture, Arizona Department of	10,492,200	10,492,200	0
AHCCCS	1,951,981,100	2,175,273,400	223,292,300
Attorney General - Department of Law	25,411,000	25,411,000	0
Charter Schools, State Board for	2,152,100	2,152,100	0
Child Safety, Department of	387,893,000	387,893,000	0
Commerce Authority, Arizona	16,175,000	16,175,000	0
Community Colleges, Arizona	64,895,400 <u>1/</u>	66,725,600	1,830,200
Corporation Commission	647,100	647,100	0
Corrections, State Department of	1,205,396,200	1,205,396,200	0
County Funding	10,650,700	10,650,700	0
Deaf and the Blind, Schools for the	23,865,500	23,865,500	0
Economic Opportunity, Office of	485,500	485,500	0
Economic Security, Department of	812,054,300	901,142,500	89,088,200
Education, State Board of	1,334,300	1,334,300	0
Education, Department of	5,599,591,900	5,838,170,300	238,578,400
Emergency and Military Affairs, Department of	12,373,000	12,373,000	0
Environmental Quality, Department of	15,000,000	10,000,000	(5,000,000)
Equalization, State Board of	673,200	673,200	0
Executive Clemency, Board of	1,184,500	1,184,500	0
Forestry and Fire Management, Arizona Department of	13,399,600	13,399,600	0
Gaming, Department of	2,509,500	2,509,500	0
Governor, Office of the	8,924,800	8,924,800	0
Governor's Office of Strategic Planning and Budgeting	2,765,100	2,765,100	0
Health Services, Department of	95,897,900	95,897,900	0
Historical Society, Arizona	3,195,600	3,195,600	0
Historical Society, Prescott	867,700	867,700	0
Independent Redistricting Commission	500,000	3,000,000	2,500,000
Insurance and Financial Institutions, Department of	8,090,700	7,840,700	(250,000)
Judiciary			
Supreme Court	21,399,300	21,399,300	0
Court of Appeals	17,179,600	17,179,600	0
Superior Court	98,194,300	98,194,300	0
SUBTOTAL - Judiciary	<u>136,773,200</u>	<u>136,773,200</u>	<u>0</u>
Juvenile Corrections, Department of	30,616,200	30,616,200	0
Land Department, State	12,563,800	12,467,500	(96,300)
Legislature			
Auditor General	20,991,500	20,991,500	0
House of Representatives	16,830,000	16,830,000	0
Joint Legislative Budget Committee	2,934,700	2,934,700	0
Legislative Council	9,026,600	9,026,600	0
Senate	13,253,900	13,253,900	0
SUBTOTAL - Legislature	<u>63,036,700</u>	<u>63,036,700</u>	<u>0</u>
Mine Inspector, State	1,301,900	1,301,900	0
Navigable Stream Adjudication Commission	133,000	133,000	0
Postsecondary Education, Commission for	1,680,900	1,680,900	0
Public Safety, Department of	91,138,000	251,847,300	160,709,300
Public Safety Personnel Retirement System	6,000,000	6,000,000	0
Real Estate Department, State	2,997,600	2,997,600	0
Revenue, Department of	31,799,500	31,799,500	0
School Facilities Board	235,235,700	161,226,500	(74,009,200)
Secretary of State	17,263,600	13,263,600	(4,000,000)
Tax Appeals, State Board of	292,200	292,200	0
Tourism, Office of	8,335,100	8,335,100	0
Treasurer, State	1,548,800	3,048,800	1,500,000
Tribal Relations, Governor's Office on	64,700	64,700	0
Universities			
Board of Regents	22,480,000	22,480,000	0

	GF FY 2021 Estimate	GF FY 2022 Baseline	GF FY 2022 Baseline - FY 2021
Arizona State University	324,717,400	324,862,900	145,500
Northern Arizona University	109,804,600	110,022,600	218,000
University of Arizona - Main Campus	207,722,200	207,854,300	132,100
University of Arizona - Health Sciences Center	76,897,700	76,897,700	0
<b>SUBTOTAL - Universities</b>	<b>741,621,900</b>	<b>742,117,500</b>	<b>495,600</b>
Veterans' Services, Department of	7,983,500	7,983,500	0
Water Resources, Department of	14,731,600	14,731,600	0
<b>OPERATING BUDGET TOTAL</b>	<b>\$11,692,789,400</b>	<b>\$12,327,427,900</b>	<b>\$634,638,500</b>
FY 2020 Supplemental/Ex-Appropriation <u>2/</u>	(598,655,600)	0	598,655,600
Remove One-Time '21 Agency Health Insurance Adjustments	0	(20,281,100)	(20,281,100)
Unallocated '21 One-Time Agency Health Insurance	1,718,900	0	(1,718,900)
Remove One-Time '21 Agency 27th Pay Period Funding	0	(43,078,600)	(43,078,600)
University (27th) Pay Period	0	20,052,100	20,052,100
Unallocated '21 Retirement Rate Adjustments	100	0	(100)
Capital Outlay - 2010 Leaseback Debt Service	53,701,800	53,703,900	2,100
Capital Outlay - Phoenix Convention Center Debt Service	23,997,900	24,498,500	500,600
Capital Outlay - Rio Nuevo District <u>3/</u>	16,000,000	16,000,000	0
Capital Outlay	11,000,000	0	(11,000,000)
Administrative Adjustments	55,000,000	120,000,000	65,000,000
Revertments	(150,000,000)	(192,000,000)	(42,000,000)
<b>GRAND TOTAL</b>	<b>\$11,105,552,500</b>	<b>\$12,306,322,700</b>	<b>\$1,200,770,200</b>

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

2/ Please see page S-30 for individual agency detail.

3/ Represents an estimated cost.

## FY 2022 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2021 Estimate	OF FY 2022 Baseline	OF FY 2022 Baseline - FY 2021
<b><u>BUDGET UNITS</u></b>			
Accountancy, State Board of			
Board of Accountancy Fund	\$2,098,500	\$2,098,500	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	180,700	180,700	0
Administration, Arizona Department of			
Air Quality Fund	927,300	927,300	0
Arizona Financial Information System Collections Fund	9,549,100	9,549,100	0
Automation Operations Fund	31,275,400	31,275,400	0
Capital Outlay Stabilization Fund	18,749,800	18,749,800	0
Corrections Fund	593,000	593,000	0
Federal Surplus Materials Revolving Fund	467,400	467,400	0
Information Technology Fund	8,566,400	8,566,400	0
Motor Vehicle Pool Revolving Fund	10,199,700	10,199,700	0
Personnel Division Fund	13,056,800	13,056,800	0
Risk Management Revolving Fund	94,772,900	94,772,900	0
Special Employee Health Insurance Trust Fund	5,449,100	5,449,100	0
Special Services Revolving Fund	1,172,800	1,172,800	0
State Surplus Materials Revolving Fund	3,003,200	3,003,200	0
State Web Portal Fund	6,705,100	6,705,100	0
Telecommunications Fund	1,693,600	1,693,600	0
Total - Arizona Department of Administration	206,181,600	206,181,600	0
Administration, Arizona Department of - Automation Projects Fund			
Automation Projects Fund	4,992,800	0	(4,992,800)
Agriculture, Arizona Department of			
Air Quality Fund	1,499,100	1,499,100	0
Nuclear Emergency Management Fund	280,500	201,500	(79,000)
Total - Arizona Department of Agriculture	1,779,600	1,700,600	(79,000)
AHCCCS			
Budget Neutrality Compliance Fund	4,037,400	4,076,200	38,800
Children's Health Insurance Program Fund	81,348,200	112,306,400	30,958,200
Prescription Drug Rebate Fund - State	148,459,600	148,459,600	0
Substance Abuse Services Fund	2,250,200	2,250,200	0
Tobacco Products Tax Fund			
Emergency Health Services Account	16,216,300	17,921,600	1,705,300
Tobacco Tax and Health Care Fund			
Medically Needy Account	65,627,200	69,002,100	3,374,900
Total - AHCCCS	317,938,900	354,016,100	36,077,200
Athletic Training, Board of			
Athletic Training Fund	130,500	130,500	0
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	152,500	152,500	0
Attorney General Legal Services Cost Allocation Fund	2,166,600	2,166,600	0
Collection Enforcement Revolving Fund	7,132,700	7,132,700	0
Consumer Protection-Consumer Fraud Rev. Fund	10,889,300	12,289,300	1,400,000
Interagency Service Agreements Fund	16,980,500	16,980,500	0
Internet Crimes Against Children Enforcement Fund	900,000	900,000	0
Risk Management Revolving Fund	9,927,300	9,927,300	0
Victims' Rights Fund	3,783,300	3,783,300	0
Total - Attorney General - Department of Law	51,932,200	53,332,200	1,400,000
Barbers, Board of			
Board of Barbers Fund	419,200	419,200	0
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,818,200	1,818,200	0
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,300	1,459,300	0
Children and Family Services Training Program Fund	217,000	217,000	0
Federal Child Care and Development Fund Block Grant	35,400,000	35,400,000	0
Federal Temporary Assistance for Needy Families Block Grant	159,091,100	159,091,100	0

	OF FY 2021 Estimate	OF FY 2022 Baseline	OF FY 2022 Baseline - FY 2021
Risk Management Revolving Fund	2,602,000	0	(2,602,000)
Total - Department of Child Safety	198,769,400	196,167,400	(2,602,000)
Chiropractic Examiners, State Board of			
Board of Chiropractic Examiners Fund	450,600	450,600	0
Contractors, Registrar of			
Registrar of Contractors Fund	12,690,000	12,690,000	0
Corporation Commission			
Arizona Arts Trust Fund	52,600	52,600	0
Investment Management Regulatory and Enforcement Fund	745,500	745,500	0
Public Access Fund	6,976,200	6,976,200	0
Securities Regulatory and Enforcement Fund	5,286,100	5,286,100	0
Utility Regulation Revolving Fund	14,932,600	14,932,600	0
Total - Corporation Commission	27,993,000	27,993,000	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	1,341,300	1,341,300	0
Penitentiary Land Fund	2,804,000	2,804,000	0
Prison Construction and Operations Fund	12,500,000	12,500,000	0
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,800	2,661,800	0
State Education Fund for Correctional Education	769,600	769,600	0
Transition Program Fund	2,400,100	2,400,100	0
Total - State Department of Corrections	53,344,600	53,344,600	0
Cosmetology, Board of			
Board of Cosmetology Fund	1,897,400	1,897,400	0
County Funding			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	0	(500,000)
Criminal Justice Commission, Arizona			
Criminal Justice Enhancement Fund	668,500	668,500	0
Drug and Gang Prevention Resource Center Fund	624,200	624,200	0
Fingerprint Clearance Card Fund	600,000	0	(600,000)
State Aid to County Attorneys Fund	973,700	973,700	0
Victim Compensation and Assistance Fund	4,229,900	4,229,900	0
Total - Arizona Criminal Justice Commission	7,096,300	6,496,300	(600,000)
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	13,388,300	14,316,700	928,400
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,685,900	4,685,900	0
Dental Examiners, State Board of Dental Board Fund	1,261,200	1,261,200	0
Economic Security, Department of			
Child Support Enforcement Administration Fund	17,531,300	17,531,300	0
Domestic Violence Services Fund	4,000,000	4,000,000	0
Federal Child Care and Development Fund Block Grant	181,557,800	197,876,800	16,319,000
Federal Temporary Assistance for Needy Families Block Grant	65,839,800	65,839,800	0
Long Term Care System Fund	26,563,800	27,360,700	796,900
Public Assistance Collections Fund	423,600	423,600	0
Special Administration Fund	4,550,000	4,550,000	0
Spinal and Head Injuries Trust Fund	2,340,200	2,340,200	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,085,500	56,085,500	0
Total - Department of Economic Security	359,892,000	377,007,900	17,115,900
Education, Department of			
Department of Education Professional Development Revolving Fund	2,700,000	2,700,000	0
Permanent State School Fund	309,612,600	309,832,400	9,219,800
Proposition 301 Fund	7,000,000	7,000,000	0
Teacher Certification Fund	2,420,700	2,420,700	0

	OF FY 2021 Estimate	OF FY 2022 Baseline	OF FY 2022 Baseline - FY 2021
Tribal College Dual Enrollment Program Fund	250,000	250,000	0
Total - Department of Education	312,983,300	322,203,100	9,219,800
Emergency and Military Affairs, Department of			
Nuclear Emergency Management Fund	1,506,100	1,930,400	424,300
Environmental Quality, Department of			
Air Quality Fund	5,472,400	5,472,400	0
Emergency Response Fund	132,800	132,800	0
Emissions Inspection Fund	26,665,800	26,665,800	0
Hazardous Waste Management Fund	1,785,000	1,785,000	0
Indirect Cost Recovery Fund	14,025,500	14,025,500	0
Permit Administration Fund	7,327,100	7,327,100	0
Recycling Fund	1,396,800	1,396,800	0
Safe Drinking Water Program Fund	1,854,700	1,854,700	0
Solid Waste Fee Fund	1,280,700	1,280,700	0
Underground Storage Tank Fund Revolving Fund	160,800	160,800	0
Water Quality Fee Fund	10,806,300	10,806,300	0
Total - Department of Environmental Quality	70,907,900	70,907,900	0
Equal Opportunity, Governor's Office of			
Personnel Fund	197,700	197,700	0
Exposition and State Fair Board, Arizona			
Arizona Exposition and State Fair Fund	13,523,700	13,523,700	0
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors' and Embalmers' Fund	401,100	401,100	0
Game and Fish Department, Arizona			
Capital Improvement Fund	1,001,200	1,001,200	0
Game and Fish Fund	39,703,700	39,703,700	0
Game, Nongame, Fish and Endangered Species Fund	357,900	357,900	0
Watercraft Licensing Fund	4,991,400	4,991,400	0
Wildlife Endowment Fund	16,200	16,200	0
Total - Arizona Game and Fish Department	46,070,400	46,070,400	0
Gaming, Department of			
Tribal-State Compact Fund	2,176,500	2,176,500	0
Racing Regulation Fund	2,466,000	2,466,000	0
Racing Regulation Fund - Uarmed Combat Subaccount	102,300	102,300	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	11,243,500	12,012,100	768,600
Total - Department of Gaming	16,288,300	17,056,900	768,600
Health Services, Department of			
Arizona State Hospital Fund	2,573,400	2,573,400	0
ASH Land Earnings Fund	650,000	650,000	0
Child Fatality Review Fund	99,200	99,200	0
Disease Control Research Fund	1,000,000	1,000,000	0
Emergency Medical Services Operating Fund	5,841,900	5,841,900	0
Environmental Laboratory Licensure Revolving Fund	952,000	952,000	0
Federal Child Care and Development Fund Block Grant	911,500	911,500	0
Health Services Licensing Fund	16,241,300	16,241,300	0
Health Services Lottery Monies Fund	100,000	100,000	0
Indirect Cost Fund	10,678,600	10,678,600	0
Newborn Screening Program Fund	7,741,200	7,741,200	0
Nuclear Emergency Management Fund	789,700	0	(789,700)
Nursing Care Institution Resident Protection Revolving Fund	138,200	138,200	0
Tobacco Tax and Health Care Fund Health Research Account	3,000,000	3,000,000	0
Tobacco Tax and Health Care Fund Medically Needy Account	700,000	700,000	0
Vital Records Electronic Systems Fund	3,701,700	3,701,700	0
Total - Department of Health Services	55,118,700	54,329,000	(789,700)
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine			

	OF FY 2021 Estimate	OF FY 2022 Baseline	OF FY 2022 Baseline - FY 2021
Examiners' Fund	46,600	46,600	0
Housing, Department of			
Housing Trust Fund	332,500	332,500	0
Industrial Commission of Arizona			
Administrative Fund	20,593,100	20,593,100	0
Insurance and Financial Institutions, Department of			
Automobile Theft Authority Fund	5,330,000	5,330,000	0
Financial Services Fund	4,157,400	4,157,400	0
Department Revolving Fund	50,300	50,300	0
Total - Department of Insurance and Financial Institutions	9,537,700	9,537,700	0
Judiciary - Supreme Court			
Confidential Intermediary and Fiduciary Fund	509,400	509,400	0
Court Appointed Special Advocate Fund	3,627,500	3,627,500	0
Criminal Justice Enhancement Fund	4,497,100	4,497,100	0
Defensive Driving School Fund	4,316,900	4,316,900	0
Judicial Collection Enhancement Fund	15,198,700	15,198,700	0
State Aid to the Courts Fund	2,946,300	2,946,300	0
Total - Judiciary - Supreme Court	31,095,900	31,095,900	0
Judiciary - Superior Court			
Criminal Justice Enhancement Fund	5,475,800	5,475,800	0
Judicial Collection Enhancement Fund	6,015,200	6,015,200	0
Drug Treatment and Education Fund	503,400	503,400	0
Total - Judiciary - Superior Court	11,994,400	11,994,400	0
SUBTOTAL - Judiciary	43,090,300	43,090,300	0
Juvenile Corrections, Department of			
Criminal Justice Enhancement Fund	546,200	546,200	0
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900	8,450,900	0
State Charitable, Penal and Reformatory Institutions Land Fund	4,017,000	4,017,000	0
State Education Fund for Committed Youth	1,986,000	1,986,000	0
Total - Department of Juvenile Corrections	15,000,100	15,000,100	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	7,320,100	7,320,100	0
Total - State Land Department	8,080,700	8,080,700	0
Liquor Licenses and Control, Department of			
Liquor Licenses Fund	3,498,200	3,498,200	0
Lottery Commission, Arizona State			
State Lottery Fund	160,117,200 <sup>1/</sup>	152,195,900	(7,921,300)
Massage Therapy, Board of			
Board of Massage Therapy Fund	486,100	486,100	0
Medical Board, Arizona			
Arizona Medical Board Fund	7,227,700	7,227,700	0
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,900	112,900	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	197,600	197,600	0
Navigable Stream Adjudication Commission			
Arizona Water Banking Fund	200,000	200,000	0
Nursing, State Board of			
Board of Nursing Fund	4,927,500	4,927,500	0
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	470,400	470,400	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	204,700	204,700	0
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	159,700	159,700	0
Optometry, State Board of			
Board of Optometry Fund	248,200	248,200	0
Osteopathic Examiner in Medicine and Surgery, Arizona Board of			

	OF FY 2021 Estimate	OF FY 2022 Baseline	OF FY 2022 Baseline - FY 2021
Board of Osteopathic Examiners in Medicine and Surgery Fund	1,038,000	1,038,000	0
Parks Board, Arizona State State Parks Revenue Fund	16,472,800	16,472,800	0
Personnel Board, State Personnel Board Subaccount of the Personnel Division Fund	332,500	332,500	0
Pharmacy, Arizona State Board of Arizona State Board of Pharmacy Fund	2,689,600	2,689,600	0
Physical Therapy, Board of Board of Physical Therapy Fund	513,900	513,900	0
Pioneers' Home, Arizona Miners' Hospital for Miners with Disabilities Land Fund	2,137,500	2,137,500	0
State Charitable Fund	4,658,500	4,658,500	0
Total - Arizona Pioneers' Home	<u>6,796,000</u>	<u>6,796,000</u>	<u>0</u>
Podiatry Examiners, State Board of Podiatry Fund	171,600	171,600	0
Postsecondary Education, Commission for Postsecondary Education Fund	1,543,700	1,543,700	0
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	436,300	436,300	0
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	529,900	529,900	0
Public Safety, Department of Arizona Highway Patrol Fund	200,822,700	32,262,500	(168,560,200)
Concealed Weapons Permit Fund	2,831,200	2,831,200	0
Criminal Justice Enhancement Fund	2,999,700	2,999,700	0
DPS Forensics Fund	23,235,600	23,235,600	0
Fingerprint Clearance Card Fund	1,596,100	1,596,100	0
GIITEM Border Security and Law Enforcement Subaccount	2,411,600	2,411,600	0
Motor Vehicle Liability Insurance Enforcement Fund	1,302,700	1,302,700	0
Motorcycle Safety Fund	205,000	205,000	0
Parity Compensation Fund	4,175,500	4,175,500	0
Public Safety Equipment Fund	2,893,700	2,893,700	0
Risk Management Revolving Fund	1,408,600	1,408,600	0
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	1,715,100	1,715,100	0
State Aid to Indigent Defense Fund	700,000	700,000	0
State Highway Fund	318,200	8,169,100	7,850,900
Total - Department of Public Safety	<u>246,615,700</u>	<u>85,906,400</u>	<u>(160,709,300)</u>
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,388,900	1,388,900	0
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners Fund	333,300	333,300	0
Retirement System, Arizona State Long-Term Disability Trust Fund Administration Account	1,800,000	1,800,000	0
Arizona State Retirement System Administration Account	23,120,800	23,120,800	0
Total - Arizona State Retirement System	<u>24,920,800</u>	<u>24,920,800</u>	<u>0</u>
Revenue, Department of Department of Revenue Administrative Fund	47,473,000	47,572,000	99,000
Liability Setoff Program Revolving Fund	815,500	815,500	0
Tobacco Tax and Health Care Fund	694,700	694,700	0
Total - Department of Revenue	<u>48,983,200</u>	<u>49,082,200</u>	<u>99,000</u>
Secretary of State Records Services Fund	744,800	744,800	0
Technical Registration, State Board of Technical Registration Fund	2,263,100	2,263,100	0
Transportation, Department of			

	OF FY 2021 Estimate	OF FY 2022 Baseline	OF FY 2022 Baseline - FY 2021
Air Quality Fund	326,000	326,000	0
Highway User Revenue Fund	679,900	679,900	0
Highway Damage Recovery Account	8,000,000	8,000,000	0
Ignition Interlock Device Fund	332,800	332,800	0
Motor Vehicle Pool Consolidation Fund	0	7,041,000	7,041,000
Motor Vehicle Liability Insurance Enforcement Fund	1,781,800	1,781,800	0
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	896,000	896,000	0
State Aviation Fund	2,064,800	2,064,800	0
State Highway Fund	406,793,900	406,793,900	0
Transportation Department Equipment Fund	19,167,800	19,167,800	0
Vehicle Inspection and Certificate of Title Enforcement Fund	2,143,200	2,143,200	0
Total - Department of Transportation	442,186,200	449,227,200	7,041,000
Treasurer, State			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	0
State Treasurer's Operating Fund	3,457,000	3,457,000	0
Total - State Treasurer	5,640,800	5,640,800	0
<i>Universities</i>			
Arizona State University			
Technology and Research Initiative Fund	3,600,000	0	(3,600,000)
University Collections Fund	603,575,900 <sup>2/</sup>	603,575,900	0
Total - Arizona State University	607,175,900	603,575,900	(3,600,000)
Northern Arizona University			
University Collections Fund	138,921,300 <sup>2/</sup>	138,921,300	0
University of Arizona - Main Campus			
University Collections Fund	240,586,500 <sup>2/</sup>	240,586,500	0
University of Arizona - Health Sciences Center			
University Collections Fund	56,863,400 <sup>2/</sup>	56,863,400	0
SUBTOTAL - Universities	1,043,547,100	1,039,947,100	(3,600,000)
Veterans' Services, Department of			
State Homes for Veterans Trust Fund	39,887,100	46,102,900	6,215,800
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	618,300	618,300	0
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	276,700	276,700	0
Water Resources Fund	977,700	977,700	0
Water Banking Fund	1,212,400	1,212,400	0
Total - Department of Water Resources	2,466,800	2,466,800	0
<b>OPERATING BUDGET TOTAL</b>	<b>\$3,951,089,700</b>	<b>\$3,848,585,600</b>	<b>(\$102,504,100)</b>
FY 2021 Supplemental/Ex-Appropriation <sup>3/</sup>	102,084,000	0	(102,084,000)
University (27th) Pay Period	0	36,887,300	36,887,300
Remove One-Time '21 Agency 27th Pay Period Funding	0	(30,400,000)	(30,400,000)
Unallocated '21 (27th) Pay Period	1,136,600	0	(1,136,600)
Unallocated '21 Retirement Rate Adjustments	986,200	0	(986,200)
Remove One-Time '20 Agency Health Insurance Adjustments	(75,900)	0	75,900
Remove One-Time '21 Agency Health Insurance	0	(18,284,300)	(18,284,300)
Unallocated '21 One-Time Agency Health Insurance	3,215,700	0	(3,215,700)
Capital Outlay - Building Renewal/Projects	509,683,600	468,222,200	(41,461,400)
<b>GRAND TOTAL</b>	<b>\$4,568,119,900</b>	<b>\$4,305,010,800</b>	<b>(\$263,109,100)</b>

<sup>1/</sup> Revised Lottery forecast.

<sup>2/</sup> Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2021. A footnote in the FY 2021 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

<sup>3/</sup> Please see page S-30 for individual agency detail.

## DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2021 GF Adj. Appropriation	FY 22 Baseline 1/ Above FY 21	FY 2022 GF JLBC Baseline
<b>OPERATING SPENDING CHANGES</b>			
<b>DOA - Arizona Department of Administration</b>	8,209,900		8,209,900
<b>OAH - Office of Administrative Hearings</b>	921,500		921,500
<b>AAM - Commission of African-American Affairs</b>	133,200		133,200
<b>AGR - Department of Agriculture</b>	10,492,200		10,492,200
<b>AXS - AHCCCS</b>	1,951,981,100		2,175,273,400
AXS - Formula Changes		228,292,300	
AXS - Rural Graduate Medical Education		1,666,700	
AXS - Urban Graduate Medical Education		1,333,300	
AXS - Remove One-Time Children's Beh. Health Services Fund Deposit		(8,000,000)	
<b>ATT - Attorney General</b>	25,411,000		25,411,000
<b>CHA - State Board for Charter Schools</b>	2,152,100		2,152,100
<b>DCS - Department of Child Safety</b>	387,893,000		387,893,000
<b>ACA - Arizona Commerce Authority</b>	16,175,000		16,175,000
<b>CCO - Arizona Community Colleges</b>	64,895,400		66,725,600
CCO - Formula Changes		1,830,200	
<b>COR - Corporation Commission</b>	647,100		647,100
<b>ADC - Department of Corrections</b>	1,205,396,200		1,205,396,200
<b>CF - County Funding</b>	10,650,700		10,650,700
<b>SDB - Arizona State Schools for the Deaf and the Blind</b>	23,865,500		23,865,500
<b>OEC - Office of Economic Opportunity</b>	485,500		485,500
<b>DES - Department of Economic Security</b>	812,054,300		901,142,500
DES - Formula Adjustments		89,088,200	
<b>BOE - State Board of Education</b>	1,334,300		1,334,300
<b>ADE - Arizona Department of Education</b>	5,599,591,900		5,838,170,300
ADE - Formula Adjustments (Incl. Teacher Salary/Add'l Assistance)		208,578,400	
ADE - Reduce K-12 Rollover (Enacted)		30,000,000	
<b>EMA - Department of Emergency &amp; Military Affairs</b>	12,373,000		12,373,000
<b>DEQ - Department of Environmental Quality</b>	15,000,000		10,000,000
DEQ - Remove One-Time WQARF Funding		(5,000,000)	
<b>EQU - State Board of Equalization</b>	673,200		673,200
<b>EXE - Board of Executive Clemency</b>	1,184,500		1,184,500

	FY 2021 GF Adj. Appropriation	FY 22 Baseline 1/ Above FY 21	FY 2022 GF JLBC Baseline
FOR - Department of Forestry and Fire Management	13,399,600		13,399,600
GAM - Department of Gaming	2,509,500		2,509,500
GOV - Office of the Governor	8,924,800		8,924,800
OSP - Gov's Office of Strategic Planning & Budgeting	2,765,100		2,765,100
DHS - Department of Health Services	95,897,900		95,897,900
AZH - Arizona Historical Society	3,195,600		3,195,600
PAZ - Prescott Historical Society	867,700		867,700
IND - Independent Redistricting Commission	500,000		3,000,000
IND - 2020 Redistricting Cycle Funding		2,500,000	
DIF - Department of Insurance and Financial Institutions	8,090,700		7,840,700
DIF - Remove One-Time Mental Health Parity Implementation Costs		(250,000)	
SPA - Judiciary - Supreme Court	21,399,300		21,399,300
COA - Judiciary - Court of Appeals	17,179,600		17,179,600
SUP - Judiciary - Superior Court	98,194,300		98,194,300
DJC - Department of Juvenile Corrections	30,616,200		30,616,200
LAN - State Land Department	12,563,800		12,467,500
LAN - CAP Rate Adjustment		(96,300)	
Legislature			
AUD - Auditor General	20,991,500		20,991,500
HOU - House of Representatives	16,830,000		16,830,000
JLBC - Joint Legislative Budget Committee	2,934,700		2,934,700
LEG - Legislative Council	9,026,600		9,026,600
SEN - Senate	13,253,900		13,253,900
MIN - State Mine Inspector	1,301,900		1,301,900
NAV - Arizona Navigable Steam Adjudication Comm.	133,000		133,000
POS - Commission for Postsecondary Education	1,680,900		1,680,900
DPS - Department of Public Safety	91,138,000		251,847,300
DPS - Highway Safety Fee Repeal Budget Shift		160,709,300	
PSP - Public Safety Personnel Retirement System	6,000,000		6,000,000
REA - State Real Estate Department	2,997,600		2,997,600
REV - Department of Revenue	31,799,500		31,799,500

	FY 2021 GF Adj. Appropriation	FY 22 Baseline 1/ Above FY 21	FY 2022 GF JLBC Baseline
<b>SFB - School Facilities Board</b>	235,235,700		161,226,500
SFB - Remove New School Funding Completion (FY 20 Starts)		(45,805,900)	
SFB - Continue New School Construction Projects (FY 21 Starts)		(1,250,000)	
SFB - Begin New School Construction Projects (FY 22 Starts)		63,879,800	
SFB - Lease-Purchase Adjustment		(1,000)	
SFB - Remove One-Time Building Renewal Funding		(90,832,100)	
<b>SOS - Secretary of State</b>	17,263,600		13,263,600
SOS - Remove Election Funding (No Primary/General Election in FY 22)		(4,000,000)	
<b>TAX - State Board of Tax Appeals</b>	292,200		292,200
<b>TOU - Office of Tourism</b>	8,335,100		8,335,100
<b>TRE - State Treasurer</b>	1,548,800		3,048,800
TRE - Special Sporting Event Promotion (Enacted Thru FY 51)		1,500,000	
<b>OTR - Governor's Office on Tribal Relations</b>	64,700		64,700
<b>UNI - Universities</b>			
<b>UNI - Arizona Board of Regents</b>	22,480,000		22,480,000
UNI - Statewide Adjustments			
<b>UNI - ASU</b>	324,717,400		324,862,900
UNI - Lease Purchase Adjustment		(6,800)	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		152,300	
<b>UNI - Northern Arizona University</b>	109,804,600		110,022,600
UNI - Lease Purchase Adjustment		160,300	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		57,700	
<b>UNI - UA - Main Campus</b>	207,722,200		207,854,300
UNI - Lease Purchase Adjustment		(2,600)	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		134,700	
<b>UNI - UA - Health Sciences Center</b>	76,897,700		76,897,700
<b>VSC - Department of Veterans' Services</b>	7,983,500		7,983,500
<b>WAT - Department of Water Resources</b>	14,731,600		14,731,600
<b>OTH - Other</b>			
OTH - AHCCCS/DES/DCS One-Time FMAP Savings - Ex-Appropriation	(297,940,800)	297,940,800	0
OTH - ADE One-Time Enrollment Savings - Ex-Appropriation	(300,714,800)	300,714,800	0
OTH - Universities 27th Pay Period (Enacted)	0	20,052,100	20,052,100
OTH - Debt Service Payments	53,701,800	2,100	53,703,900
OTH - Phoenix Convention Center Debt Service	23,997,900	500,600	24,498,500
OTH - Rio Nuevo District	16,000,000		16,000,000
OTH - Remove One-Time '21 Agency 27th Pay Period Funding	0	(43,078,600)	(43,078,600)
OTH - Remove One-Time '21 Agency Health Insurance Adjustments	0	(20,281,100)	(20,281,100)
OTH - Unallocated One-Time '21 Agency Health Insurance Adjustments	1,718,900	(1,718,900)	0
OTH - Unallocated '21 Retirement Rate Adjustment	100	(100)	0
OTH - Administrative Adjustments	55,000,000	65,000,000	120,000,000
OTH - Reversions	(150,000,000)	(42,000,000)	(192,000,000)
<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>11,094,552,500</b>	<b>1,211,770,200</b>	<b>12,306,322,700</b>

	FY 2021 GF Adj. Appropriation	FY 22 Baseline <u>1/</u> Above FY 21	FY 2022 GF JLBC Baseline
<b>CAPITAL SPENDING</b>			
DOT - Interstate 17 Expansion (Enacted)	Other Fund		Other Fund
ADC - Lewis/Yuma Locks, Fire A/C	11,000,000	(11,000,000)	0
<b>TOTAL - CAPITAL SPENDING</b>	<b>11,000,000</b>	<b>(11,000,000)</b>	<b>0</b>
<b>TOTAL - ALL SPENDING</b>	<b>11,105,552,500</b>	<b>1,200,770,200</b>	<b>12,306,322,700</b>
<b>REVENUE CHANGES</b>			
<b>Ongoing Revenue</b>			
REV - Ongoing Revenue <u>2/</u>	12,192,341,900	167,782,000	12,360,123,900
<b>One-Time Revenue</b>			
REV - Beginning Balance <u>3/</u>	372,457,000	1,103,489,400	1,475,946,400
REV - Water Infrastructure Repayment	0	20,000,000	20,000,000
<b>Fund Transfers</b>			
REV - Prescription Drug Rebate Transfer	16,700,000		16,700,000
<b>TOTAL - REVENUE CHANGES <u>4/</u></b>	<b>12,581,498,900</b>	<b>1,291,271,400</b>	<b>13,872,770,300</b>
<b>ENDING BALANCE <u>5/</u></b>	<b>1,475,946,400</b>	<b>90,501,200</b>	<b>1,566,447,600</b>

1/ Represents FY 2022 Baseline cost above FY 2021 Baseline.

2/ Displayed amounts reflect ongoing revenue under the 4-Sector Consensus Forecast. For the JLBC Staff Forecast, FY 2021 and FY 2022 ongoing revenue would total \$12,492,897,500 and \$12,508,383,400, respectively.

3/ Displayed beginning balance amounts reflect estimates using the 4-Sector Consensus Forecast. Using the JLBC Staff Forecast, the FY 2022 Beginning Balance would total \$1,776,502,000.

4/ Represents all revenue changes under the 4-Sector Consensus Forecast, including fund transfers. For the JLBC Staff Forecast, FY 2021 and FY 2022 total revenue would be \$12,882,054,500 and \$14,321,585,400, respectively.

5/ Represents the projected ending balance amounts under the 4-Sector Consensus Forecast. For the JLBC Staff Forecast, the FY 2021 and FY 2022 ending balance projections are \$1,776,502,000 and \$2,015,262,700, respectively.

## DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2021 OF 1/ Adj. Appropriation	FY 22 Baseline 2/ Above FY 21	FY 2022 OF JLBC Baseline
<b>OPERATING SPENDING CHANGES</b>			
<b>SBA - State Board of Accountancy</b>	2,098,500		2,098,500
<b>ACU - Acupuncture Board of Examiners</b>	180,700		180,700
<b>DOA - Arizona Department of Administration</b>	206,181,600		206,181,600
<b>APF - Automation Projects Fund/ADOA</b>	4,992,800		0
APF - Complete Child Safety - CHILDS Replacement		(4,992,800)	
<b>AGR - Department of Agriculture</b>	1,779,600		1,700,600
AGR - Realign Nuclear Emergency Management Fund Assessment		(79,000)	
<b>AXS - AHCCCS</b>	317,938,900		354,016,100
AXS - Formula Changes		36,077,200	
<b>BAT - Board of Athletic Training</b>	130,500		130,500
<b>ATT - Attorney General</b>	51,932,200		53,332,200
ATT - Realign Criminal Division CPRF		1,400,000	
<b>BAR - Board of Barbers</b>	419,200		419,200
<b>BHE - Board of Behavioral Health Examiners</b>	1,818,200		1,818,200
<b>DCS - Department of Child Safety</b>	198,769,400		196,167,400
DCS - Remove One-time Litigation		(2,602,000)	
<b>BCE - State Board of Chiropractic Examiners</b>	450,600		450,600
<b>ACA - Arizona Commerce Authority</b>	0		0
<b>ROC - Registrar of Contractors</b>	12,690,000		12,690,000
<b>COR - Corporation Commission</b>	27,993,000		27,993,000
<b>ADC - Department of Corrections</b>	53,344,600		53,344,600
<b>COS - Board of Cosmetology</b>	1,897,400		1,897,400
<b>CF - County Funding</b>	500,000		0
CF - Remove County Sheriff Reentry Planning Services		(500,000)	
<b>JUS - Arizona Criminal Justice Commission</b>	7,096,300		6,496,300
JUS - Remove Criminal History Repository Funding		(600,000)	
<b>SDB - AZ State Schools for the Deaf and the Blind</b>	13,388,300		14,316,700
SDB - Base Level Increase - Formula		928,400	
<b>HEA - Comm for the Deaf &amp; the Hard of Hearing</b>	4,685,900		4,685,900
<b>DEN - Board of Dental Examiners</b>	1,261,200		1,261,200
<b>DES - Department of Economic Security</b>	359,892,000		377,007,900
DES - DDD Formula Adjustments		796,900	
DES - Additional Child Care and Development Fund Block Grant		16,319,000	

	FY 2021 OF 1/ Adj. Appropriation	FY 22 Baseline 2/ Above FY 21	FY 2022 OF JLBC Baseline
<b>ADE - Arizona Department of Education</b>	312,983,300		322,203,100
ADE - Land Trust Distribution		9,219,800	
<b>EMA - Department of Emergency &amp; Military Affairs</b>	1,506,100		1,930,400
EMA - Nuclear Emergency Management Fund Assessment		424,300	
<b>DEQ - Department of Environmental Quality</b>	70,907,900		70,907,900
<b>OEO - Governor's Office of Equal Opportunity</b>	197,700		197,700
<b>COL - Arizona Exposition and State Fair Board</b>	13,523,700		13,523,700
<b>EMB - Board of Funeral Directors and Embalmers</b>	401,100		401,100
<b>FIS - Arizona Game and Fish Department</b>	46,070,400		46,070,400
<b>GAM - Department of Gaming</b>	16,288,300		17,056,900
GAM - Align Gaming Division Funding w/ Increased Revenues		768,600	
<b>DHS - Department of Health Services</b>	55,118,700		54,329,000
DHS - Nuclear Emergency Management Fund Assessment		(789,700)	
<b>HOM - Board of Homeopathic &amp; Integrated Medicine Examiners</b>	46,600		46,600
<b>DOH - Department of Housing</b>	332,500		332,500
<b>IND - Industrial Commission</b>	20,593,100		20,593,100
<b>DIF - Department of Insurance and Financial Institutions</b>	9,537,700		9,537,700
<b>SPA - Judiciary - Supreme Court</b>	31,095,900		31,095,900
<b>SUP - Judiciary - Superior Court</b>	11,994,400		11,994,400
<b>DJC - Department of Juvenile Corrections</b>	15,000,100		15,000,100
<b>LAN - State Land Department</b>	8,080,700		8,080,700
<b>LIQ - Department of Liquor Licenses &amp; Control</b>	3,498,200		3,498,200
<b>LOT - Arizona State Lottery Commission</b>	160,117,200		152,195,900
LOT - Tab Tickets		14,200	
LOT - On-Line Vendor Fees		(2,987,700)	
LOT - Instant Ticket Sales		239,800	
LOT - Retailer Commissions		(5,187,600)	
<b>BMT - Board of Massage Therapy</b>	486,100		486,100
<b>MED - Arizona Medical Board</b>	7,227,700		7,227,700
<b>MIN - State Mine Inspector</b>	112,900		112,900
<b>NAT - Naturopathic Physicians Medical Board</b>	197,600		197,600
<b>NAV - Navigable Stream Adjudication Commission</b>	200,000		200,000
<b>NUR - State Board of Nursing</b>	4,927,500		4,927,500

	FY 2021 OF 1/ Adj. Appropriation	FY 22 Baseline 2/ Above FY 21	FY 2022 OF JLBC Baseline
NCI - Nursing Care Inst. Administrators Board	470,400		470,400
OCC - Board of Occupational Therapy Examiners	204,700		204,700
DIS - State Board of Dispensing Opticians	159,700		159,700
OPT - State Board of Optometry	248,200		248,200
OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,038,000		1,038,000
SPB - Arizona State Parks Board	16,472,800		16,472,800
PER - Personnel Board	332,500		332,500
PHA - Arizona State Board of Pharmacy	2,689,600		2,689,600
PHY - Board of Physical Therapy Examiners	513,900		513,900
PIO - Arizona Pioneers' Home	6,796,000		6,796,000
POD - State Board of Podiatry Examiners	171,600		171,600
POS - Commission for Postsecondary Education	1,543,700		1,543,700
PRI - Board for Private Postsecondary Education	436,300		436,300
PSY - State Board of Psychologist Examiners	529,900		529,900
DPS - Department of Public Safety	246,615,700		85,906,400
DPS - Highway Safety Fee Repeal Budget Shift		(160,709,300)	
RUC - Residential Utility Consumer Office	1,388,900		1,388,900
RES - Board of Respiratory Care Examiners	333,300		333,300
RET - Arizona State Retirement System	24,920,800		24,920,800
REV - Department of Revenue	48,983,200		49,082,200
REV - Align Unclaimed Property Audit Funding With Revenue		99,000	
SOS - Secretary of State	744,800		744,800
TEC - State Board of Technical Registration	2,263,100		2,263,100
DOT - Department of Transportation	442,186,200		449,227,200
DOT - Fleet Consolidation Line Item (with ADOA)		7,041,000	
TRE - State Treasurer	5,640,800		5,640,800
UNI - Universities			
UNI - ASU	607,175,900		603,575,900
UNI - Remove Lease Purchase Payment		(3,600,000)	
UNI - Northern Arizona University	138,921,300		138,921,300
UNI - UA - Main Campus	240,586,500		240,586,500

	FY 2021 OF 1/ Adj. Appropriation	FY 22 Baseline 2/ Above FY 21	FY 2022 OF JLBC Baseline
<b>UNI - UA - Health Sciences Center</b>	56,863,400		56,863,400
<b>VSC - Department of Veterans' Services</b>	39,887,100		46,102,900
VSC - Operating Costs for New Veterans' Homes		6,215,800	
<b>VME - Veterinary Medical Examining Board</b>	618,300		618,300
<b>WAT - Department of Water Resources</b>	2,466,800		2,466,800
<b>OTH - Other</b>			
OTH - ADOA Federal Financial Participation Repayment Supplemental	2,801,500	(2,801,500)	0
OTH - AHCCCS Supplemental	6,111,600	(6,111,600)	0
OTH - DES Child Care Subsidy Rate Supplemental	93,170,900	(93,170,900)	0
OTH - Unallocated '21 Removal of '20 HITF One-Time Employer Premium	(75,900)	75,900	0
OTH - Unallocated One-Time '21 HITF Employer Premium Increase	3,215,700	(3,215,700)	0
OTH - Remove One-Time '21 One-Time HITF Employer Premium	0	(18,284,300)	(18,284,300)
OTH - Unallocated '21 Retirement Adjustment	986,200	(986,200)	0
OTH - Unallocated '21 State Agency 27th Pay Period	1,136,600	(1,136,600)	0
OTH - Remove One-Time '21 State Agency 27th Pay Period	0	(30,400,000)	(30,400,000)
OTH - Universities 27th Pay Period (Enacted)	0	36,887,300	36,887,300
<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>\$4,058,436,300</b>	<b>(\$221,647,700)</b>	<b>\$3,836,788,600</b>
<b>CAPITAL SPENDING CHANGES</b>			
<b>Building Renewal</b>			
Arizona Department of Administration	16,000,000		16,000,000
ADC Building Renewal	5,464,300		5,464,300
Game & Fish Department	1,157,900	55,500	1,213,400
Arizona Lottery Commission	146,700	6,100	152,800
Arizona Department of Transportation	13,281,700		13,281,700
<b>New Projects</b>			
ADC - Lewis and Yuma Locks, Fire, and HVAC	19,000,000	(19,000,000)	0
ADOT - Statewide Highway Construction	106,553,000	(11,511,000)	95,042,000
ADOT - Controlled Access	120,983,000	(3,815,000)	117,168,000
ADOT - Debt Service	151,197,000	(2,297,000)	148,900,000
ADOT - Airport Planning	30,900,000	(4,900,000)	26,000,000
ADOA - Interstate 17 Expansion (Enacted)	45,000,000		45,000,000
<b>TOTAL - CAPITAL SPENDING CHANGES</b>	<b>\$509,683,600</b>	<b>(41,461,400)</b>	<b>\$468,222,200</b>
<b>TOTAL - OPERATING &amp; CAPITAL SPENDING</b>	<b>\$4,568,119,900</b>	<b>(263,109,100)</b>	<b>\$4,305,010,800</b>
<b>FUND TRANSFERS</b>			
<b>APF/DOA - Automation Projects Fund - All For IT Projects</b>			
APF/DCS CHILDS Replacement	4,992,800	(4,992,800)	0
<b>Other Transfers</b>			
DPS - Highway Patrol Fund to Highway Fund (Highway Safety Fee)	15,492,300	(15,492,300)	0
<b>TOTAL - FUND TRANSFERS</b>	<b>\$20,485,100</b>	<b>(20,485,100)</b>	<b>\$0</b>

1/ Represents original FY 2021 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ Represents FY 2022 Baseline cost above FY 2021 Baseline.

## FY 2021 SUPPLEMENTALS

	JLBC Baseline Change to Original '21 Budget
<b>General Fund</b>	
AHCCCS - Enhanced FMAP Savings	(\$204,340,800)
Department of Child Safety - Enhanced FMAP Savings	(14,600,000)
Department of Economic Security - Enhanced FMAP Savings	(79,000,000)
Department of Education - Lower-than-Budgeted Basic State Aid	(300,714,800)
<b>General Fund - Total</b>	<b>(\$598,655,600)</b>
 <b>Other Funds</b>	
Arizona Department of Administration - Federal Financial Participation	\$2,801,500
AHCCCS - Enhanced FMAP Savings	6,111,600
Department of Economic Security - CCDF Child Care Reimbursements	93,170,900
<b>Other Funds - Total</b>	<b>\$102,084,000</b>
 <b>Expenditure Authority</b>	
AHCCCS - Enhanced FMAP Savings	\$2,615,400,900
Department of Economic Security - Health Care Investment Fund Physician Rate Increases	20,147,300
<b>Expenditure Authority - Total</b>	<b>\$2,635,548,200</b>

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES  
For Fiscal Years 2020, 2021 and 2022 1/**

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
<b>BUDGET UNITS</b>			
Arizona Department of Administration (ADA)			
Certificate of Participation (5005)	\$127,534,500	\$105,421,300	\$105,421,300
Construction Insurance (4219)	3,375,800	9,475,600	10,196,300
Co-Op State Purchasing Agreement (4213)	3,168,700	4,216,400	4,216,400
Crisis Contingency and Safety Net (3240)	0	0	0
Emergency Telecommunication Services Revolving (2176)	11,959,800	20,185,200	20,185,200
Employee Related Expenditures/Benefits Admin (ITA3035)	34,534,400	35,209,700	35,209,700
Federal Grants (2000)	1,101,500	2,458,700	2,458,700
IGA and ISA (2500)	17,028,200	11,991,300	11,191,300
Payroll Administration (9200)	29,000	152,300	152,300
Retiree Accumulated Sick Leave (3200)	14,212,900	15,056,100	15,056,100
Special Employee Health Insurance Trust (3015)	888,933,900	900,184,500	933,398,600
Special Events (2503)	22,400	0	0
Special Services Revolving (4208)	952,800	977,500	977,500
State Employee Travel Reduction (2261)	582,700	535,000	535,000
Statewide Donations (2025)	8,800	8,000	8,000
Text to 911 Services (2177)	43,600	330,000	330,000
Traffic and Parking Control (2453)	100	0	0
Transparency Website (2955)	27,400	29,000	29,000
VW Diesel Emissions Environment Migration Trust (3917)	35,486,900	0	0
Total - Arizona Department of Administration	<u>\$1,139,003,400</u>	<u>\$1,106,230,600</u>	<u>\$1,139,365,400</u>
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$825,000	\$794,000	\$794,000
Video Service Provider Complaint (2603)	0	0	0
Total - Office of Administrative Hearings	<u>\$825,000</u>	<u>\$794,000</u>	<u>\$794,000</u>
Arizona Commission of African-American Affairs (AMA)			
Arizona Commission of African-American Affairs (2397)	\$5,500	\$20,000	\$20,000
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$35,400	\$41,800	\$41,800
Agricultural Consulting and Training Trust (1239)	1,500	14,400	14,400
Agricultural Products Marketing (2368)	512,700	492,900	492,900
Aquaculture Trust (2297)	0	9,900	9,900
Beef Council (2083)	280,100	280,000	280,000
Citrus Trust (2299)	36,300	41,800	41,800
Citrus, Fruit and Vegetable Trust (2260)	198,500	307,700	307,700
Commercial Feed Trust (2012)	232,300	327,900	327,900
Commodity Promotion (2458)	9,100	4,000	4,000
Coronavirus Relief (2975)	210,200	0	0
Cotton Research and Protection Council (2013)	3,061,100	7,180,200	7,180,200
Dangerous Plants, Pests and Diseases Trust (2054)	168,500	60,000	60,000
Designated (3011)	1,409,800	708,300	708,300
Egg Inspection Trust (2022)	1,620,100	1,814,200	1,814,200
Equine Inspection (2489)	0	0	0
Federal-State Inspection (2113)	4,189,200	4,355,100	4,355,100
Federal (2000)	5,369,400	5,824,300	5,824,300
Fertilizer Materials Trust (2081)	326,400	381,100	381,100
Grain Trust (2201)	96,400	78,100	78,100
Iceberg Lettuce Trust (2259)	90,600	100,000	100,000
Indirect Cost Recovery (9000)	203,200	286,000	286,000
Industrial Hemp Trust (2372)	0	490,100	490,100
Livestock and Crop Conservation (2378)	60,800	136,300	136,300
Livestock Custody Trust (2065)	98,800	107,000	107,000
Pest Management Trust (2050)	1,646,400	1,792,900	1,792,900
Pesticide Trust (2051)	256,200	559,600	559,600
Protected Native Plant Trust (2298)	79,100	82,900	82,900
Seed Law Trust (2064)	73,200	89,100	89,100
Total - Arizona Department of Agriculture	<u>\$20,265,300</u>	<u>\$25,565,600</u>	<u>\$25,565,600</u>

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
<b>AHCCCS (HCA)</b>			
Arizona Tobacco Litigation Settlement (TRA2561)	\$94,283,100	\$102,000,000	\$102,000,000
Children's Behavioral Health Services (2735)	0	0	0
County Funds (2120/2223)	291,575,800	351,691,000	352,761,700
Crisis Contingency and Safety Net (3240)	0	0	0
Delivery System Reform Incentive Payment (2130)	28,062,400	21,686,700	15,495,200
Employee Recognition (2025)	2,800	2,800	2,800
Federal - Medicaid Direct Services (2120)	68,808,600	69,294,100	69,294,100
Federal (2000)	86,794,000	84,942,600	84,942,600
Federal Medicaid Authority (2120/2223)	9,386,797,000	10,012,054,700	13,086,797,500
Health Care Investment (NA)	0	0	382,548,500
Hospital Assessment (9692)	314,374,800	408,220,600	592,610,300
IGA and ISA Fund (2500)	0	0	0
IGA for County Behavioral Health Services (4503)	69,092,300	73,436,000	73,436,000
Intergovernmental Service (2438)	14,691,900	10,842,500	10,842,500
Nursing Facility Provider Assessment (2567)	32,201,000	32,989,600	32,989,600
Political Subdivision (1111)	139,370,100	198,782,700	169,989,300
Prescription Drug Rebate (2546)	616,503,700	609,060,300	609,060,300
Proposition 202 - Trauma and Emergency Services (2494)	30,328,900	25,000,000	25,000,000
Seriously Mentally Ill Housing Trust (2555)	1,244,700	4,500,000	4,500,000
Substance Use Disorder Services (2325)	0	0	0
Third Party Liability and Recovery (3791/3019)	1,034,700	2,194,700	2,194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account (1303)	34,054,300	34,797,900	37,635,400
<b>Total - AHCCCS</b>	<b>\$11,209,220,100</b>	<b>\$12,041,496,200</b>	<b>\$15,652,100,500</b>
<b>Arizona Commission on the Arts (HUA)</b>			
Arizona Arts Trust (3043)	\$1,178,400	\$871,600	\$871,600
Arts Special Revenues (2116)	688,900	306,900	306,900
Crisis Contingency and Safety Net (3240)	0	0	0
Federal Grants (2000)	841,400	1,351,700	1,351,700
State Poet Laureate (2569)	0	0	0
<b>Total - Arizona Commission on the Arts</b>	<b>\$2,708,700</b>	<b>\$2,530,200</b>	<b>\$2,530,200</b>
<b>Attorney General - Department of Law (AGA)</b>			
Anti-Racketeering Revolving (2131)	\$7,395,700	\$7,080,700	\$7,080,700
Attorney General Expendable Trust (3102)	1,045,800	6,000	6,000
Child and Family Advocacy Center (2540)	0	400,000	400,000
CJEF Distribution to County Attorneys (2068)	3,068,300	3,089,000	3,089,000
Colorado River Land Claims Revolving (2430)	0	0	0
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving (2573)	474,700	2,206,700	2,206,700
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving (2573)	2,075,800	7,543,600	7,543,600
Coronavirus Relief (2975)	390,900	0	0
Court-Ordered Trust (3180)	754,300	0	0
Criminal Case Processing (2461)	63,000	103,400	103,400
Federal Grants (2000)	8,170,600	8,376,700	8,376,700
Indirect Cost Recovery (9000)	8,610,400	11,209,300	11,209,300
Intergovernmental Agreements (2500)	28,475,700	27,976,400	27,976,400
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	927,700	890,600	890,600
<b>Total - Attorney General - Department of Law</b>	<b>\$61,452,900</b>	<b>\$68,882,400</b>	<b>\$68,882,400</b>
<b>State Board for Charter Schools (CHA)</b>			
Charter Arizona Online Instruction Processing (2319)	\$37,100	\$39,500	\$39,500
New Charter Application Processing (2568)	90,300	45,500	45,500
<b>Total - State Board for Charter Schools</b>	<b>\$127,400</b>	<b>\$85,000</b>	<b>\$85,000</b>
<b>Department of Child Safety (CHA)</b>			
Child Restraint (2192)	\$88,000	\$0	\$0
Child Safety Expenditure Authority (2009)	417,941,700	438,965,300	438,965,300
Client Trust (3152)	3,630,500	0	0
Economic Security Donations (2025)	25,800	0	0
<b>Total - Department of Child Safety</b>	<b>\$421,686,000</b>	<b>\$438,965,300</b>	<b>\$438,965,300</b>
<b>Citizens Clean Elections Commission (ECA)</b>			
Citizens Clean Elections (2425)	\$4,327,200	\$4,878,800	\$4,878,800
<b>Arizona Commerce Authority (CAA)</b>			
Application Fees (3005)	\$998,800	\$1,018,300	\$1,018,300

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Arizona Commerce Authority Carryover (1001)	1,313,200	630,800	396,900
Arizona Commerce Authority (2547)	0	0	0
Arizona Competes (2548)	0	0	0
Arizona Coronavirus Relief (3002)	7,722,600	876,900	0
Arizona Innovation Accelerator (9507)	378,200	109,000	109,000
Arizona Job Training (1237)	3,098,900	12,650,000	12,650,000
Donations (3189)	47,800	50,000	50,000
Federal (2000)	1,260,600	2,650,000	1,920,000
Institute for Automated Mobility (4080)	240,000	500,000	500,000
Israel Trade Office (1021)	0	0	0
Mexico Trade Office (1020)	0	0	0
RevAZ (9971)	830,700	1,044,200	1,044,200
Rural Broadband Grants (1006)	0	0	0
State Workforce Programs (1025)	806,700	3,548,700	(20,100)
Total - Arizona Commerce Authority	\$16,697,500	\$23,077,900	\$17,668,300
Arizona Community Colleges (CMA)			
Tribal Assistance (NA)	\$1,049,800	\$1,097,100	\$1,097,100
Workforce Development Accounts (varies by account)	22,169,200	22,776,100	22,776,100
Total - Arizona Community Colleges	\$23,219,000	\$23,873,200	\$23,873,200
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$351,000	\$583,300	\$583,300
Registrar of Contractors (RGA)			
Residential Contractors' Recovery (3155)	\$3,784,300	\$4,666,800	\$4,666,800
Corporation Commission (CCA)			
Coronavirus Relief (2975)	\$147,100	\$0	\$0
Federal (2000)	(193,900)	2,341,400	2,341,400
IGA and ISA (2500)	184,200	0	0
Utility Siting (2076)	44,400	0	0
Total - Corporation Commission	\$181,800	\$2,341,400	\$2,341,400
State Department of Corrections (DCA)			
Arizona Correctional Industries Revolving (4002)	\$44,364,700	\$32,459,000	\$32,459,000
Community Corrections Enhancement (2395)	375,100	405,000	405,000
Coronavirus Relief (2975)	281,140,100	0	0
Corrections Donations (3147)	0	0	0
Federal (2000)	17,372,200	10,630,400	10,576,700
Indirect Cost Recovery (9000)	1,236,800	275,900	275,900
Inmate Store Proceeds (2505)	8,971,100	3,411,900	3,411,900
Interagency Service Agreement (2500)	(15,358,900)	19,346,700	36,900
Special Services (3187)	12,444,700	10,233,100	10,233,100
State DOC Revolving (2515)	4,021,700	2,983,700	2,983,700
Statewide Employee Recognition Gifts/Donations (2449)	108,800	110,000	110,000
Total - State Department of Corrections	\$354,676,300	\$79,855,700	\$60,492,200
Arizona Criminal Justice Commission (JCA)			
Criminal Justice Enhancement (2134)	\$707,500	\$507,500	\$507,500
Drug and Gang Enforcement (2516)	4,511,800	4,524,500	4,524,500
Federal Grants (2000)	7,622,300	18,405,000	18,405,000
IGA and ISA (2500)	108,800	128,100	128,100
Total - Arizona Criminal Justice Commission	\$12,950,400	\$23,565,100	\$23,565,100
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$1,004,000	\$1,297,700	\$1,297,700
Enterprise (4222)	30,500	18,600	18,600
Federal Grants (2000)	2,116,400	3,380,200	3,380,200
IGA and ISA (2500)	0	0	0
Instructional Improvement (2492)	0	0	0
Regional Cooperatives (4221)	15,506,200	16,509,100	16,509,100
State Grants (2011)	1,967,800	603,000	603,000
Trust (3148)	84,900	135,100	135,100
Total - Arizona State Schools for the Deaf and the Blind	\$20,709,800	\$21,943,700	\$21,943,700
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (2025)	\$0	\$0	\$0
Arizona Early Childhood Development and Health Board			
Early Childhood Development and Health (2542)	\$140,258,500	\$149,864,100	\$149,864,100
Federal Grants (2000)	3,582,800	1,827,500	1,827,500
Total - Arizona Early Childhood Development and Health Board	\$143,841,300	\$151,691,600	\$151,691,600
Office of Economic Opportunity (EOA)			

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Arizona Finance Authority Operations (FAA5352)	\$300	\$500	\$500
Arizona Industrial Development Authority (FAA9973)	0	0	0
Clean Water Annual Debt Service Interest (FAA4313)	9,468,100	5,268,100	5,268,100
Clean Water Annual Debt Services Principal Fund (FAA4312)	22,187,000	25,316,800	25,316,800
Clean Water Debt Service Reserve - Clean Water (FAA4315)	0	0	0
Clean Water Federal Loan (FAA4310)	21,174,200	12,515,700	12,515,700
Clean Water Fee Program Income (FAA4309)	443,200	443,200	443,200
Clean Water Fees Non Program Income (FAA4317)	106,100	96,700	96,700
Clean Water Financial Assistance (FAA4319)	3,428,800	3,428,800	3,428,800
Clean Water State Loan (FAA4311)	0	0	0
Drinking Water Annual Debt Service Interest (FAA4333)	4,068,900	3,379,800	3,379,800
Drinking Water Annual Debt Services Principal (FAA4332)	8,080,900	10,433,200	10,433,200
Drinking Water Debt Service Reserve (FAA4320)	0	0	0
Drinking Water Federal Loan (FAA4335)	17,717,600	22,873,400	22,873,400
Drinking Water Fees Non Program (FAA4322)	380,600	380,600	380,600
Drinking Water Fees Program Income (FAA4336)	9,000,400	4,237,400	4,237,400
Drinking Water Financial Assistance (FAA4324)	70,235,000	15,000,000	15,000,000
Drinking Water State Loan (FAA4331)	0	0	0
Economic Development (3337)	0	5,485,100	5,485,100
Federal Grants (2000)	2,163,100	2,536,400	2,536,400
Greater Arizona Development Authority Revolving (FAA2311)	24,800	24,800	24,800
IGA and ISA (2500)	440,300	127,100	127,100
Office of Economic Opportunity Operations (9903)	1,764,800	3,961,000	2,461,000
Small and Disadvantaged Communities Drinking Water Assistance (FAA2230)	0	381,500	381,500
Small Drinking Water Systems (FAA2225)	0	0	0
Total - Office of Economic Opportunity	<u>\$170,684,100</u>	<u>\$115,890,100</u>	<u>\$114,390,100</u>
Department of Economic Security (DEA)			
Child Support Enforcement Administration (2091)	\$33,466,600	\$43,192,400	\$43,192,400
Client Trust (3152)	0	0	0
Coronavirus Relief (2975)	151,800	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Developmentally Disabled Client Investment (3146)	9,000	14,900	14,900
Developmentally Disabled Client Services Trust (2019)	21,200	16,400	16,400
Donations (3145)	27,300	7,200	7,200
Economic Security Capital Investment (2093)	0	0	0
Employee Recognition (2449)	0	0	0
Family Caregiver Grant Program (2347)	0	0	0
Federal Grants (2000)	1,840,402,900	2,167,607,300	2,167,607,300
Health Care Investment (NA)	0	0	26,863,200
IGA and ISA (2500)	0	0	0
Long Term Care System - Federal Match (2225)	1,180,879,400	1,549,158,100	1,760,103,900
Neighbors Helping Neighbors (2348)	34,700	30,200	30,200
Revenue from State or Local Agency Fund (3193)	1,804,100	1,698,500	1,698,500
Special Olympics Tax Refund (3207)	83,400	91,500	91,500
Unemployment Insurance Benefits (7510)	738,044,100	1,759,490,100	469,140,200
Total - Department of Economic Security	<u>\$3,794,924,500</u>	<u>\$5,521,306,600</u>	<u>\$4,468,765,700</u>
Department of Education (EDA)			
American Civics Education (2612)	\$0	\$0	\$0
Arizona Agricultural Youth Organization Special Plate (2650)	154,400	154,300	154,300
Arizona Industry Credentials Incentive (2685)	0	0	0
Arizona Structured English Immersion (2535)	0	0	0
Arizona Youth Farm Loan (2136)	0	15,000	15,000
Assistance for Education (2420)	34,400	34,100	34,100
Broadband Expansion (2145)	0	0	0
Character Education Special Plate (2522)	200	31,400	31,400
College Credit by Examination Development (2641)	0	0	0
Computer Science Professional Development Program (2635)	0	0	0
Department of Education Production Revolving (4211)	862,900	975,000	975,000
Early Literacy Program (2181)	0	0	0
Education Commodity (4210)	413,800	690,400	690,400
Education Donations (2025)	116,800	24,700	24,700
Federal (2000)	1,164,711,900	1,606,020,000	1,606,020,000
Golden Rule Special Plate (2366)	213,800	213,800	213,800
IGA and ISA (2500)	2,368,100	2,219,500	2,219,500

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Indirect Cost Recovery (9000)	8,660,800	9,526,500	9,526,500
Instructional Improvement (2492)	45,000,000	63,765,400	63,765,400
Internal Services (4209)	3,153,100	3,021,800	3,021,800
Proposition 301 (9001)	595,218,800	596,844,000	660,944,000
Proposition 301/Classroom Site - Carry-Forward (9003)	56,005,500	(26,528,800)	(26,528,800)
Proposition 301/Classroom Site - Land Trust (9002)	121,106,400	107,132,600	107,132,600
Results-Based Funding (2151)	0	0	0
Special Education (1009)	0	0	0
Total - Department of Education	\$1,998,020,900	\$2,364,139,700	\$2,428,239,700
Department of Emergency and Military Affairs (MAA)			
Camp Navajo (2106)	\$12,860,700	\$14,441,900	\$13,584,100
Emergency Management Assistance Compact Revolving (2602)	(97,800)	0	0
Federal - Emergency (2000)	7,997,300	56,310,300	10,376,000
Federal - Military (2000)	43,063,000	68,781,600	48,997,000
Indirect Cost Recovery (9000)	843,200	1,072,200	1,072,200
Interagency Service Agreement (2500)	4,357,400	4,622,700	1,766,900
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	28,300	265,800	12,000
National Guard (2140)	0	244,200	60,000
State Armory Property (2146)	0	2,210,200	0
Total - Department of Emergency and Military Affairs	\$69,052,100	\$147,948,900	\$75,868,200
Department of Environmental Quality (EVA)			
Employee Recognition (2449)	\$6,900	\$6,200	\$6,200
Federal (2000)	14,593,300	17,280,600	17,280,600
IGA and ISA (2500)	6,137,200	4,876,600	4,876,600
Institutional and Engineering Control (2563)	14,800	31,600	31,600
Monitoring Assistance (2308)	824,100	767,700	767,700
Specific Site Judgment (3006)	29,800	0	0
Underground Storage Tank Revolving Summary (2271)	48,917,500	41,201,700	41,201,700
Voluntary Remediation (2564)	337,800	150,200	150,200
Voluntary Vehicle Repair and Retrofit Program (2365)	1,078,400	1,200,000	1,200,000
Water Quality Assurance Revolving (2221)	14,856,900	18,341,000	18,341,000
Total - Department of Environmental Quality	\$86,796,700	\$83,855,600	\$83,855,600
Board of Executive Clemency (PPA)			
IGA and ISA (2500)	\$15,900	\$30,100	\$30,100
Arizona Department of Forestry and Fire Management (FFM)			
Arson Detection Reward (2169)	\$27,600	\$0	\$0
Cooperative Forestry (2232)	11,183,200	8,952,900	8,952,900
Fire Suppression Revolving (2360)	32,344,900	30,794,100	30,794,100
IGA and ISA (2500)	68,100	68,100	68,100
Indirect Cost Recovery (9000)	272,000	265,500	265,500
Nonnative Vegetation Species Eradication (9900)	0	0	0
Trampoline Court Safety (2578)	0	0	0
Total - Arizona Department of Forestry and Fire Management	\$43,895,800	\$40,080,600	\$40,080,600
Arizona Game and Fish Department (GFA)			
Big Game Permit (3712)	\$0	\$0	\$0
Conservation Development (2062)	1,009,200	1,867,200	1,867,200
Federal (2000)	0	0	0
Federal Revolving (2028)	47,629,700	46,621,300	46,621,300
Firearms Safety and Ranges (2442)	46,300	37,800	37,800
Game and Fish In-Lieu Fee Program Restoration			
Endowment Trust (3167)	384,600	205,500	205,500
Game and Fish Publications Revolving (4007)	145,900	116,600	116,600
Game and Fish Special Stamp Collection (3709)	0	0	0
Game and Fish Trust (3111)	4,600,500	3,804,100	3,804,100
Heritage - Acquisition (2294)	8,462,800	4,439,900	4,439,900
Heritage - Administration (2292)	96,100	186,400	186,400
Heritage - Environmental Education (2290)	595,100	549,700	549,700
Heritage - Habitat Evaluation or Habitat Protection (2291)	1,551,600	1,634,500	1,634,500
Heritage - Identification, Inventory, Protection and Mgmt (2295)	3,394,000	4,316,600	4,316,600
Heritage - Public Access (2293)	419,500	639,900	639,900
Heritage - Urban Wildlife and Urban Life Habitat (2296)	1,233,700	2,062,800	2,062,800
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	8,357,300	9,503,300	9,503,300
Kaibab Co-op (3714)	0	0	0

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Off Highway Vehicle Recreation (2253)	1,805,000	2,251,500	2,251,500
Wildlife Conservation (2497)	7,674,500	10,196,700	10,196,700
Wildlife Conservation Enterprise (2029)	211,800	184,400	184,400
Wildlife Theft Prevention (2080)	119,800	83,000	83,000
Total - Arizona Game and Fish Department	\$87,737,400	\$88,701,200	\$88,701,200
Department of Gaming (GMA)			
Ariona Breeders Award (2206)	\$660,200	\$318,800	\$318,800
IGA and ISA (2500)	114,300	120,000	120,000
Racing Investigation (2369)	16,000	4,000	4,000
Retired Racehorse Adoption (2015)	0	1,100	1,100
Rural County Fair Racing (2558)	0	0	0
Total - Department of Gaming	\$790,500	\$443,900	\$443,900
Office of the Governor (GVA)			
Coronavirus Relief (2975)	\$682,390,800	\$1,174,596,900	\$0
County Fairs Livestock and Agriculture Promotion (2037)	0	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Federal Grants (2000)	28,088,700	34,969,600	34,969,600
Governor's Endowment Partnership (3206)	213,000	330,400	330,400
IGA and ISA (2500)	1,399,000	1,805,500	1,805,500
Indirect Cost Recovery (9000)	589,300	1,005,300	1,005,300
Prevention of Child Abuse (2439)	0	397,500	397,500
Total - Office of the Governor	\$712,680,800	\$1,213,105,200	\$38,508,300
Department of Health Services (HSA)			
Alzheimer's Disease Research (2255)	\$0	\$32,000	\$32,000
Arizona State Hospital Charitable Trust (9985)	86,900	100,000	100,000
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	57,000	400,000	400,000
Coronavirus Relief (2975)	16,470,500	54,780,800	0
Disease Control Research (2090)	2,940,400	3,309,000	3,309,000
Donations - DHS (3010/2025)	1,138,700	525,000	525,000
Donations - Statewide (2025)	6,400	0	0
Drug Disposal Education and Awareness (2230)	0	0	0
Federal (2000)	266,608,000	280,409,300	280,409,300
Health Services Lottery Monies (4250)	5,774,500	9,513,600	9,513,600
IGA and ISA (4500)	14,230,600	2,257,000	2,257,000
Interagency Service Agreement for Behavioral Health Services (4502)	0	0	0
Internal Services (4202)	39,800	0	0
Laser Safety (2388)	39,500	52,000	52,000
Medical Marijuana (2544)	17,225,800	22,191,400	22,191,400
Medical Student Loan (3306)	1,900	50,000	50,000
Oral Health (3038)	377,000	500,300	500,300
Public Health Emergencies (2775)	0	0	0
Risk Assessment (2427)	68,500	0	0
Smoke-Free Arizona (2541)	2,600,100	2,740,100	2,740,100
Tobacco Tax and Health Care - Health Education Account (1308)	14,302,200	17,500,000	17,500,000
Tobacco Tax and Health Care - Health Research Account (2096)	7,300,800	5,709,600	5,709,600
Workforce Data Repository (9999)	0	98,300	98,300
Total - Department of Health Services	\$349,268,600	\$400,168,400	\$345,387,600
Arizona Historical Society (HIA)			
Permanent Arizona Historical Society Revolving (2900)	\$704,300	\$523,800	\$523,800
Preservation and Restoration (2125)	31,300	26,400	26,400
Private (9447)	431,800	476,400	476,400
Trust (9450)	0	1,000	1,000
Total - Arizona Historical Society	\$1,167,400	\$1,027,600	\$1,027,600
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$562,000	\$548,100	\$548,100
Department of Homeland Security (HLA)			
Federal (2000)	\$24,282,500	\$25,138,200	\$25,138,200
Arizona Department of Housing (HDA)			
Consumer Recovery (3090)	\$273,300	\$8,600	\$8,600
Crisis Contingency and Safety Net (3240)	0	0	0
DPS-FBI Fingerprint (2159)	6,200	5,400	5,400
Federal (2000)	96,437,500	75,806,300	75,806,300

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Housing Program (2200)	8,042,500	7,572,400	7,572,400
Housing Trust (2235)	7,228,800	5,192,100	5,192,100
IGA and ISA (2500)	3,983,500	5,872,400	5,872,400
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	214,600	382,600	382,600
Total - Arizona Department of Housing	\$116,186,400	\$94,839,800	\$94,839,800
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	\$2,726,900	\$3,171,700	\$3,171,700
Revolving (2002)	173,600	147,000	147,000
Special (2180)	12,267,500	15,426,100	15,426,100
Total - Industrial Commission of Arizona	\$15,168,000	\$18,744,800	\$18,744,800
Department of Insurance and Financial Institutions (DIF)			
Arizona Property and Casualty Insurance Guaranty (IDA2114)	\$11,862,100	\$11,862,100	\$11,862,100
Assessment Fund for Voluntary Plans (IDA2316)	103,500	0	0
Captive Insurance Regulatory/Supervision (IDA2377)	370,700	412,000	412,000
Coronavirus Relief (2975)	181,500	0	0
Financial Surveillance (IDA2473)	488,600	549,800	1,355,400
Health Care Appeals (IDA2467)	240,700	256,600	256,600
IGA and ISA (IDA2500)	542,900	0	0
Insurance Examiners' Revolving (IDA2034)	2,591,800	2,816,100	2,120,500
Life and Disability Insurance Guaranty (IDA2154)	13,952,900	13,952,900	13,952,900
Mortgage Recovery (BDA1997)	0	0	0
Receivership Liquidation (IDA3104)	126,600	143,200	143,200
Receivership Revolving (BDA3023)	68,100	10,600	10,600
Revolving (BDA2126)	306,900	204,300	254,600
Settlement (ATA1991)	0	1,400	0
Total - Department of Insurance and Financial Institutions	\$30,836,300	\$30,209,000	\$30,367,900
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$185,600	\$549,400	\$549,400
Arizona Lengthy Trial (2382)	575,100	810,600	810,600
Certified Reporters (2440)	44,900	123,600	123,600
Drug Treatment and Education (2277)	448,900	386,000	386,000
Grants and Special Revenue (2084)	26,203,700	20,851,600	20,851,600
Juvenile Probation Services (2193)	0	0	0
Public Defender Training (3013)	531,000	411,200	411,200
Total - Judiciary - Supreme Court	\$27,989,200	\$23,132,400	\$23,132,400
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$50,900	\$52,000	\$52,000
Criminal Justice Enhancement (2075)	0	0	0
Drug and Gang Enforcement Account (2074)	997,000	986,000	986,000
Drug Treatment and Education (2277)	3,704,700	3,626,300	3,626,300
Grants and Special Revenue (2084)	996,400	370,700	370,700
Juvenile Probation Services (2193)	0	0	0
Total - Judiciary - Superior Court	\$5,749,000	\$5,035,000	\$5,035,000
Department of Juvenile Corrections (DJA)			
DJC Restitution (2476)	\$46,100	\$46,100	\$46,100
Employee Recognition (2449)	2,900	2,700	2,700
Federal (2000)	1,085,500	1,052,800	1,052,800
Indirect Cost Recovery (9000)	0	0	0
Juvenile Corrections (3024)	19,600	13,800	13,800
State Education System for Committed Youth Classroom Site (2487)	93,000	93,000	93,000
Statewide Donations (2025)	1,600	1,600	1,600
Total - Department of Juvenile Corrections	\$1,248,700	\$1,210,000	\$1,210,000
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0
Federal Reclamation Trust (2024)	0	0	0
IGA and ISA (2500)	0	0	0
Interagency Agreements (2212)	0	0	0
Off-Highway Vehicle Recreation (2253)	331,100	410,900	410,900
Resource Analysis Division Revolving (4009)	11,800	85,800	85,800
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	339,100	356,100	356,100
Statewide Employee Recognition Gifts/Donations (2449)	300	0	0

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Total - State Land Department	\$682,300	\$852,800	\$852,800
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,656,000	\$1,310,300	\$1,310,300
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$4,200	\$0	\$0
Audit Surcharge (3010)	117,500	122,800	122,800
Coronavirus Relief (2975)	126,700	0	0
Direct Shipment License Issuance (3017)	24,800	50,900	50,900
Direct Shipment License Renewal (3018)	98,600	0	0
DPS - FBI Fingerprint (2159)	0	0	0
Enforcement Surcharge - Enforcement Unit (3012)	291,100	395,800	395,800
Enforcement Surcharge - Multiple Complaints (3011)	361,200	433,300	433,300
Federal Grants (2000)	265,900	0	0
Growlers (1997)	0	0	0
IGA and ISA (2500)	0	0	0
Sampling Privileges (1998)	0	0	0
Total - Department of Liquor Licenses and Control	\$1,290,000	\$1,002,800	\$1,002,800
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$758,567,900	\$880,045,300	\$823,792,800
Debt Service (NA)	34,511,900	34,509,800	34,509,800
University Capital Improvement (NA)	39,436,700	38,405,600	40,613,800
Mass Transit (NA)	11,473,200	11,476,800	11,476,800
Total - Arizona State Lottery Commission	\$843,989,700	\$964,437,500	\$910,393,200
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$0	\$0	\$0
Federal Education and Training (2400)	60,000	0	0
Federal Grants (2000)	341,100	537,700	537,700
Total - State Mine Inspector	\$401,100	\$537,700	\$537,700
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)	\$5,063,700	\$5,780,700	\$5,780,700
Arizona State Parks Board (PRA)			
Arizona State Parks Heritage (2296)	\$0	\$0	\$0
Arizona Trail (2525)	0	0	0
Coronavirus Relief (2975)	318,700	0	0
Federal (2000)	2,165,200	3,437,000	3,437,000
Land Conservation - Administration Account (2432)	0	0	0
Land Conservation - Donation Account (2432)	0	0	0
Land Conservation - Public Conservation Account (2432)	0	0	0
Off Highway Vehicle Recreation (2253)	562,700	2,381,400	2,381,400
Partnership (2448)	3,679,700	2,590,600	2,590,600
State Lake Improvement (2105)	6,261,100	8,347,500	8,347,500
State Parks (3117)	1,000	1,000	1,000
Sustainable State Parks and Roads (3125)	0	0	0
Total - Arizona State Parks Board	\$12,988,400	\$16,757,500	\$16,757,500
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	\$1,787,100	\$362,400	\$362,400
Federal Grants (2000)	0	0	0
Total - Arizona State Board of Pharmacy	\$1,787,100	\$362,400	\$362,400
Arizona Pioneers' Home (PIA)			
Miners' Hospital for Miners with Disabilities Land (3130)	\$595,100	\$0	\$0
Pioneers' Home (Cemetery Proceeds) (3144)	0	0	0
Pioneers' Home (Donations) (3143)	15,100	0	0
State Charitable (3129)	83,200	0	0
Statewide Employee Recognition Gifts (2449)	0	0	0
Total - Arizona Pioneers' Home	\$693,400	\$0	\$0
Commission for Postsecondary Education (PEA)			
Arizona Teacher Student Loan (2358)	\$0	\$0	\$0
Family College Savings Program Trust (3121)	915,500	808,300	0
Federal Grants (2000)	138,300	193,000	193,000

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Private Donations (2402)	66,200	61,200	61,200
Private Postsecondary Education Student Financial Assistance (2128)	0	0	0
Total - Commission for Postsecondary Education	\$1,120,000	\$1,062,500	\$254,200
Arizona Power Authority (PAA)			
Arizona Power Authority (9506)	\$14,520,500	\$3,012,000	\$3,012,000
Hoover Uprating (1113)	19,403,800	19,470,200	19,470,200
Interest Income (1112)	101,700	21,800	21,800
Total - Arizona Power Authority	\$34,026,000	\$22,504,000	\$22,504,000
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$334,300	\$264,300	\$264,300
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$2,178,500	\$4,558,700	\$4,558,700
Board of Fingerprinting (2435)	3,274,900	690,600	690,600
Capitol Police Administrative Towing (1999)	13,600	9,300	9,300
Coronavirus Relief (2975)	74,705,300	0	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	2,754,800	2,931,200	2,931,200
DPS Licensing (2490)	1,017,100	1,125,900	1,125,900
Driving Under the Influence Abatement (2422)	1,121,300	1,297,100	1,297,100
Families of Fallen Police Officers Special Plate (2386)	239,900	238,900	238,900
Federal Grants (2000)	60,564,400	81,707,800	81,707,800
Fingerprint Clearance Card (2433)	5,406,300	6,878,900	6,878,900
IGA and ISA (2500)	9,848,500	11,340,500	11,340,500
Indirect Cost Recovery (9000)	1,694,800	3,245,300	3,245,300
Motor Carrier Safety Revolving (2380)	0	0	0
Peace Officers' Training (2049)	3,600,000	6,034,900	6,034,900
Public Safety Equipment (2391)	1,025,000	1,200,000	1,200,000
Records Processing (2278)	5,321,600	4,745,100	4,745,100
State Highway Work Zone Safety (2480)	19,500	15,000	15,000
Victims' Rights Enforcement (2519)	1,023,200	1,020,700	1,020,700
Total - Department of Public Safety	\$173,808,700	\$127,039,900	\$127,039,900
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)	35,600	58,600	41,100
Investment and Administrative Expenses (NA)	14,816,100	24,365,300	17,097,000
Retiree Pool Account (NA)	0	0	0
Total - Public Safety Personnel Retirement System	\$14,851,700	\$24,423,900	\$17,138,100
State Real Estate Department (REA)			
Condominium and Planned Community Hearing Office (2537)	\$33,100	\$33,100	\$33,100
Education Revolving (4011)	32,400	154,700	154,700
Recovery (3119)	0	20,000	20,000
Total - State Real Estate Department	\$65,500	\$207,800	\$207,800
Arizona State Retirement System (RSA)			
Administrative Account - Investment Expenses (1407)	\$18,031,100	\$5,051,800	\$5,051,800
Department of Revenue (RVA)			
Coronavirus Relief (2975)	\$109,000	\$0	\$0
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)	1,206,600	1,408,800	1,408,800
Revenue Publications Revolving (2166)	21,700	24,000	24,000
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	3,600	2,000	2,000
Veterans' Income Tax Settlement (VSA1601)	0	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	\$1,340,900	\$1,434,800	\$1,434,800
School Facilities Board (SFA)			
Arizona Public School Credit Enhancement (9999)	\$0	\$0	\$0
Building Renewal Grant (2392)	0	0	0
Emergency Deficiencies Correction (2484)	25,800	1,190,500	0
IGA and ISA (2500)	180,100	72,700	0
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	0	0	0

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
School Improvement Revenue Bond Debt Service (5020)	64,125,400	0	0
State School Trust Revenue Bond Service (5030)	0	0	0
Total - School Facilities Board	\$64,331,300	\$1,263,200	\$0
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$430,400	\$500,300	\$500,300
Coronavirus Relief (2975)	0	3,349,800	3,349,800
County Contributions to the Voter Registration System (8888)	(59,000)	29,500	29,500
Data Processing Acquisition (2265)	0	290,000	290,000
Election Training (2521)	2,300	6,000	6,000
Federal Grants (LAA2000)	3,223,300	3,523,300	3,523,300
IGA and ISA (2500)	11,200	75,000	75,000
Museum Gift Shop Revolving (LAA4008)	19,400	35,500	35,500
Notary Bond (2387)	119,800	104,200	104,200
Standing Political Committee Administrative (2426)	0	39,000	39,000
State Library (LAA2115)	182,000	408,400	408,400
Total - Secretary of State - Department of State	\$3,929,400	\$8,361,000	\$8,361,000
State Board of Technical Registration (TEA)			
Technical Registration Board of Investigations (2072)	\$53,000	\$0	\$0
Office of Tourism (TOA)			
IGA and ISA (2500)	\$221,600	\$0	\$0
Tourism (2236)	16,587,800	8,776,100	8,776,100
Total - Office of Tourism	\$16,809,400	\$8,776,100	\$8,776,100
Department of Transportation (DTA)			
Abandoned Vehicle Administration (2150)	\$670,500	\$761,700	\$761,700
Arizona Highways Magazine (2031)	4,452,400	4,823,800	4,823,800
Cash Deposits (2266)	0	0	0
Coronavirus Relief (2975)	6,140,000	2,877,100	0
Federal Grants (2097)	23,078,000	70,604,200	70,604,200
Highway Expansion and Extension Loan Program (2417)	0	0	0
IGA and ISA (2500)	12,869,100	12,291,600	12,291,600
Local Agency Deposits (3701)	0	0	0
Maricopa Regional Area Road (2029)	12,435,200	300,000	300,000
Motor Carrier Safety Revolving (2380)	0	5,000	5,000
Rental Tax and Bond Deposit (3737)	0	0	0
Shared Location and Advertising Agreements Expense (2414)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	11,800	13,000	13,000
Statewide Special Plates (2650)	3,964,300	4,600,000	4,600,000
Total - Department of Transportation	\$63,621,300	\$96,276,400	\$93,399,300
State Treasurer (TRA)			
Arizona Fallen Firefighter Memorial (3033)	\$0	\$0	\$0
Arizona Public School Credit Enhancement (2675)	0	0	0
Criminal Justice Enhancement (3702)	3,600,000	3,600,000	3,600,000
Family College Savings Program Trust (3121)	0	0	0
Public Deposit Administration (2574)	0	0	0
State Treasurer's Financial Literacy (9999)	0	0	0
Total - State Treasurer	\$3,600,000	\$3,600,000	\$3,600,000
Governor's Office on Tribal Relations (IAA)			
Arizona Indian Town Hall (4014)	\$0	\$0	\$0
Statewide Donations (2025)	35,500	20,200	20,200
Total - Governor's Office on Tribal Relations	\$35,500	\$20,200	\$20,200
Arizona Board of Regents (BRA)			
Arizona Health Education Center Program (BRA2)	\$0	\$0	\$0
Arizona Teachers Academy (9900)	0	0	0
Federal (2000)	250,000	6,000,000	6,000,000
Regents Local (BRA1)	5,924,800	6,550,900	6,550,900
Technology and Research Initiative (2472)	1,719,600	2,200,200	2,200,200
Trust Land (3131/3132/3134/3136)	0	0	0
Total - Arizona Board of Regents	\$7,894,400	\$14,751,100	\$14,751,100
Arizona State University (ASA)			
Auxiliary (UNI8906)	\$231,964,100	\$225,228,500	\$225,228,500
Capital Infrastructure (UNI3001)	0	0	0
Designated - Other (UNI8905)	181,129,700	216,551,300	216,551,300
Designated - Tuition and Fees (UNI8905)	1,271,373,400	1,388,504,900	1,388,504,900
Endowment and Life Income (UNI8904)	1,982,800	0	0

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Federal Grants (UNI8903)	419,925,000	458,066,700	458,066,700
Federal Indirect Cost Recovery (UNI8902)	58,391,200	91,677,600	91,677,600
Indirect Cost Recovery (Non-Federal) (UNI8900)	23,849,900	37,445,800	37,445,800
Loan (UNI8901)	2,584,500	0	0
Restricted (Excluding Federal Funds) (UNI8907)	307,001,300	316,304,900	316,304,900
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,921,000	11,913,900	11,908,700
Total - Arizona State University	<u>\$2,510,122,900</u>	<u>\$2,745,693,600</u>	<u>\$2,745,688,400</u>
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	\$73,788,900	\$72,444,400	\$72,444,400
Capital Infrastructure (UNI3002)	0	0	0
Designated - Other (UNI8905)	25,626,300	31,730,500	23,260,500
Designated - Tuition and Fees (UNI8905)	104,310,700	98,886,500	152,788,000
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	111,162,000	112,273,500	113,396,100
Federal Indirect Cost Recovery (UNI8902)	10,974,200	11,083,900	11,194,800
Indirect Cost Recovery (Non-Federal) (UNI8900)	(2,821,000)	3,227,800	1,668,000
Loan (UNI8901)	6,454,900	100,000	100,000
Restricted (Excluding Federal Funds) (UNI8907)	28,012,800	28,280,000	31,393,500
University Capital Improvement Lease-to-Own and Bond (BRA3042)	10,155,800	10,058,700	10,055,100
Total - Northern Arizona University	<u>\$367,664,600</u>	<u>\$368,085,300</u>	<u>\$416,300,400</u>
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	\$294,013,000	\$290,150,000	\$310,460,500
Capital Infrastructure (UNI3003)	0	0	0
Designated - Other (UNI8905)	202,129,500	190,540,200	194,354,100
Designated - Tuition and Fees (UNI8905)	457,524,800	379,288,100	386,873,800
Endowment and Life Income (UNI8904)	1,355,300	1,246,900	1,246,900
Federal Grants (UNI8903)	163,855,700	150,692,700	151,335,600
Federal Indirect Cost Recovery (UNI8902)	48,681,500	41,379,400	43,448,300
Geological Survey (UNI3030)	216,100	228,400	228,400
Geological Survey Federal Grants (UNI3031)	583,000	637,100	637,100
Geological Survey - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999)	35,900	42,200	42,200
Indirect Cost Recovery (Non-Federal) (UNI8900)	10,859,400	9,230,500	9,692,100
Loan (UNI8901)	899,300	899,300	899,300
Restricted (Excluding Federal Funds) (UNI8907)	221,002,600	209,097,200	196,158,200
University Capital Improvement Lease-to-Own and Bond (BRA3042)	27,215,300	26,033,300	26,013,700
Total - University of Arizona - Main Campus	<u>\$1,428,371,400</u>	<u>\$1,299,465,300</u>	<u>\$1,321,390,200</u>
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	\$4,831,400	\$4,892,800	\$5,235,400
Designated - Other (UNI8905)	290,516,500	\$213,529,600	\$218,868,400
Designated - Tuition and Fees (UNI8905)	31,089,500	25,773,200	26,288,600
Endowment and Life Income (UNI8904)	19,869,900	18,280,300	18,280,300
Federal Grants (UNI8903)	104,595,800	101,195,500	102,345,400
Federal Indirect Cost Recovery (UNI8902)	37,303,100	31,707,600	33,293,000
Indirect Cost Recovery (Non-Federal) (UNI8900)	5,258,600	4,469,800	4,693,300
Restricted (Excluding Federal Funds) (UNI8907)	81,277,000	98,223,800	89,360,500
Total - University of Arizona - Health Sciences Center	<u>\$574,741,800</u>	<u>\$498,072,600</u>	<u>\$498,364,900</u>
Department of Veterans' Services (VSA)			
Arizona State Veterans' Cemetery Trust (2499)	\$765,300	\$530,000	\$530,000
Federal (2000)	4,258,700	30,205,500	30,205,500
Hyperbaric Oxygen Therapy for Military Veterans (3219)	0	0	0
Military Family Relief (2339)	1,037,400	1,039,300	1,039,300
Statewide Employee Recognition Gifts (2449)	1,700	2,000	2,000
Veterans' Donations (2441)	1,796,800	1,882,500	1,882,500
Veterans' Income Tax Settlement (1601)	0	7,000	7,000
Total - Department of Veterans' Services	<u>\$7,859,900</u>	<u>\$33,666,300</u>	<u>\$33,666,300</u>
Department of Water Resources (WCA)			
Arizona System Conservation (9900)	\$0	\$0	\$0
Arizona Water Banking (2110)	14,319,800	10,498,600	8,805,100
Arizona Water Protection (1302)	886,700	1,964,500	942,100
Arizona Water Quality (2304)	186,100	154,000	154,000
Augmentation and Conservation Assistance (2213)	803,200	849,600	707,100
Colorado River Water Use Fee Clearing Account (2538)	26,800	26,800	26,800
Dam Repair (2218)	8,800	400,000	400,000
Employee Recognition (2449)	2,700	1,500	1,500

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Federal Grants (2000)	490,300	3,052,700	4,147,000
Flood Warning System (1021)	17,700	17,000	17,000
General Adjudications (2191)	13,400	13,400	13,400
Indirect Cost Recovery (9000)	437,100	155,300	155,300
Interagency Service Agreement (2500)	(12,900)	192,300	192,300
Production and Copying (2411)	0	0	0
Publication and Mailing (2410)	0	0	0
Purchase and Retirement (2474)	0	0	0
Statewide Donations (2025)	0	0	0
Temporary Groundwater and Irrigation Efficiency Projects (9901)	0	0	0
Well Administration and Enforcement (2491)	508,500	449,200	449,200
Total - Department of Water Resources	<u>\$17,688,200</u>	<u>\$17,774,900</u>	<u>\$16,010,800</u>
<b>OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b>\$27,152,357,400</b>	<b>\$30,465,853,400</b>	<b>\$31,790,911,500</b>
Subtotal - Other Funds	10,274,753,500	11,438,079,700	10,717,364,500
Subtotal - Federal Funds	16,877,603,900	19,027,773,700	21,073,547,000
<b>OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b><u>\$27,152,357,400</u></b>	<b><u>\$30,465,853,400</u></b>	<b><u>\$31,790,911,500</u></b>
<b>CAPITAL - NON-APPROPRIATED</b>			
Aviation Federal Funds (DTA2267)	\$518,000	\$4,694,000	\$8,309,000
Bond Proceeds (DTA5004/5008/2463)	55,877,000	11,181,000	172,258,000
Federal Grants (DTA2097)	665,949,000	1,041,119,000	1,022,097,000
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)	6,451,000	5,930,000	5,023,000
Maricopa Regional Area Road (DTA2029)	376,949,000	568,869,000	393,624,000
State Parks Board - State Lake Improvement (2105)	0	3,401,000	0
<b>CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b>\$1,106,744,000</b>	<b>\$1,636,194,000</b>	<b>\$1,602,311,000</b>
Subtotal - Other Funds	440,277,000	590,381,000	571,905,000
Subtotal - Federal Funds	666,467,000	1,045,813,000	1,030,406,000
<b>CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b><u>\$1,106,744,000</u></b>	<b><u>\$1,636,194,000</u></b>	<b><u>\$1,602,311,000</u></b>
<b>GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b>\$28,259,101,400</b>	<b>\$32,102,047,400</b>	<b>\$33,393,222,500</b>
Subtotal - Other Funds	10,715,030,500	12,028,460,700	11,289,269,500
Subtotal - Federal Funds	17,544,070,900	20,073,586,700	22,103,953,000
<b>GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b><u>\$28,259,101,400</u></b>	<b><u>\$32,102,047,400</u></b>	<b><u>\$33,393,222,500</u></b>

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.

NA = No Fund Number

**PREVIOUSLY ENACTED APPROPRIATIONS  
FY 2022 and BEYOND 1/**

**GENERAL FUND**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<b><u>Attorney General</u></b>			
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000	85,000
<b><u>Commerce Authority, Arizona</u></b>			
A.R.S. § 43-409 - Withholding Tax Revenues	15,500,000	15,500,000	15,500,000
<b><u>Community Colleges</u></b>			
Laws 2019, Ch. 263 - Maricopa/Pima STEM and Workforce Development	2,000,000		
A.R.S. § 42-5031.01 - Indian Tribal Postsecondary Institutions <u>2/</u>	2,856,100	2,856,100	2,856,100
A.R.S. § 15-1469.01 - Rural County Allocation <u>3/</u>	3,658,200	3,658,200	3,658,200
<b><u>Education, Department of</u></b>			
Laws 2015, 1st Special Session, Ch. 1 - State Aid Supplement (through FY 2025)	75,000,000	75,000,000	75,000,000
Laws 2019, Ch. 263 - Teacher Professional Development	400,000		
Laws 2019, Ch. 263 - CTED Incentive Program	5,000,000		
Laws 2019, Ch. 263 - Rollover Reduction	30,000,000		
Laws 2020, Ch. 58 - Basic State Aid (Rollover)	930,727,700		
<b><u>Emergency and Military Affairs, Department of</u></b>			
A.R.S. § 26-263 - Military Airport Planning	90,000	90,000	90,000
A.R.S. § 35-192 - Governor's Emergency Authority	4,000,000	4,000,000	4,000,000
<b><u>Environmental Quality, Department of</u></b>			
A.R.S. § 49-282 - WQARF Priority Site Remediation	<u>4/</u>	<u>4/</u>	<u>4/</u>
<b><u>Forestry and Fire Management, Department of</u></b>			
Laws 2019, Ch. 263 - Nonnative Species Eradication (through FY 2029)	1,000,000	1,000,000	1,000,000
A.R.S. § 37-1305 - Wild Land Fire Emergency	3,000,000	3,000,000	3,000,000
<b><u>Health Services, Department of</u></b>			
Laws 2019, Ch. 263 - Rural Prenatal Provider Loan Repayment	500,000		
<b><u>Public Safety Personnel Retirement System</u></b>			
Laws 2019, Ch. 263 - Prescott Fire Dept. Pension Liability (through FY 2026)	1,000,000	1,000,000	1,000,000
A.R.S. § 38-810 - EORP Closure (through FY 2043)	5,000,000	5,000,000	5,000,000
<b><u>Secretary of State</u></b>			
Laws 2019, Chapter - Electronic Repository and 1 FTE <u>5/</u>			70,000
<b><u>School Facilities Board</u></b>			
Laws 2020, Ch. 58 - New School Facilities Fund	11,730,900		
<b><u>Treasurer, State</u></b>			
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)	1,500,000	1,500,000	1,500,000

	FY 2022	FY 2023	FY 2024
<b><u>Arizona State University</u></b>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6</u> /	13,451,900	13,462,100	13,468,200
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7</u> /	12,533,500	12,756,600	12,990,000
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8</u> /	9,115,000		
<b><u>Northern Arizona University</u></b>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6</u> /	5,039,800	5,301,500	5,302,900
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7</u> /	4,750,600	4,835,200	4,923,700
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8</u> /	2,939,500		
<b><u>University of Arizona</u></b>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6</u> /	14,248,900	14,252,500	14,255,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7</u> /	11,087,900	11,285,300	11,491,800
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8</u> /	7,997,600		
<b><u>Other</u></b>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>9</u> /	24,498,500	24,999,400	25,498,600
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>10</u> /	16,000,000	16,000,000	16,000,000
<b>TOTAL</b>	<b>1,214,711,100</b>	<b>215,581,900</b>	<b>216,689,800</b>

**OTHER FUNDS**

	FY 2022	FY 2023	FY 2024
<b><u>Attorney General - Department of Law</u></b>			
Laws 2019, Ch. 263 - Criminal Division	2,350,000	2,350,000	
<b><u>Transportation, Department of</u></b>			
Laws 2019, Ch. 264 - I-17 Expansion	45,000,000		
<b><u>Arizona State University</u></b>			
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8</u> /	19,271,400		
<b><u>Northern Arizona University</u></b>			
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8</u> /	4,858,600		
<b><u>University of Arizona</u></b>			
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8</u> /	12,757,300		
<b><u>Veterans Services, Department of</u></b>			
Laws 2018, Ch. 98 - Hyperbaric Oxygen Therapy Fund Reimbursement <u>11</u> /		25,000	
<b>TOTAL</b>	<b>84,237,300</b>	<b>2,375,000</b>	<b>-</b>

- 1/ All statutory appropriations are indefinite unless otherwise noted in this report.
- 2/ Pursuant to A.R.S. § 42-5031.01, the JLBC Staff assumes an annual distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Dine College and \$875,000 for Navajo Technical College, and an annual distribution of \$231,100 for the Tohono O'Odham Community College.
- 3/ Pursuant to A.R.S. § 42-1469.01, the JLBC Staff assumes an annual distribution of \$3,658,200 for the Community College Rural County Allocation. Statute requires the General Fund to pay the initial cost of students attending community colleges from counties that are not part of an established community college district, and the state will withhold these counties' sales tax revenues to offset the cost.
- 4/ A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2021 Environment Budget Reconciliation Bill transferred the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level. The FY 2021

budget assumed that \$10,000,000 was an ongoing amount. As a result, the funding level through FY 2024 would be \$10,000,000 as well. To achieve these future funding levels, the Legislature would need to again modify A.R.S. § 49-282.

- 5/ Laws 2019, Chapter 275 appropriates \$70,000 and 1 FTE Position from the General Fund to the Secretary of State in FY 2024 for the establishment of an electronic repository of state archives and documents.
- 6/ A.R.S. § 15-1670 appropriates monies from the General Fund to each public university for research infrastructure lease-purchase payments in varying amounts through FY 2031.
- 7/ A.R.S. § 15-1671 appropriates monies from the General Fund to each public university for debt service payments on capital projects as part of the \$1 billion bonding program. This amount increases by lesser of 2% or inflation each fiscal year through FY 2043. The amounts displayed above assume a 1.23% increase in FY 2022, 1.78% in FY 2023, and 1.83% in FY 2024.
- 8/ The enacted FY 2021 budget included funding to state agencies for an additional 27th pay period that will occur in FY 2021. Due to differences in pay periods, the Universities' 27th pay period will occur in FY 2022. Laws 2020, Chapter 58 appropriates \$20,052,100 from the General Fund and \$36,887,300 from University Collections Funds for the 27th pay period in FY 2022.
- 9/ Pursuant to A.R.S. § 9-602, the City of Phoenix receives an annual distribution for Phoenix Convention Center financing based on a statutory debt schedule, which requires that cumulative payments to the city do not exceed estimated revenue resulting from the project.
- 10/ Pursuant to A.R.S. § 42-5031, the JLBC Staff assumes an annual distribution of \$16,000,000 from the General Fund for the Rio Nuevo Multi-Purpose Facility District. The district receives a diversion of Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects.
- 11/ The FY 2019 budget appropriated \$25,000 from the General Fund to the Hyperbaric Oxygen Therapy for Military Veterans Fund, and appropriated \$25,000 from the fund to the General Fund in FY 2023 for reimbursement.

## STATE PERSONNEL SUMMARY

### Full-Time Equivalent Positions by Agency for Fiscal Years 2021 and 2022 1/

BUDGET UNITS	Fiscal Year 2021			Fiscal Year 2022		
	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	436.9	551.1	114.2	436.9	551.1
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
SUBTOTAL - Administration, Arizona Department of	114.2	441.9	556.1	114.2	441.9	556.1
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	192.1	17.2	209.3	192.1	17.2	209.3
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	389.1	607.7	218.6	389.1	607.7
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	24.0	0.0	24.0	24.0	0.0	24.0
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	49.8	251.1	300.9
Corrections, State Department of	9,545.0	21.0	9,566.0	9,545.0	21.0	9,566.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, Arizona	0.0	11.0	11.0	0.0	11.0	11.0
Deaf and the Blind, Arizona State Schools for the	284.8	277.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	17.0	17.0	0.0	17.0	17.0
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>	1,019.3	3,358.5	4,377.8	1,004.9	3,376.9	4,381.8
Education, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Education, Department of <u>5/</u>	185.7	23.2	208.9	185.7	23.2	208.9
Emergency and Military Affairs, Department of	64.1	5.5	69.6	64.1	8.5	72.6
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
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	307.1	1,125.0	817.9	301.6	1,119.5
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
Independent Redistricting Commission	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance and Financial Institutions, Department of	95.4	57.0	152.4	94.4	57.0	151.4
Judiciary						
Supreme Court	145.6	38.4	184.0	145.6	38.4	184.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	226.8	8.7	235.5	226.8	8.7	235.5
SUBTOTAL - Judiciary	509.2	47.1	556.3	509.2	47.1	556.3
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	200.8	0.0	200.8	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 2021			Fiscal Year 2022		
	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	284.8	0.0	284.8	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	48.5	48.5	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	8.0	8.0	0.0	8.0	8.0
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	2.0	2.0	0.0	2.0	2.0
Pharmacy, Arizona State Board of	0.0	22.4	22.4	0.0	22.4	22.4
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	743.7	1,271.0	2,014.7	743.7	1,271.0	2,014.7
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	240.9	240.9	0.0	240.9	240.9
Revenue, Department of	274.0	606.8	880.8	274.0	606.8	880.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	143.1	0.0	143.1	143.1	0.0	143.1
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	4,554.0	4,554.0	0.0	4,554.0	4,554.0
Treasurer, State	0.0	34.4	34.4	0.0	34.4	34.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities <u>6/7/</u>						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University	2,550.0	5,177.6	7,727.6	2,550.0	5,177.6	7,727.6
Northern Arizona University	1,064.1	1,589.4	2,653.5	1,064.1	1,589.4	2,653.5
University of Arizona - Main Campus	2,617.8	3,149.4	5,767.2	2,617.8	3,149.4	5,767.2
University of Arizona - Health Sciences Center	784.1	524.7	1,308.8	784.1	524.7	1,308.8
SUBTOTAL - Universities	7,041.9	10,441.1	17,483.0	7,041.9	10,441.1	17,483.0
Veterans' Services, Department of	116.3	644.0	760.3	116.3	644.0	760.3
Veterinary Medical Examining Board, Arizona State	0.0	6.0	6.0	0.0	6.0	6.0
Water Resources, Department of	139.0	6.0	145.0	139.0	6.0	145.0
<b>TOTAL APPROPRIATED FUNDS</b>	<b>25,339.6</b>	<b>28,280.3</b>	<b>53,619.9</b>	<b>25,368.0</b>	<b>28,252.4</b>	<b>53,620.4</b>

- 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 2021 and FY 2022 can be found in the individual agency pages.
- 2/ Includes 1,210.1 FTE Positions in FY 2021 and FY 2022 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Includes 970.3 FTE Positions in FY 2021 and FY 2022 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 4/ Includes 2,333.8 FTE Positions in FY 2021 and 2,337.8 FTE Positions in FY 2022 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 5/ The FY 2022 FTE Position allocations have been rebased to match FY 2021 allocations.
- 6/ The FY 2021 General Appropriation Act originally appropriated 17,564.5 FTE Positions to the Universities for FY 2021. This FTE Position amount has been revised to 17,483.0 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 2022 BUDGET RECONCILIATION BILL PROVISIONS

The budget includes the enactment of statutory changes associated with its funding amount. The following provisions are grouped by subject into Budget Reconciliation Bills (BRBs).

### Statewide

1. As session law, continue to set the FY 2022 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$17.87/square foot for rentable office space and \$6.43/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.
3. As session law, continue to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2023.
4. As permanent law, change the Joint Legislative Budget Committee's (JLBC) January 31 reporting requirement for state debt and obligations to include information for the upcoming fiscal year instead of the prior fiscal year and eliminate the requirement that the report be based on the ADOA Report of Bonded Indebtedness.

### Arizona Department of Agriculture

5. As session law, continue fee changing authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2022. Continue an intent clause that limits additional revenues to \$357,000.

### AHCCCS

#### *Rates and Services*

6. 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*

7. As session law, set the FY 2022 county Arizona Long Term Care System (ALTCS) contributions at \$307,127,700.
8. As session law, set the County Acute Care contribution at \$45,634,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
9. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
10. As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2022 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.

#### *Hospitals*

11. As session law, continue to establish FY 2022 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 2022.
12. 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*

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

### Arizona Community Colleges

14. As session law, continue to suspend the Operating State Aid funding formula in FY 2022 for Maricopa and Pima Counties.
15. As session law, continue to suspend Maricopa, Pima, and Pinal's Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2022. The Pinal funding is specified in the

General Appropriation Act and again equals \$96,500. The Maricopa and Pima distributions are already set by the FY 2020 General Appropriation Act through FY 2022.

#### **State Department of Corrections**

16. As session law, continue to require the department to report actual FY 2021, estimated FY 2022, and requested FY 2023 expenditures as delineated in the prior year when the department submits its FY 2023 budget request pursuant to A.R.S. § 35-113.

#### **Counties and Cities & Towns**

17. 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 2022, up to \$1,250,000 of county revenue for each county. The bill also requires counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2021.

#### **Arizona State Schools for the Deaf and the Blind**

18. As permanent law, establish the Cooperative Services Fund. Authorize the fund to receive special education voucher monies paid to ASDB by the Department of Education pursuant to A.R.S. § 15-1202 on behalf of students enrolled in one of ASDB's 5 regional cooperatives, tuition payments from school districts, and district membership fees. Make monies in the fund appropriated and non-lapsing. A General Appropriation Footnote will allow ASDB to spend monies in excess of the appropriation from the fund, but requires the agency to first submit a report to JLBC on the intended use of the monies.
19. As permanent law, repeal the requirement in A.R.S. § 15-1304 that special education vouchers for enrollees in a regional cooperative be continuously appropriated.

#### **Department of Economic Security**

20. 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 suspicion the recipient uses illegal drugs.

#### **Department of Education**

##### *Formula Requirements*

21. 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 1.23% for standard inflation.
22. As permanent law, increase the base level by an additional \$32.82 to incorporate into Basic State Aid \$50,000,000 for teacher salary increases that was funded from the Classroom Site Fund on a one-time basis in FY 2021 pursuant to Section 137 of the FY 2019 General Appropriation Act.

##### *Results-Based Funding*

23. As session law, continue to notwithstanding A.R.S. § 15-249.08 to allocate Results-Based Funding using the same formula that was used in FY 2021. Under permanent law, the Results-Based Funding instead would have been distributed in FY 2021 to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.
24. As session law, continue to make eligible for Results-Based Funding schools with AzMERIT test results in the top 13% for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% for schools with 60% or higher FRPL eligibility.
25. As session law, continue to establish per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with more than 60% FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with greater than 60% FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or more FRPL eligibility would receive \$400.
26. As session law, continue to provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2019 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced price lunch eligibility rates.

*Other*

27. 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.
28. 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 2022.

**Department of Emergency and Military Affairs**

29. As session law, extend the provision allowing the department to expend up to \$1,250,000 from the Military Installation Fund through June 30, 2026 for the construction of a new Readiness Center. This authority was previously in effect through FY 2022.

**Department of Environmental Quality**

30. As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2022 for department administrative expenses and for sewage remediation.
31. As session law, appropriate \$10,000,000 from the General Fund to the Water Quality Assurance Revolving Fund (WQARF) in FY 2022.
32. As session law, continue the FY 2021 level of vehicle emissions inspection fees in FY 2022 (FY 2021 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties.)

**Department of Gaming**

33. As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2022 only.

**Department of Health Services**

34. As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
35. 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.
36. As permanent law, require the Department of Health Services to report on July 1 of each year to the JLBC on its distribution of Proposition 207 monies, including monies in the Justice Reinvestment Fund and monies received from a \$19,000,000 fund transfer from the Medical Marijuana Fund.

**Judiciary**

37. As session law, amend Laws 2018, Chapter 278, Section 17 to allow the Supreme Court to spend money from the funds on a new appellate case management system in FY 2022 and reduce the total allowed expenditure from \$3,150,000 to \$2,600,000. The new system was scheduled to be ready at the end of FY 2021, but due to the impact of the COVID-19 pandemic on staffing, the go-live date was delayed to FY 2022.

**Arizona Navigable Stream Adjudication Commission**

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

**Department of Public Safety**

39. As session law, continue to allow the State Aid to Indigent Defense Fund to be used for DPS operating expenses.
40. As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.

**Department of Revenue**

41. 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).
42. As permanent law, change the review date for the S Corporate Low-Income Credit from 2020 to 2021 to align with the review schedule of the C Corporate Low-Income Credit.

43. As permanent law, change the review date for the S Corporate Displaced/Disabled Credit from 2020 to 2024 to align with the review schedule of the C Corporate Displaced/Disabled Credit.

**Universities**

44. 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).
45. As permanent law, revise the current annual inflation adjustment for university capital infrastructure appropriations beginning in FY 2023. Current law requires the adjustment to be based off full calendar year growth rates. The revised calculation would be based on the growth rate from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year to avoid timing issues between the release of preceding year inflation data and enactment of the budget. Using second quarter data will provide certainty in the level of the annual appropriation.

**Department of Water Resources**

46. 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 2022.
47. 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.

## FY 2022 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.

### Department of Education

1. As session law, continue deferral of Basic State Aid payments for FY 2022 until FY 2023, but reduce the deferral from \$930,727,700 to \$900,727,700 pursuant to Section 164 of the FY 2020 General Appropriation Act. Expand exemption from deferral from districts with less than 600 students currently to districts with less than 1,350 students. Appropriate \$900,727,700 in FY 2023 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2022
2. As session law, continue to require school districts to include in the FY 2022 revenue estimates that they use for computing their FY 2022 tax rates the rollover monies that they will receive for FY 2022 in July 2022.

### Revenues

3. As session law, continue to specify revenue and expenditure estimates for FY 2021, FY 2022, FY 2023, and FY 2024.
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2021 ending balances by September 15, 2021. Require JLBC Staff to report to JLBC by October 15, 2021 as to whether FY 2022 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

### Statewide

5. 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.
6. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2022 in all agencies and provide it to the JLBC Director by October 1, 2022. The Universities are exempt from the report but are required to report separately.
7. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2021 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2021.
8. 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

9. As session law, continue to define "\*" as designating an appropriation exempt from lapsing.
10. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
11. As session law, continue to define "review by the Joint Legislative Budget Committee" (JLBC) as a review by a vote of a majority of a quorum of the members.

## FY 2022 MAJOR FOOTNOTE CHANGES

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

### Arizona Department of Administration

12. Transfers footnote requiring the department to report by August 1, 2021 on the maintenance savings associated with replacing vehicles with an average of 80,000 miles to the Arizona Department of Transportation.

### Department of Corrections

13. Modifies footnote requiring the Department of Corrections bed capacity report to also include any plans to vacate beds but not permanently remove them from the bed count.

14. Modifies footnote requiring the Arizona Strategic Enterprise Technology Office to report all expenditures to replace the Arizona Inmate Management System or modify its replacement system in the prior fiscal year to the JLBC on or before November 1.

#### **Arizona State Schools for the Deaf and the Blind**

15. Adds footnote requiring the agency to report to the JLBC on any expenditure from the Cooperative Services Fund monies in excess of \$17,914,500 in FY 2022.

#### **Department of Economic Security**

16. Deletes footnote allowing state shares of retained earnings, fees and federal incentives received by the Division of Child Support Enforcement in excess of the appropriated amount to be appropriated for operating expenditures.

#### **Department of Emergency and Military Affairs**

17. Adds footnote extending to FY 2026 the lapsing date of the FY 2019 appropriation of \$3,759,000 from the General Fund for the construction of a new Tucson Readiness Center. (Capital)
18. Adds footnote extending to FY 2026 the lapsing date of the FY 2020 appropriation of \$3,875,000 from the General Fund for the construction of a new West Valley Readiness Center. (Capital)

#### **Judiciary – Superior Court**

19. Modifies footnote to require counties to maintain FY 2020 expenditure levels for each probation program to qualify for state funding.

#### **Arizona State Parks Board**

20. Adds footnote requiring the Arizona State Parks board to submit a report to the JLBC Staff on the status of all capital projects and capital expenditures on or before November 30, 2021 and May 31, 2022. Modifies agency capital expenditure reporting date from January 31 and July 31 to November 30 and May 31. (Capital)

#### **Board of Pharmacy**

21. Adds footnote requiring the board to report to the JLBC Staff on or before September 30, 2021 on its progress in implementing the Auditor General recommendations as outlined in the September 2020 sunset audit.

#### **Department of Public Safety**

22. Adds footnote extending the lapsing date for the FY 2020 appropriation for Peace Officer Training Equipment to June 30, 2022 and reverting any unexpended monies to the fund from which the monies were appropriated.

#### **Department of Transportation**

23. Moves footnote requiring a report by August 1, 2021 on the maintenance savings associated with replacing vehicles with an average of 80,000 miles from ADOA to ADOT. In addition, adds requirement that ADOT report criteria used in replacing vehicles.
24. Modifies footnote requiring the Arizona Strategic Enterprise Technology to report, on behalf of ADOT, the annual progress on the motor vehicle modernization system, including updated plans for spending on stabilization, maintenance, ongoing operations, support and enhancements to the system.
25. Adds footnote requiring the Arizona Strategic Enterprise Technology to submit, on behalf of ADOT, an expenditure plan to JLBC for review on any enhancements to the motor vehicle modernization system in excess of \$1,000,000.

#### **Department of Veterans' Services**

26. Modifies footnote requiring the department to submit an expenditure report on the veteran support services expenditure plan to JLBC Staff rather than for committee review.

## Federal Coronavirus Response Programs

### Overview

The federal government has taken several major actions in response to the COVID-19 pandemic:

- The 2020 Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123), a stimulus package valued at \$8.3 billion, was enacted on March 6, 2020. (Referred to in this Program Summary as COVID 1)
- The Families First Coronavirus Response Act (P.L. 116-127), enacted on March 18, 2020, is estimated at \$192 billion. (COVID 2)
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) is estimated at approximately \$2.2 trillion and was enacted on March 27, 2020. (COVID 3)
- The Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139), estimated at \$484 billion, was enacted on April 24, 2020. (COVID 3.5)
- The Paycheck Protection Program Flexibility Act of 2020 (P.L. 116-142) was enacted on June 5, 2020.
- A presidential memorandum issued on August 8, 2020, established the Lost Wages Assistance Program.
- The 2021 Consolidated Appropriations Act (P.L. 116-260) contains \$900 billion in COVID-related relief and was enacted on December 27, 2020. (COVID 4)

### Provisions

We estimate that the state will receive \$7.7 billion and local governments will receive \$1.1 billion, for a total of \$8.8 billion in aid to Arizona governments. *(See Table 2 for a summary of Arizona's share of funding from the coronavirus response legislation.)*

The \$8.8 billion estimate excludes direct aid to individuals and businesses. Arizona individuals and businesses will receive \$32.1 billion in direct federal aid. *(See Direct Aid to Individuals and Businesses section and Table 3 for more information.)*

Most of the following provisions were enacted as part of COVID 3. Funding included in other pieces of legislation or actions by the federal government are noted as such.

#### Coronavirus Relief Fund

A total of \$150 billion in federal funding was distributed to state and local governments. States are allocated funding based on their share of population, with each state guaranteed a minimum funding amount of \$1.25 billion. Based on this formula, Arizona's total allocation from the Coronavirus Relief Fund (CRF) is \$2.82 billion for both its state and local governments combined.

Monies from the CRF may only be used for costs that are: 1) necessary expenditures incurred due to the public health emergency; 2) not accounted for in the state/local government's budget most recently approved as of March 27, 2020; and 3) incurred from March 1, 2020, to December 31, 2021, as the result of COVID 4. The state budget for FY 2021 was signed into law after the federal legislation was enacted. These funds may not be used to offset revenue shortfalls.

- Of Arizona's total allocation, the state received \$1.86 billion of the \$2.82 billion. These monies have been deposited in the state's Operating Fund and are controlled by the Executive. Of the state's CRF monies, \$198 million has not been allocated. The following have been announced:
  - \$441 million to local governments.
  - \$396 million to reimburse \$300 million in General Fund spending and \$96 million in Other Fund spending for state agency public health and public safety expenses.
  - \$370 million for school districts and charter schools through the Enrollment Stability Grant Program.
  - \$150 million for the Arizona Express Pay Program, which will be repaid using Federal Emergency Management Agency (FEMA) Public Assistance grant monies (see Stafford Act assistance under Emergency Relief section for more information).

- \$115 million to the universities for general expenses. This amount consists of \$46 million for Arizona State University, \$46 million for the University of Arizona, and \$23 million for Northern Arizona University.
- \$85 million for hospital staffing and overtime expenses, including an additional 500 nurses. Of this amount, \$25 million was allocated on November 18, 2020, and \$60 million was allocated on December 2, 2020.
- \$70 million to DHS for direct COVID-19 expenses, including testing, contact tracing, and surge capacity.
- \$9 million to the Secretary of State for COVID-19 response efforts and early voting opportunities for the 2020 elections.
- \$8 million to the universities for testing, surveillance, and other response efforts.
- \$5 million for support and administrative costs of the 2020 Census.
- \$4 million to the Arizona Office of Tourism to develop a strategic recovery plan and strengthen domestic marketing campaigns.
- \$2 million for the Arizona Commerce Authority to assist small businesses and promote business expansion and relocation.
- \$2 million for the Arizona Virtual Teacher Institute, a partnership among Arizona State University, the Arizona Department of Education, and the non-profit Helios Education Foundation.
- \$2 million for the AZ Stay Connected Program to provide \$10,000 technology grants to skilled nursing facilities and intermediate care facilities.

<b>Table 1</b>	
<b>CRF Executive Allocations</b>	
<b>(\$ in millions)</b>	
	<u>Amount</u>
<b>Initial State-Level CRF Allocation</b>	<b>\$ 1,857</b>
<u>Agency/Funding Use</u>	
Local Government Aid	441
State Government Agency Offsets	396
K-12 Enrollment Stability Grant	370
Arizona Express Pay Program	150
Universities (General Expenses)	115
Hospital Staffing/Overtime Expenses	85
Department of Health Services	70
- Direct COVID-19 expenses, including testing, contract tracing, and surge capacity	
Elections	9
Universities (Testing, Surveillance, Other Response Efforts)	8
Census	5
- 2020 census support and administrative costs	
Arizona Office of Tourism	4
- Develop a strategic recovery plan and strengthen domestic marketing campaigns	
Arizona Commerce Authority	2
- Assist small businesses and promote business expansion and relocation	
Arizona Virtual Teacher Institute	2
AZ Stay Connected Program	2
- \$10,000 technology grants to skilled nursing facilities/intermediate care facilities	
<b>Amount Remaining from Initial State-Level CRF Allocation</b>	<b>198</b>

- Local governments (counties, cities, and towns) with populations over 500,000 were eligible to receive direct payments totaling \$965 million of the \$2.82 billion. The local governments in Arizona that received direct payments are Maricopa County (\$399 million), City of Phoenix (\$293 million), Pima County (\$87 million), City of Tucson (\$96 million), and City of Mesa (\$90 million).

### U.S. Treasury/Federal Reserve Lending Programs

The U.S. Treasury has \$500 billion in loan capacity for business and governmental entities. This amount includes \$46 billion in set-asides for certain industries and \$454 billion for Federal Reserve programs.

Of the \$454 billion for Federal Reserve programs, \$35 billion from the U.S. Treasury has been allocated for the Municipal Liquidity Facility (MLF). The Federal Reserve has allocated an additional \$465 billion of its own funds to the MLF, for a total of \$500 billion.

The MLF purchased short-term (maturity of 3 years or less) notes from states, counties with a population of at least 500,000, cities with a population of at least 250,000, and multi-state entities, with at least 2 eligible local governments per state. In Arizona, eligible governments were the state, Maricopa County, City of Phoenix, City of Mesa, City of Chandler, City of Scottsdale, City of Glendale, Pima County, and City of Tucson.

The Federal Reserve had the capacity to purchase up to \$4.2 billion in eligible notes from the state and a total of \$1.5 billion from local governments in Arizona. No governments in Arizona utilized the MLF.

This program terminated on December 31, 2020.

For more information, see the Coronavirus State/Local Government Loan Programs attachment.

### Unemployment Insurance

COVID 3 established several unemployment insurance (UI) programs that are funded by the federal government. COVID 4 amended these and established an additional UI program. For an estimate of federal UI benefits to individuals, see Direct Aid to Individuals and Businesses section and *Table 3*.

- Federal Pandemic Unemployment Compensation: In Arizona, the maximum state-funded weekly UI benefits are \$240. COVID 3 provided 100% federally-funded UI benefits of \$600 per week, in addition to what the individual would otherwise receive. From March 27, 2020, through July 31, 2020 (weeks ending April 4 through July 25), enrollees were eligible for a combined maximum of \$840 per week. COVID 4 re-established the program with a weekly benefit of \$300. Enrollees may receive these benefits from December 27, 2020, through March 14, 2021 (weeks ending January 9 through March 13).
- Pandemic Emergency Unemployment Compensation: Under Arizona law, individuals may receive up to 26 weeks of UI benefits. COVID 3 provided enrollees that already exhausted their regular 26 weeks of UI benefits with an additional 13 weeks, for a total of 39 weeks of UI benefits. The additional 13 weeks are 100% federally-funded and are effective through December 31, 2020 (week ending December 26). COVID 4 extends the program and allows enrollees to receive up to 24 weeks, for a total of 50 weeks of UI benefits. Individuals may enroll through March 14, 2021 (week ending March 13), and continue receiving benefits through April 5, 2021 (week ending April 10). Individuals receiving these benefits are also eligible for Federal Pandemic Unemployment Compensation.
- Pandemic Unemployment Assistance: COVID 3 allows individuals who are otherwise ineligible for UI benefits, such as self-employed workers, contractors, and gig workers, to receive 100% federally-funded benefits for up to 39 weeks from March 27, 2020, through December 31, 2020 (weeks ending April 4 through December 26). COVID 4 extends the program and allows enrollees to receive up to 50 weeks of benefits. Individuals may enroll through March 14, 2021 (week ending March 13), and continue receiving benefits through April 5, 2021 (week ending April 10). First-time applicants who enroll after December 27, 2020, may receive payments retroactive to December 1, 2020 (week ending December 12). Individuals receiving these benefits are also eligible for Federal Pandemic Unemployment Compensation.
- Mixed Earner Unemployment Compensation: Under COVID 3, an individual with income through both traditional employment and through self-employment was eligible for either regular UI benefits based on income from traditional employment or Pandemic Unemployment Assistance based on income from self-employment, but not a combination of both programs. COVID 4 allows self-employed individuals with at least \$5,000 in self-employment income in the prior year to receive an additional \$100 per week, above regular UI benefits. These benefits are 100% federally-funded. States must elect to participate in this program, and benefits will be paid the week beginning on or after the date of the state's election through March 14, 2021 (week ending March 13). Arizona elected to participate in the program. Individuals receiving these benefits are

also eligible for Federal Pandemic Unemployment Compensation and Pandemic Emergency Unemployment Compensation.

- **Waiting week:** In Arizona, individuals may not receive UI benefits in the first week that a weekly claim is filed. COVID 3 provides 100% federally-funded benefits for the waiting week. States must elect to participate in this program, and benefits will be paid for waiting weeks beginning on or after the date of the state's election through December 31, 2020 (week ending December 26). Arizona elected to participate in the program. COVID 4 provides 50% federally-funded benefits for waiting weeks through March 14, 2021 (week ending March 13). Arizona also elected to participate in this COVID 4 program, with the federal government and state each contributing an estimated \$3.8 million over 11 weeks.
- **UI administration (\$19 million):** Under COVID 2, Arizona will receive an initial grant of \$10 million. A supplemental grant of \$10 million will be made available if the number of UI claims increases by 10% or more over the same quarter in 2019. This threshold has been exceeded in Arizona.
- **Short-Time Compensation (STC) administration (\$2 million):** The Arizona Shared Work program allows employees working reduced hours to receive a pro-rated portion of UI benefits. Employers may qualify for the program if employees' hours have been reduced by at least 10% and no more than 60%, and employers must continue to provide health and retirement benefits to participating employees. Employees in the program receive a \$600 weekly increase from March 29, 2020, through July 25, 2020. UI benefits paid through the STC program and the \$600 increase are 100% federally-funded. DES received \$2 million for administrative costs. Of the \$2 million award, one-third of funds (\$0.6 million) are for improved administration of the STC program and two-thirds (\$1.3 million) are for the promotion of the STC program and enrollment of employers in the program.
- **Dislocated Worker Grants (\$1 million):** DES received funds for disaster-relief cleanup, humanitarian assistance, and employment and training activities. These monies may also be used for contact tracing.
- **Reimbursing employers (\$36 million):** State and local governmental entities, certain nonprofits, and tribes are to be refunded 50% of the cost of unemployment claims made against the reimbursing employer between March 13, 2020, and March 14, 2021, as established by COVID 3 and amended by COVID 4. As of December 26, \$36 million has been reimbursed. While a portion of these dollars may have been reimbursed to non-governmental entities, we have included this entire figure in *Table 2*.

**For the remaining program descriptions, the amounts indicated below in parentheses represent estimates of Arizona's share of funding.**

#### Education

The Education Stabilization Fund (ESF) allocates \$112.6 billion to states, school districts/charter schools, and higher education institutions. Of this amount, \$30.75 billion was appropriated by COVID 3 and \$81.88 billion by COVID 4. Arizona is expected to receive a total of \$2.3 billion in ESF monies from COVID 3 and COVID 4. The federal legislation does not contain "supplement-not-supplant" language, but the state must meet maintenance-of-effort (MOE) requirements to receive ESF monies for the Governor's Fund and K-12 Education Fund. The MOE requirements differ between COVID 3 and COVID 4 monies.

- **Governor's Emergency Education Relief Fund (\$100 million):** These funds may be allocated at the Governor's discretion to local education agencies, higher education institutions, or other education-related entities. Monies must be allocated to eligible entities within 1 year of receipt. Arizona received \$69 million from COVID 3 and is estimated to receive \$31 million from COVID 4. COVID 3 monies must be spent by September 30, 2022, and COVID 4 monies by September 30, 2023.
  - To receive the COVID 3 Governor's Fund monies, the state must keep its General Fund spending for K-12 and higher education in FY 2020 and FY 2021 at or above the average levels of spending in FY 2017-FY 2019. To receive the COVID 4 Governor's Fund monies, the state must keep its General Fund spending for K-12 and higher education in FY 2022 at or above the average proportional levels of K-12 and higher education spending relative to overall spending in FY 2017-FY 2019. See the following bullets for discussion of these levels of spending.
  - The COVID 3 monies are allocated as follows:
    - \$40 million for installation of broadband infrastructure along I-17 between Sunset Point and Flagstaff and along I-19 between Tucson and Nogales.
    - \$19 million for Acceleration Academy Grants, which are one-time grants to high-need schools for contracted services and training for existing teaching staff.

- \$6 million for the Arizona Teachers Academy to provide tuition grants to postsecondary students in exchange for a commitment to teach in Arizona K-12 public schools after graduation.
  - \$2 million in grants to support innovative practices responding to the COVID-19 pandemic. A for Arizona, a nonprofit organization, will oversee the program and provide a private match of these monies.
  - \$1 million for vehicles for the Arizona State Schools for the Deaf and the Blind.
  - \$0.7 million for leadership development in rural and underperforming schools through the Beat the Odds School Leadership Academy.
  - \$0.5 million for tutoring from Teach for America.
- In addition to the estimated \$31 million from COVID 4, Arizona will receive some monies from the \$2.75 billion nationwide private school set-aside. These funds will be administered to non-public schools by a public agency. These non-public entities may not receive a Paycheck Protection Program loan on or after December 27, 2020.
- Elementary and Secondary School Emergency Relief Fund (\$1.4 billion): Arizona received \$277 million from COVID 3 and \$1.1 billion from COVID 4. School districts and charter schools will receive at least 90% of the state allocation, in proportion to the amount of Title I-A funding received. Schools received \$250 million from COVID 3 and \$1.0 billion from COVID 4, for a combined total of \$1.3 billion. The state may retain up to 0.5% for administrative costs, or \$1 million from COVID 3 and \$6 million from COVID 4, for a combined total of \$7 million. Up to 9.5% will be distributed at ADE's discretion to address coronavirus-related emergency needs. ADE received \$26 million from COVID 3 and \$109 million from COVID 4, for a combined total of \$135 million. Monies must be allocated to schools within 1 year of receipt. COVID 3 monies must be spent by September 30, 2022, and COVID 4 monies by September 30, 2023.
  - To receive the COVID 3 K-12 Education Fund monies, the state must keep its General Fund spending for K-12 in FY 2020 and FY 2021 at or above the average level of spending in FY 2017-FY 2019. To receive the COVID 4 K-12 Education Fund monies, the state must keep its General Fund spending for K-12 in FY 2022 at or above the average proportional level relative to overall spending in FY 2017-FY 2019.
  - The COVID 3 MOE requires the state to maintain a spending level of \$4.33 billion for elementary and secondary education in FY 2020 and FY 2021. The FY 2020 budget provides \$866 million in state support above the MOE spending level, and the FY 2021 budget provides \$1.27 billion in state support above the MOE spending level. Therefore, all of the K-12 Education Fund monies could potentially be used to supplant state General Fund spending for K-12. The state also has the option to use some or all of the monies to supplement current K-12 funding levels.
  - The COVID 4 MOE requires the state to keep its K-12 General Fund spending at 43.2% of total General Fund spending in FY 2022. The FY 2022 Baseline includes \$5.8 billion in K-12 General Fund spending, which is 47.4% of the \$12.3 billion in total General Fund spending. Therefore, K-12 spending in the FY 2022 Baseline exceeds the MOE by approximately \$526 million.
  - The \$26 million portion controlled by ADE from COVID 3 is allocated as follows:
    - \$15 million for schools that are not eligible for formula funds from the K-12 Education Fund. Over 180 schools will receive monies based on the number of low-income students and the size of the school, with each entity receiving at least \$50,000.
    - \$6 million for distance learning grants to school districts and charter schools. Awards will be based on need and impact of COVID-19.
    - \$5 million for special education compensatory education.
    - \$0.3 million for social-emotional learning and trauma-informed training for school teachers and leaders.
- Higher Education Emergency Relief Fund (\$794 million): Federal Funds are distributed directly to institutions of higher education (IHEs). Arizona IHEs received \$304 million from COVID 3 and are estimated to receive \$490 million from COVID 4. Of the \$304 million in COVID 3 monies, approximately \$122 million went to public universities, \$82 million to community colleges, and \$101 million to private institutions. We do not yet have an estimate of the specific distributions of COVID 4 monies to public universities, community colleges, and private institutions. For both COVID 3 and COVID 4, some of these monies must be used for student grants, while the remainder may be used to offset revenue shortfalls. COVID 3 monies must be spent by September 30, 2022, and COVID 4 monies by September 30, 2023.
  - The COVID 3 MOE requires the state to keep its General Fund spending for higher education in FY 2020 and FY 2021 at or above the average levels of spending for higher education in FY 2017-FY 2019. This

translates to a spending level of \$721 million. The FY 2020 budget provides \$66 million in state support above the MOE spending level, and the FY 2021 provides \$22 million in state support above the MOE spending level. Therefore, up to \$66 million in FY 2020 and \$22 million in FY 2021 could potentially be supplanted.

- We are currently calculating the COVID 4 MOE.
- See the Higher Education Emergency Relief Fund Allocations attachment for a breakdown of COVID 3 funds received by Arizona IHEs. A breakdown of COVID 4 funds is not yet available.
- Head Start (\$16 million): Arizona received \$12 million from COVID 3 and is estimated to receive \$4 million from COVID 4.

### Health

- Temporary Medicaid Match Rate Increase (\$573 million): COVID 2 includes a temporary increase of 6.2% in each state's Federal Medical Assistance Percentage (FMAP) used to fund the Medicaid program and Title IV-E child welfare services. The increase is retroactive to January 1, 2020, and is effective for the duration of the federally-declared public health emergency in response to COVID-19. Based on Congressional Budget Office estimates, the JLBC Staff estimates that the FMAP increase will be in effect through March 2021. We estimate that the 6.2% increase reduced Arizona's state General Fund costs by \$(273) million in FY 2020, including \$(263) million for Medicaid services provided by AHCCCS and DES and \$(10) million for Title IV-E child welfare services provided by DCS. The actual net savings to the General Fund, however, will be lower, as the above savings do not account for caseload growth and other technical factors that impact General Fund spending for Medicaid and Title IV-E. We anticipate that savings in FY 2021 will be \$(300) million, spread across AHCCCS, DES, and DCS. The combined projected FY 2020 and FY 2021 savings is \$(573) million.
- CDC grants (\$653 million): DHS received \$16 million in Public Health Emergency Preparedness Grants from COVID 1, \$8 million in Immunization Cooperative Agreements from COVID 3, and \$13 million in Epidemiology and Laboratory Capacity Grants from COVID 1 and COVID 3. Funding may be used for lab capacity, infection control, and other preparedness and response activities. COVID 3.5 provided an additional \$150 million in Epidemiology and Laboratory Capacity Grants to DHS for testing and contract tracing. Arizona is also estimated to receive \$85 million for vaccine distribution and \$379 million for testing and contact tracing from COVID 4. See Tribal Relief section for monies distributed to tribal entities. ADE also received \$0.3 million from COVID 3 to address student health.
- Emergency Response Grants (\$2 million): AHCCCS received these funds to address mental health, substance use disorders, and to support youth and the homeless. COVID 4 provided an additional \$240 million nationwide for emergency grants to states.
- Emergency Response for Suicide Prevention grants (\$0.8 million): AHCCCS received these funds to address suicide prevention during the COVID-19 pandemic. In addition, tribal entities received \$0.8 million, and the EMPACT-Suicide Prevention Center received \$0.8 million (see Tribal Relief section and *Table 3*). COVID 4 provided an additional \$50 million nationwide for suicide prevention programs.
- Hospital Preparedness Program (\$5 million): DHS and AHCCCS received approximately \$1 million in total from COVID 1 and \$4 million in total from COVID 3 to assist hospitals and the health care system in preparing for and responding to public health emergencies, including bioterrorism.
- Ryan White HIV/AIDS (\$0.4 million to the state, \$0.4 million to local governments, and \$0.4 million to non-governmental entities): State funds (Part B) improve HIV health care and support services, including AIDS Drug Assistance Program grants. Monies received by local governments (Part A) fund medical and support services in counties and cities that are the most severely affected by the HIV/AIDS epidemic. Local community-based organizations use funds (Parts C, D, and F) to provide outpatient health care services and clinician training.
- Substance Abuse Prevention and Treatment Block Grant (\$38 million): Arizona is estimated to received \$38 million from COVID 4. At least 20% of funds, or \$8 million, must be spent on primary prevention.
- Community Mental Health Services Block Grant (\$22 million to the state): Arizona is estimated to receive \$44 million from COVID 4. At least 50% of funds, or \$22 million, are provided directly to facilities (see *Table 3*).
- For funds directed to hospitals and community health centers, see Direct Aid to Individuals and Businesses section.

### Emergency Relief

- Emergency Management Performance Grants (\$2 million): ADOA and DEMA are eligible to apply to FEMA for these grants, which support coordination of communications and logistics among state, local, and tribal governments. The 50% state match requirement is not waived.
- Emergency Food and Shelter Program (\$0.6 million to the state and \$5 million to local governments): Grants are given to jurisdictions to provide food, lodging in a mass shelter or hotel, one month's rent or mortgage payment, one month's utility bill, or equipment necessary to feed or shelter people, up to a \$300 limit per item, for individuals or families in economic crisis.
- Assistance to Firefighters Grants (\$0.8 million to local governments): Assistance to Firefighters Grants (AFG) can be used by firefighters and other first responders to obtain equipment, protective gear, emergency vehicles, training, and other necessary resources.
- Stafford Act assistance (\$68 million to the state and \$0.6 million to local governments): The national emergency declaration on March 13 and the major disaster declaration for Arizona on April 4 made Arizona eligible for Stafford Act assistance. Arizona is eligible to receive FEMA funding for Public Assistance emergency protective measures. These awards have a 25% state cost share requirement. Arizona is also eligible for the Crisis Counseling Program, which does not have a state cost share requirement. As of December 23, FEMA has obligated \$69 million in federal support to Arizona state, local, and tribal governments. We anticipate that the amount of federal assistance will grow as additional expenses are approved by FEMA. This amount includes federal funding for National Guard deployments. For more information, see the FEMA Stafford Act Assistance attachment.

### Food Assistance

- The Emergency Food Assistance Program (TEFAP) commodities (\$14 million): TEFAP provides emergency food and nutrition assistance. Funding came from COVID 2 (\$7 million) and COVID 3 (\$7 million).
- TEFAP administration (\$6 million): TEFAP is administered by DES. Funding was provided by COVID 2 (\$2 million) and COVID 3 (\$4 million).
- Special Supplemental Nutrition Program for Women, Infants, and Children (\$9 million): COVID 2 provides \$9 million in funding. WIC provides assistance to low-income women and mothers with young children who are unemployed due to the COVID-19 pandemic.
- National School Lunch Program (\$140 million)
- Supplemental Nutrition Assistance Program (SNAP) administration: COVID 4 appropriates \$100 million for state administrative costs in FY 2021. The grants are based 75% on the state's share of SNAP households and 25% on the increase in SNAP households over 12 months.
- Reimbursement for nutrition programs: COVID 4 allows states to be reimbursed for 55% of emergency operational costs incurred between March and June 2020 for school meal programs and child and adult care food programs. States may use 1% of funds for administrative costs. Monies remain available until September 30, 2021.

### Children and Families

- Child Care and Development Block Grant (\$339 million): Funding assists child care providers and provides child care subsidies for essential employees. These funds require legislative appropriation and may not supplant child care assistance for low-income families. Arizona received \$88 million from COVID 3, and these funds will remain available through September 30, 2021. Payments of COVID 3 monies may be obligated from FY 2020-FY 2022. Arizona is also estimated to receive \$251 million from COVID 4, and the state must report how the funds were spent by October 31, 2022.
- Title IV-B (\$3 million): DCS uses Title IV-B monies primarily to fund caseworkers and other DCS staff. The state match requirement is waived. For child welfare services, DCS received \$1 million from COVID 3. For the Promoting Safe and Stable Families Program, DCS is estimated to receive \$2 million from COVID 4 for FY 2021.
- Chafee Foster Care Program for Successful Transition to Adulthood (\$13 million): Arizona is estimated to receive \$11 million for the Chafee program and \$2 million for education and training vouchers for youth who age out of foster care from COVID 4.
- Family violence prevention and services formula grants (\$1 million): The non-federal match requirements are waived.

### Elderly and Community Living

- Older Americans Act:
  - Congregate and Home-Delivered Meals (\$20 million): COVID 2 provides \$5 million in funding for congregate and home-delivered meals, and COVID 3 provides an additional \$11 million for home-delivered meals. Arizona is estimated to receive \$4 million from COVID 4. These programs are run by DES. The non-federal match requirements are waived.
  - Supportive services (\$4 million)
  - Supportive services for family caregivers (\$2 million)
  - Protection of Vulnerable Older Americans activities (\$0.4 million)
  - Discretionary projects (\$1 million): These funds will be used by DES for the Arizona Bridges of Care project.
- Low Income Home Energy Assistance Program (\$16 million): Funding provides energy assistance to low-income residents. See Tribal Relief section for monies distributed to tribal entities.
- Community Services Block Grants (\$8 million): DES received monies for various programs related to poverty. Federal law requires 90% of these monies, or \$7 million, to be passed through to local entities.
- Aging and Disability Resource Centers (\$1 million)

### Housing and Urban Development

- Community Development Block Grants (\$32 million to the state and \$74 million to local governments): Funding is used to provide housing and expand economic opportunities for persons of low or moderate income.
- Homeless Assistance/Emergency Solutions Grant (\$22 million to the state and \$50 million to local governments): The \$72 million to state and local governments represents Arizona's share of the \$2 billion in federal funding distributed according to FY 2020 allocations and the additional \$2 billion distributed by the Secretary. Funding is used to increase the number and quality of emergency shelters which provide short-term accommodations for people who are homeless or experiencing a housing crisis, and to assist in operating those shelters.
- Public Housing Operating Fund (\$3 million to local governments): Funding supports public housing agencies to help maintain normal operations as well as take necessary action to minimize the impacts of COVID-19 on public housing services. These monies are awarded directly to local Public Housing Authorities.
- Tenant-Based Rental Assistance (\$3 million to local governments): Funding provides rental assistance to low-income Arizonans to cover the monthly cost of rental units. These monies are used for adjustments to Section 8 renewal funding allocations due to the COVID-19 pandemic. Local governments received approximately \$3 million. The Arizona Department of Housing received \$22,500, and the Arizona Behavioral Health Corporation received \$16,300 (see *Table 3*).
- Supportive Housing for Persons with Disabilities (\$0.7 million to local governments): Funding subsidizes rental housing and provides supportive services for very low- and extremely low-income adults with disabilities. Local governments received \$0.7 million, and the Arizona Behavioral Health Corporation received \$0.1 million (see *Table 3*).
- Housing Opportunities for Persons with AIDS (\$0.1 million to the state and \$0.8 million to local governments): Funding provides housing assistance and supportive services to low-income persons living with HIV/AIDS who are or at risk of being homeless. The state received \$0.1 million and local governments received \$0.6 million in formula funding. Pima County and Cochise County also received \$0.2 million in competitive grants.
- Rental assistance (\$485 million): The \$25 billion nationwide in rental assistance from COVID 4 will be distributed to states and localities using the Coronavirus Relief Fund allocation formula. States are allocated funding based on their share of population, with each state guaranteed a minimum funding amount of \$200 million. The state and local governments in Arizona are estimated to receive \$485 million. Beginning on September 30, 2021, the Secretary may reallocate funds to grantees that have obligated at least 65% of their original allocation. Funds will remain available through December 31, 2021. Furthermore, COVID 4 extends the CDC eviction moratorium through January 31, 2021.

### Transportation

- Public Transit Grants provide funding for capital, planning, and operating assistance to state, local, and tribal governments to support public transportation. Arizona entities received \$313 million from COVID 3 and is estimated to receive an additional \$102 million from COVID 4, for a total of \$415 million.
  - Urbanized Areas (\$370 million): Arizona received \$268 million from COVID 3 and is estimated to receive \$102 million from COVID 4. From COVID 3 and COVID 4, Phoenix-Mesa will receive a total of \$273 million and Tucson will receive a total of \$61 million. Cities with populations of 50,000 or more are eligible for funding. Urbanized areas may not receive combined allocations from COVID 3 and COVID 4 in excess of 75% of that area's 2018 operating costs.
  - Nonurbanized (Rural) Area Formula (\$42 million): Grant funding is allocated to state and tribal governments to distribute to areas with populations of less than 50,000. Funds are apportioned to states based on a formula that includes land area, population, revenue vehicle miles, and low-income individuals in rural areas. States may not receive combined allocations from COVID 3 and COVID 4 in excess of 125% of that state's total rural operating costs.
  - See Tribal Relief section for monies distributed to tribal entities.
- Grants for airports (\$225 million): Airports in Arizona received \$225 million from COVID 3. COVID 4 provided an additional \$2 billion in funds nationwide. Airports that received funds in excess of 4 years of operating costs from COVID 3 are not eligible to receive grants from COVID 4. Through February 15, 2021, airports must maintain at least 90% of employees as of March 27, 2020.
- Airport Improvement Program (\$71 million): Arizona received \$21 million from COVID 3 and is estimated to receive \$50 million from COVID 4.
- Supplemental Discretionary grants (\$10 million)
- Surface Transportation Block Grant Program (\$182 million): ADOT is estimated to receive \$182 million in formula funding from COVID 4. Funds are available until September 30, 2024.
- Enhanced Mobility of Seniors and Individuals with Disabilities (\$1 million): Arizona is estimated to receive \$1 million in formula funding from COVID 4.
- The Real ID deadline for states is extended from October 1, 2020, to September 30, 2021.

### Other

- Byrne Justice Assistance Grants (\$12 million to the state and \$6 million to local governments): The U.S. Department of Justice announced that state, local, and tribal governments in Arizona will receive a total of \$19 million. Funding supports a range of program areas, including law enforcement, prosecution, indigent defense, courts, crime prevention and education, corrections and community corrections and drug treatment and enforcement. The Arizona Criminal Justice Commission receives the state's allocation. Of the \$7 million to local governments, approximately \$1 million is allocated for Arizona tribes. (See Tribal Relief section.)
- Coronavirus Emergency Supplemental Funding Program (\$12 million to the state and \$7 million to local governments): Funding may be used for PPE and supplies, personnel expenses, and medical needs of inmates in state, local, and tribal prisons, jails, and detention centers. The Arizona Criminal Justice Commission received the state's allocation.
- Economic Adjustment Assistance grants (\$1 million to local governments): The Recovery Assistance grant recipients are the Central Arizona Governments, Northern Arizona Council of Governments, and Southeastern Arizona Governments Organization. For information on grants to businesses, see Direct Aid to Individuals and Businesses section.
- Elections (\$8 million): These election security grants are to prevent, prepare for, and respond to coronavirus in the 2020 federal election cycle. To receive these monies, Arizona must provide a 20% match (\$2 million) within 2 years of receiving funds. In-kind sources by state and local jurisdictions may be used to meet the state match. These Federal Funds may not be used to pay for expenses currently paid with state or local funds, such as regularly-anticipated demand for mail ballots. Instead, allowable costs would include such items as the marginal cost of printing additional ballots, cleaning supplies and protective masks, deep cleaning of polling places, and upgrades of statewide or local databases. These monies require legislative appropriation. Monies not used by December 31, 2020, reverted to the Treasury. These monies were not appropriated, and the Governor has allocated \$9 million from the Coronavirus Relief Fund for this purpose (see Coronavirus Relief Fund section).

- Manufacturing Extension Partnership (\$0.7 million): The Arizona Commerce Authority will receive \$0.7 million from the National Institute of Standards and Technology's Manufacturing Extension Partnership to assist small- and medium-sized manufacturers. The state match requirements have been waived for these monies.
- Institute of Museum and Library Services Grants (\$0.7 million): These monies will be distributed to the Arizona State Library within the Arizona Secretary of State's office. Funds are used to expand digital network access and provide technical support. As Arizona's State Library Administrative Agency, the Arizona State Library may distribute the \$0.7 million through competitive subawards or cooperative agreements. Amerind Museum in Cochise County received \$0.2 million as a direct award (see *Table 3*).
- Arts and humanities (\$0.5 million to the state and \$0.5 million to non-governmental entities): Of the \$60 million in federal funding that is distributed to states, Arizona's allocation is \$1 million. The Arizona Commission on the Arts will receive \$0.5 million, and the Arizona Humanities Council, which is not a state entity, will receive \$0.5 million (see *Table 3*). An additional \$90 million in federal funding will be distributed through direct grants.

### Tribal Relief

We do not have a comprehensive list of tribal allocations for specific programs, but relief includes:

- Education Stabilization Fund (\$7 million): Diné College and Tohono O'odham Community College received \$7 million from the Higher Education Emergency Relief Fund from COVID 3. See Education section for more details. These monies are included in *Table 2* and are allocated through a different formula than the Tribal Colleges and Universities (TCUs) set-asides.
- \$409 million nationwide in Education Stabilization Fund set-asides to Bureau of Indian Education-operated and funded schools and TCUs from COVID 4.
- \$750 million nationwide to tribes, tribal organizations, urban Indian health organizations, and health service providers to tribes for coronavirus testing from COVID 3.5.
- \$210 million to the Indian Health Service for vaccine distribution from COVID 4.
- \$790 million to the Indian Health Service for coronavirus testing and contact tracing from COVID 4.
- \$500 million nationwide to the Indian Health Service and tribal hospitals, clinics, and urban health centers.
- At least \$125 million nationwide for tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes for Substance Abuse and Mental Health Services Administration programs from COVID 4.
- \$115 million nationwide for the Tribal Transportation Program.
- \$1 billion nationwide for tribal broadband programs from COVID 4.

Arizona tribes have also received the following amounts:

- \$1.3 billion in Coronavirus Relief Fund tribal payments. Of the \$150 billion total nationwide funding provided for the CRF, \$8 billion is allocated to Indian Tribes. The CRF monies are allocated 60% based on population and 40% based on employment and expenditure data, with each Tribe guaranteed a minimum funding amount of \$100,000. See Coronavirus Relief Fund section for more details on uses of these monies.
- \$30 million for Aid to Tribal Governments.
- \$5 million for Welfare Assistance.
- \$6 million to TCUs from the Bureau of Indian Education. These funds are intended for short-term costs such as PPE, sanitation supplies, and IT equipment and facilities. These monies will remain available until September 30, 2021.
- \$4 million to TCUs from the Education Stabilization Fund set-aside. These funds are intended for long-term costs such as broadband, mental health services, transportation, acquisition planning, and learning platform development. These monies must be spent by September 30, 2022.
- \$3 million for Head Start programs.
- \$14 million in CDC Tribal Public Health Capacity Building Grants.
- \$0.8 million in Emergency Response Grants.
- \$0.8 million in Tribal Behavioral Health grants.
- \$0.8 million in Emergency Response for Suicide Prevention grants.
- \$1 million in telehealth programs.
- \$1 million for Rural Tribal COVID-19 Response grants.
- \$12 million in HIS Indian Self-Determination and Self-Governance grants.
- \$2 million in Epidemiology Cooperative Agreements.

- \$2 million in monies to Community Health Centers.
- \$0.6 million in FEMA Stafford Act monies.
- \$13 million in Child Care Development and Block Grants.
- \$0.2 million for child welfare services.
- \$0.6 million for Family Violence Prevention and Services Act programs.
- A total of \$2 million in Older Americans Act nutrition services programs from COVID 2 and COVID 3. These monies will be further distributed to local meal providers.
- \$1 million for the Low Income Home Energy Assistance Program.
- \$2 million for Community Services Block Grants.
- \$5 million in Community Development Block Grants.
- \$3 million in public transit grants.
- \$1 million in Byrne Justice Assistance Grants.
- \$0.6 million in Coronavirus Emergency Supplemental Funding.

For a breakdown of Federal Funds received by each Arizona tribal entity, see the Federal Coronavirus Response Funds to Tribal Entities attachment.

#### Direct Aid to Individuals and Businesses

- UI benefits (\$10.4 billion): Between the weeks ending April 4 and July 25, the federal government funded the Federal Pandemic Unemployment Compensation (FPUC) program, a \$600 increase above Arizona's regular state-funded UI benefits, which have a weekly maximum of \$240. Between the weeks ending August 22 and September 12, the Lost Wages Assistance Program (established by a presidential memorandum) provided a federally-funded \$300 increase above Arizona's regular UI benefits. COVID 4 re-established FPUC benefits at \$300 per week between the weeks ending January 2, 2021, and March 13, 2021. The federal government also will also pay for 100% of Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC). Individuals may enroll in PUA and PEUC programs through the week ending March 13, 2021, though compensation may continue through the week ending April 10, 2021. As of December 26, individuals in Arizona have received an estimated \$10.4 billion in federally-funded UI benefits through these programs. We do not yet have an estimate of the dollar impact of COVID 4 on UI benefits in Arizona.
- SNAP emergency allotments (\$332 million): SNAP benefits are 100% federally-funded. Under COVID 2, SNAP households may receive emergency allotments, which increase the household's allotment up to the maximum allotment. Arizona SNAP households received emergency allotments benefits beginning in April, and these benefits will continue until the end of the federally-declared COVID-19 public health emergency or until the expiration of the state-issued emergency or disaster declaration. According to DES, emergency allotments benefits totaled \$39 million in April, \$42 million in May, \$40 million in June, \$42 million in July, \$42 million in August, \$41 million in September, \$42 million in October, and \$43 million in November. COVID 4 also increases the monthly SNAP benefit level by 15% from January 1, 2021, to June 30, 2021, excludes Federal Pandemic Unemployment Compensation from household income calculations for SNAP, and extends SNAP eligibility to college students who are eligible for work-study or have an expected family contribution of \$0.
- Pandemic Electronic Benefit Transfer (P-EBT) (\$201 million): COVID 2 authorized P-EBT to provide assistance to households with children who are eligible for free or reduced-price school meals while schools are out of session due to the COVID-19 pandemic. The Continuing Appropriations Act, 2021 and Other Extensions Act (P.L. 116-159) extends P-EBT availability through September 30, 2021, and expands the program beginning October 1, 2020, to cover households with children at affected child care centers. Households received \$69 for March, \$126 for April, and \$120 for May per child. These benefits are 100% federally-funded. According to DES, emergency allotments benefits totaled \$29 million in April, \$151 million in May, \$2 million in June, \$10 million in July, \$8 million in August, and \$1 million in September.
- Emergency Broadband Benefit Program: COVID 4 authorized \$3.2 billion nationwide in emergency broadband benefits to families. The benefits are effective beginning from December 27, 2020, until 6 months after the end of the federally-declared public health emergency in response to COVID-19. Low-income families may receive up to \$50 per month, or \$75 per month if the household is on tribal land, for broadband access, as well as up to \$100 for one connected device per household. Families may qualify if at least one member of the household is eligible for free or reduced-price lunch, Pell Grant, or Federal Communications Commission's Lifeline program, or have experienced a substantial loss of income since February 29, 2020.

- Economic Impact Payments (\$5.7 billion): Individual taxpayers below certain income thresholds will receive 2 one-time direct payments from the federal government. The first round was authorized by COVID 3. As of June 26, 3,382,404 individuals in Arizona received a total of \$5.7 billion in stimulus payments. As of September 17, there may be 239,037 additional individuals in Arizona eligible for payments. The second round was authorized by COVID 4; these payments are not included in the estimate.
  - COVID 3: Single filers with an adjusted gross income (AGI) of less than \$75,000 on TY 2019 filings receive a one-time payment of \$1,200. Joint filers with AGI of less than \$150,000 on TY 2019 filings receive a one-time check of \$2,400, plus an additional \$500 per dependent child. For each \$100 in income over these limits, payments are reduced by \$5. As a result, there are no payments for single filers with AGI above \$99,000 and joint filers with no children with AGI above \$198,000.
  - COVID 4: Single filers with AGI of less than \$75,000 on TY 2019 filings receive a payment of \$600. Joint filers with AGI of less than \$150,000 on TY 2019 filings receive a check of \$1,200, plus an additional \$600 per dependent child. For each \$100 in income over these limits, payments are reduced by \$5. As a result, there are no payments for single filers with AGI above \$87,000 and joint filers with no children with AGI above \$174,000.
- Paid Sick and Family Leave: COVID 2 requires employers with fewer than 500 employees and government employers to provide 2 weeks of paid sick leave to employees advised to self-quarantine or caring for a child or family member who has been advised to self-quarantine. Employees advised to self-quarantine may receive 100% of their regular pay, up to \$511 per day and \$5,110 in total, and employees caring for a child or family member may receive two-thirds of their regular pay, up to \$200 per day and \$2,000 in total. Employees who have been employed for at least 30 calendar days are also eligible for up to 12 weeks of paid family leave. After the first 10 days of leave, employees receive at least two-thirds of their average pay, up to \$200 per day and \$10,000 in total. COVID 4 extends these requirements for non-government employers through March 31, 2021.
- Sick and Family Leave Credits: COVID 2 allows a refundable tax credit equal to 100% of paid sick and family leave for employers required to provide paid sick and family leave. For TY 2020, governments are subject to paid leave requirements but are not eligible for these tax credits. COVID 4 extends these credits through March 31, 2021.
- Employee Retention Credit (\$1 billion): Under COVID 3, employers required by a government order to suspend operations due to COVID-19 or whose gross receipts decline by at least (50)% compared to the same quarter in the prior year are allowed a refundable payroll tax credit of 50% of qualified wages paid after March 12, 2020, through and including December 31, 2020, up to \$10,000 per employee. Qualified wages include wages paid to an employee not providing services due to a government-ordered closure and as well as health plan expenses. The Joint Committee on Taxation estimates that this credit will result in \$55 billion to employers. We estimate that Arizona businesses, which make up roughly 1.8% of businesses nationwide, will receive approximately \$1 billion. COVID 4 expands and extends the tax credit through June 30, 2021. During this extension (between January 1, 2021, and June 30, 2021), the level of the credit is increased to 70% of qualified wages, up to \$10,000 per employee per quarter. Employers are eligible during the extension period if gross receipts decline by at least (20)% compared to the same quarter in 2019 or the prior quarter.
- Charitable contribution deductions for individuals: Up to \$300 in charitable contributions may be deducted from TY 2020 federal adjusted gross income (FAGI) for filers that claim the standard deduction. For filers that itemize, the limit on charitable contributions that may be claimed is raised from 60% to 100% of the filer's FAGI in TY 2020.
- Charitable contribution deductions for corporations: For charitable contributions of cash, the deduction limit is raised from 10% to 25% of the taxpayer's modified taxable income in TY 2020. For contributions of food inventory, the limit is raised from 15% to 25% of taxable income for C corporations or net aggregate income for all other taxpayers in TY 2020.
- Business interest expense deductions: For TY 2019 and TY 2020, the limitation on business interest expense deductions is raised from 30% to 50% of the corporation's adjusted taxable income.
- Net operating losses (NOLs): The 80% taxable income limitation for NOL carryovers is suspended for TY 2018-TY 2020. NOLs arising in TY 2018-TY 2020 may also be carried back for five years.
- Qualified improvement property (QIP) depreciation: Retroactive to TY 2018, the QIP depreciation period is decreased from 39 to 15 years. QIP is also now eligible for 100% bonus depreciation.
- Paycheck Protection Program (PPP) (\$8.7 billion): Small businesses are eligible to apply for 250% of their average monthly payroll expenses in potentially forgivable loans. The first round of the PPP closed on August

- 8, 2020. A total of 85,771 Arizona businesses were approved for \$8.7 billion in loans. COVID 4 appropriated funds for a second round of the PPP.
- Under COVID 3, businesses with fewer than 500 employees were eligible to apply for PPP loans, and the maximum loan amount was \$10 million. Under COVID 4, businesses must have fewer than 300 employees and must demonstrate a revenue reduction of (25)% to be eligible to apply, and the maximum loan amount is \$2 million. COVID 4 also expands PPP eligibility to include 501(c)(6) nonprofits.
  - Loans are 100% backed by the Small Business Administration (SBA) and are obtained through participating banks.
  - Loan monies used for payroll and interest on rent payments and utility services are forgivable.
  - If no employees are laid off, then the entire loan is forgiven. If some employees are laid off, then the forgivable amount of the loan is reduced by the percentage of employees that were laid off.
  - Loan amounts that are forgiven may be excluded from the businesses' gross income for federal income tax purposes.
  - COVID 3 established the program and provided \$349 billion for PPP loans. COVID 3.5 provided an additional \$310 billion. Of the amount added by COVID 3.5, \$60 billion is reserved for lending by small- and medium-sized financial institutions and those serving minority or underserved areas. COVID 4 appropriated an additional \$284.5 billion for a second round of PPP loans.
  - Under the Paycheck Protection Program Flexibility Act, the covered period was extended from 8 weeks to 24 weeks or December 31, 2020, whichever is earlier. COVID 4 continues to allow businesses to select a covered period of 8 weeks or 24 weeks.
  - COVID 4 allows businesses to take tax deductions for expenses covered by forgiven PPP loans.
  - Economic Injury Disaster Loans (EIDLs) (\$3.2 billion): Small businesses and non-profits may apply for EIDLs of up to \$2 million to cover operating expenses, including sick leave, wages, supply chain cost increases, rent, and other liabilities that cannot be paid due to revenue decreases. EIDLs may not be forgiven. COVID 3.5 provided \$50 billion for the program and made agricultural enterprises with fewer than 500 employees eligible for the loans. As of November 23, 60,893 Arizona businesses had been approved for \$3.2 billion in loans.
  - Emergency EIDL Advances (\$329 million): Small businesses and non-profits may apply for emergency grants of up to \$10,000 made within 3 days of application. Advances may be converted into grants if used to cover operating expenses, including sick leave, wages, supply chain cost increases, rent, and other liabilities that cannot be paid due to revenue decreases, even if the application for a loan is not subsequently approved. COVID 3 established the program and appropriated \$10 billion, and COVID 3.5 provided an additional \$10 billion. A total of 93,559 Arizona businesses received \$329 million in EIDL advances. The program will re-open with \$20 billion from COVID 4.
  - Relief for existing loans: Small businesses with existing SBA loans may apply for funds to cover 6 months of payments. COVID 3 appropriated \$17 billion nationwide, and COVID 4 provided an additional \$3.5 billion nationwide.
  - Coronavirus Food Assistance Program (\$130 million): Producers of certain agricultural commodities who have suffered price declines of at least 5%, and who face substantial marketing costs for inventories, are eligible for payments of up to \$250,000 per person or legal entity, or \$750,000 per corporate entity. As of January 3, 2021, Arizona producers had received a total of \$130 million from both rounds of the program (CFAP 1 and CFAP 2). COVID 4 provided an additional \$11 billion nationwide for the program.
  - Poison Control Centers (\$0.1 million): Funding would increase capacity of poison control centers to respond to increased calls.
  - NIH research grants (\$7 million)
  - Hospitals and health care providers (\$2.0 billion): COVID 3 provides \$100 billion to hospitals and health care providers nationwide, and COVID 3.5 provides an additional \$75 billion nationwide. Arizona hospitals and providers have been allocated \$2.0 billion. This allocation for Arizona entities includes our previous figure of \$708 million as a proportionate amount based on providers' share of 2019 Medicare fee-for-service reimbursements, \$202 million for areas particularly impacted by COVID-19, \$104 million for rural providers, and \$76 million for skilled nursing facilities. This amount also includes an estimated \$272 million for safety net hospitals. The remaining COVID 3 funding will be targeted to providers to uninsured Americans, the Indian Health Service, and providers that solely take Medicaid. COVID 4 also provides an additional \$3 billion nationwide for health care-related expenses or lost revenue directly attributable to the COVID-19 pandemic.
  - Community Health Centers (\$40 million): These monies will be distributed directly to Arizona's 23 community health centers (CHCs) to detect, diagnose, prevent, and treat COVID-19. Federal funding will expire on

November 30, 2020. COVID 1 provides an initial \$2 million in funding. COVID 3 provides \$24 million, and COVID 3.5 provides an additional \$13 million. See Tribal Relief section for monies distributed to tribal entities.

- Primary Care Association (\$0.1 million): Each state's Primary Care Association received funding for training and technical assistance related to the COVID-19 pandemic. The Arizona Association of Community Health Centers received \$0.1 million.
- Rural Health Clinics (\$2 million): COVID 3.5 provided a flat amount of nearly \$50,000 to each rural health clinic (RHC). In Arizona, 33 RHCs received a total of approximately \$2 million.
- Health Center Controlled Networks (\$0.1 million): CHC Collaborative Ventures received funding to strengthen health IT support.
- Telehealth Program grants (\$2 million)
- Small Rural Hospital Improvement Program (\$1 million)
- Runaway and Homeless Youth Act (\$0.5 million): These monies must be used to supplement, not supplant, existing funds.
- Centers for Independent Living (\$2 million): Funding serves individuals with significant disabilities, regardless of age or income.
- Economic Adjustment Assistance grants (\$2 million): PPEP Microbusiness and Housing Development Corporation received a Revolving Loan Fund grant, and Northern Arizona University received a University Center grant.
- Health Information Exchange Program (\$0.5 million): Arizona Health-e Connection received \$0.5 million to facilitate electronic state and federal hospital reporting for public health surveillance.

Table 2

**Funding for Arizona State and Local Governments from Federal Coronavirus Response  
Legislation  
(\$ in millions)**

	<u>State Aid</u>	<u>Local Aid</u>
Coronavirus Relief Fund	\$ 1,857	\$ 965
U.S. Treasury/Federal Reserve Lending Programs	N/A <sup>1/</sup>	N/A <sup>1/</sup>
<u>Unemployment Insurance</u>		
UI Administration (Initial and Supplemental Grants)	19	
Short-Time Compensation Administration	2	
Dislocated Worker Grants	1	
Reimbursing Employers	36	
<u>Education</u>		
Education Stabilization Fund		
Governor Emergency Education	100	
K-12	1,427	
Higher Education	794	
Head Start	16	
<u>Health</u>		
FMAP Increase	573	
CDC Grants	653	
Emergency Response Grants	2	
Emergency Response for Suicide Prevention	0.8	
Hospital Preparedness Program	5	
Ryan White HIV/AIDS	0.4	0.4
Substance Abuse Prevention and Treatment Block Grant	38	
Community Mental Health Services Block Grant	22	
<u>Emergency Relief</u>		
Emergency Management Performance Grants	2	
Emergency Food and Shelter Program	0.6	5
Assistance to Firefighters Grants		0.8
Stafford Act Assistance	68	0.6
<u>Food Assistance</u>		
TEFAP		
Commodities	14	
Administration	6	
WIC	9	
National School Lunch Program	140	
SNAP Administration	N/A <sup>1/</sup>	
Reimbursement for Nutrition Programs	N/A <sup>1/</sup>	
<u>Children and Families</u>		
Child Care and Development Block Grant	339	
Title IV-B	3	
Chafee Foster Care Program	13	
Family Violence Prevention and Services	1	

Table 2 Continued

Funding for Arizona State and Local Governments from Federal Coronavirus Response Legislation  
(\$ in millions)

	<u>State Aid</u>	<u>Local Aid</u>
<u>Elderly and Community Living</u>		
Older Americans Act		
Congregate and Home-Delivered Meals	20	
Supportive Services	4	
Family Caregivers Supportive Services	2	
Protection of Vulnerable Older Americans	0.4	
Discretionary Projects	1	
Low Income Home Energy Assistance Program	16	
Community Services Block Grants	8	
Aging and Disability Resource Centers	1	
<u>Housing and Urban Development</u>		
Community Development Block Grants	32	74
Homeless Assistance/Emergency Solutions Grant	22	50
Public Housing Operating Funding		3
Tenant-Based Rental Assistance	0 <sup>2/</sup>	3
Supportive Housing for Persons with Disabilities		0.7
Housing Opportunities for Persons with AIDS	0.1	0.8
Rental Assistance	485	
<u>Transportation</u>		
Urbanized Areas	370	
Rural Area Formula	42	
Airport Grants	225	
Airport Improvement Program	71	
Supplementary Discretionary Grants	10	
Surface Transportation Block Grant Program	182	
Enhanced Mobility of Seniors and Individuals with Disabilities	1	
<u>Other</u>		
Byrne Justice Assistance Grants	12	6
Coronavirus Emergency Supplemental Funding	12	7
Economic Adjustment Assistance		1
Elections	8	
Manufacturing Extension Partnership	0.7	
Institute of Museum and Library Services Grants	0.7	
Arts	0.5	
<b>Total<sup>3/</sup></b>	<b>7,668<sup>4/</sup></b>	<b>1,117<sup>4/</sup></b>

<sup>1/</sup> The state may borrow up to \$4,197 million and local governments may borrow up to a total of \$1,453 million through the Municipal Liquidity Facility. For more information, see the narrative and attachment.

<sup>2/</sup> Actual figure rounds to \$0. See narrative for amount.

<sup>3/</sup> This table is not a comprehensive list of funding sources in federal coronavirus response legislation.

<sup>4/</sup> Numbers may not add to total due to rounding.

**Table 3**  
**Direct Aid to Arizona Individuals and Businesses from Federal Coronavirus Response Legislation**  
**(\$ in millions)**

<u>Individuals</u>	
UI Benefits	10,419
SNAP Emergency Allotments	332
Pandemic EBT	201
Emergency Broadband Benefit Program	N/A <sup>1/</sup>
\$1,200/\$2,400 Taxpayer Assistance	5,750
Paid Sick and Family Leave	N/A <sup>1/</sup>
Charitable Contribution Deductions (Individual)	N/A <sup>1/</sup>
<u>Businesses</u>	
U.S. Treasury/Federal Reserve Lending Programs	N/A <sup>1/</sup>
Sick and Family Leave Credits	N/A <sup>1/</sup>
Employee Retention Credit	982
Charitable Contribution Deductions (Corporations)	N/A <sup>1/</sup>
Business Interest Expense Deductions	N/A <sup>1/</sup>
Net Operating Losses	N/A <sup>1/</sup>
Qualified Improvement Property Depreciation	N/A <sup>1/</sup>
Paycheck Protection Program	8,683
Economic Injury Disaster Loans	3,226
EIDL Advances	329
Relief for Existing Loans	N/A <sup>1/</sup>
Coronavirus Food Assistance Program	130
<u>Health</u>	
Emergency Response for Suicide Prevention	0.8
Ryan White HIV/AIDS	0.4
Community Mental Health Services Block Grant	22
Poison Control Centers	0.1
NIH Research Grants	7
Hospitals and Health Care Providers	2,011
Community Health Centers	40
Primary Care Association	0.1
Rural Health Clinics	2
Health Center Controlled Networks	0.1
Telehealth Program Grants	2
Small Rural Hospital Improvement Program	1
<u>Other</u>	
Family Violence Prevention and Services	0.1
Runaway and Homeless Youth Act	0.5
Centers for Independent Living	2
Tenant-Based Rental Assistance	0 <sup>2/</sup>
Supportive Housing for Persons with Disabilities	0.1
Humanities	0.5
Institute of Museum and Library Services Grants	0.2
Economic Adjustment Assistance	2
Health Information Exchange Program	0.5
<b>Total <sup>3/</sup></b>	<b>32,144 <sup>4/</sup></b>

<sup>1/</sup> N/A means Arizona's allocation is not yet known.

<sup>2/</sup> Actual figure rounds to \$0. See narrative for amount.

<sup>3/</sup> This table is not a comprehensive list of funding sources in federal coronavirus response legislation.

<sup>4/</sup> Numbers may not add to total due to rounding.

## Attachment: Coronavirus State/Local Government Loan Programs

The CARES Act (COVID 3) directed the Treasury to provide \$454 billion for Federal Reserve Board (Fed) programs, which included the Municipal Liquidity Facility (MLF). The MLF consisted of \$35 billion from the Treasury's COVID 3 appropriation and \$465 billion from the regional Federal Reserve banks, for a total of \$500 billion. Through the MLF, the Fed bought short-term notes from states, county governments with populations of at least 500,000, city governments with populations of at least 250,000, and multi-state entities, with at least 2 eligible local governments per state. For Arizona, this meant that the state, Maricopa County, City of Phoenix, City of Mesa, City of Chandler, City of Scottsdale, City of Glendale, Pima County, and City of Tucson were eligible for the program. State and local governments must have a rating of at least BBB-/Baa3 as of April 8, 2020, from at least 2 major nationally-recognized credit rating agencies. A qualifying entity may also issue debt on behalf of political subdivisions below these population thresholds.

To be eligible for the program, short-term notes must mature in 3 years or less. These include tax anticipation notes (TANs), tax and revenue anticipation notes (TRANs), bond anticipation notes (BANs), and other similar short-term notes. The MLF purchased notes until December 31, 2020 (mid-FY 2021). Therefore, if Arizona entities participated in the program, the latest that principal payments would be due is December 31, 2023 (mid-FY 2024). No governments in Arizona utilized the MLF.

Purchases would have an interest rate determined by the Fed and based on the government's credit rating. Details on pricing have not yet been released, but initial comments from the Fed indicate that the pricing may be higher than market rates. There was also an origination fee of 10 basis points, or 0.10%, of the principal amount. The origination fee may be paid from the proceeds of the issuance. These notes may be prepaid at any time by the issuer, subject to the approval of the Fed.

Purchases were capped at 20% of the entity's overall tax revenue and utility revenue (excluding intergovernmental revenue) in 2017, as reported by the U.S. Census Bureau. (See *Table 1.*) In Arizona, the state's overall tax revenue and utility revenue (excluding intergovernmental revenue) totaled \$21.0 billion in 2017. Therefore, the 20% cap for the state would be \$4.2 billion. However, states may request that MLF purchases exceed this cap to assist political subdivisions that are not eligible for the program.

These monies may be used to help manage revenue shortfalls. The eligible government may also use the proceeds to purchase similar notes issued by, or otherwise assist, political subdivisions that do not qualify for the program. For each eligible government unit, only one entity/office within that government may participate and issue debt under the program, unless additional issuers are approved by the Federal Reserve.

The Fed has reiterated that it will continue to monitor the market to evaluate whether additional measures are necessary. Reports on the Fed's guidance to state and local officials indicate that the MLF should be viewed as a last resort.

**Table 1****MLF Cap for State and Local Governments**

State	4,197,400,000
Maricopa County	204,800,000
City of Phoenix	562,600,000
City of Mesa	130,500,000
City of Chandler	65,800,000
City of Scottsdale	98,200,000
City of Glendale	68,500,000
Pima County	183,900,000
City of Tucson	138,900,000

## Attachment: Higher Education Emergency Relief Fund Allocations

There are 3 types of Higher Education Emergency Relief Fund (HEERF) allocations:

- Section 18004(a)(1) of the CARES Act (COVID 3) outlines a distribution formula based 75% on the relative share of full-time equivalent student enrollment (FTSE) of in-person Pell Grant recipients and 25% on in-person non-Pell Grant recipients at the institution of higher education (IHE). At least 50% of these monies must be used for student grants. The minimum amount that must be used for student grants is indicated in the "Student Grants" column.
- Section 18004(a)(2) monies are allocated according to the above formula to Historically Black Colleges and Universities (HBCUs), American Indian Tribally Controlled Colleges and Universities (TCCUs), Minority Serving Institutions (MSIs), and Strengthening Institutions Program (SIP) participants.
- Section 18004(a)(3) funding is allocated to ensure all public and private nonprofit IHEs receive at least \$500,000 in HEERF monies. Approximately \$15 million has yet to be allocated nationwide. These monies will be distributed by competitive grants.

From COVID 3, Arizona IHEs will receive at least \$304 million in HEERF monies, consisting of approximately \$122 million to public universities, \$82 million to community colleges, and \$101 million to private IHEs. A breakdown of COVID 4 funds is not yet available.

**Table 1**

### HEERF Allocations by Type of Institution

	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>18004(a)(3)</u>	<u>Total</u>	<u>Student Grants</u> <sup>1/</sup>
Public Universities	118,064,438	3,472,541		121,536,979	59,032,219
Community Colleges	72,712,674	9,310,304	263,877	82,286,855	36,356,337
Private Institutions	97,974,699	224,375	2,439,150	100,638,224	48,987,350
<b>Total</b>	<b>288,751,811</b>	<b>13,007,220</b>	<b>2,703,027</b>	<b>304,462,058</b>	<b>144,375,906</b>

<sup>1/</sup> At least 50% of the Section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. These figures represent the minimum amount that must be distributed as student grants.

**Table 2**

### HEERF Allocations: Public Universities

	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>Total</u>	<u>Student Grants</u> <sup>1/</sup>
Arizona State University	63,533,137		63,533,137	31,766,569
Northern Arizona University	23,577,854	1,157,111	24,734,965	11,788,927
University of Arizona	30,953,447	2,315,430	33,268,877	15,476,724
<b>Total</b>	<b>118,064,438</b>	<b>3,472,541</b>	<b>121,536,979</b>	<b>59,032,219</b>

<sup>1/</sup> At least 50% of the Section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. These figures represent the minimum amount that must be distributed as student grants.

**Table 3**

**HEERF Allocations: Community Colleges**

	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>18004(a)(3)</u>	<u>Total</u>	<u>Student Grants</u> <sup>1/</sup>
Arizona Western	4,528,738	284,360		4,813,098	2,264,369
Central Arizona	3,010,509	189,817		3,200,326	1,505,255
*Chandler-Gilbert	4,350,989			4,350,989	2,175,495
Cochise	3,163,235	211,918		3,375,153	1,581,618
Coconino	1,104,730	137,894		1,242,624	552,365
Diné	1,346,931	4,844,910		6,191,841	673,466
EVIT	236,123		263,877	500,000	118,062
Eastern Arizona	2,222,272	111,481		2,333,753	1,111,136
*Estrella Mountain	4,856,585	307,658		5,164,243	2,428,293
*GateWay	2,707,626	156,881		2,864,507	1,353,813
*Glendale	8,301,836	533,479		8,835,315	4,150,918
*Mesa	7,352,103	478,185		7,830,288	3,676,052
Mohave	1,933,935	94,646		2,028,581	966,968
Northland Pioneer	643,137	83,277		726,414	321,569
*Paradise Valley	2,586,404			2,586,404	1,293,202
*Phoenix	4,772,192	304,728		5,076,920	2,386,096
Pima	9,989,049	640,229		10,629,278	4,994,525
*Rio Salado	2,531,870			2,531,870	1,265,935
*Scottsdale	2,386,925			2,386,925	1,193,463
*South Mountain	2,098,614	132,246		2,230,860	1,049,307
Tohono O'odham	199,279	798,595		997,874	99,640
Yavapai	2,389,592			2,389,592	1,194,796
<b>Total</b>	<b>72,712,674</b>	<b>9,310,304</b>	<b>263,877</b>	<b>82,286,855</b>	<b>36,356,337</b>

\* Indicates institutions in the Maricopa County Community College District.

<sup>1/</sup> At least 50% of the Section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. These figures represent the minimum amount that must be distributed as student grants.

Table 4

## HEERF Allocations: Private Institutions

	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>18004(a)(3)</u>	<u>Total</u>	<u>Student Grants</u> <sup>1/</sup>
All Beauty College	82,062			82,062	41,031
American Institute of Interior Design	47,278			47,278	23,639
American Intercontinental University	1,150,405			1,150,405	575,203
Arizona Academy of Beauty	107,836			107,836	53,918
Arizona Christian University	747,009	36,421		783,430	373,505
Arizona College	3,665,308			3,665,308	1,832,654
Arizona Culinary Institute	209,341			209,341	104,671
Arizona School of Acupuncture and Oriental Medicine	7,856			7,856	3,928
Arizona School of Integrative Studies	163,548			163,548	81,774
Avalon School of Cosmetology	2,120,430			2,120,430	1,060,215
Aveda Institute Tucson	598,691			598,691	299,346
Brookline College	1,890,270			1,890,270	945,135
Carrington College	3,823,185			3,823,185	1,911,593
Charles of Italy Beauty College	74,036			74,036	37,018
CollegeAmerica - Flagstaff	1,792,797	173,258		1,966,055	896,399
Conservatory of Recording Arts & Sciences	926,993			926,993	463,497
Grand Canyon University	22,351,397			22,351,397	11,175,699
HDS Truck Driving Institute	167,052			167,052	83,526
International Baptist College and Seminary	70,347		429,653	500,000	35,174
International Barber College	91,467			91,467	45,734
Kor Beauty Academy	37,326			37,326	18,663
Paul Mitchell The School Phoenix	306,817			306,817	153,409
Penrose Academy	412,035			412,035	206,018
Phoenix Institute of Herbal Medicine & Acupuncture	37,245			37,245	18,623
Phoenix Seminary	42,117		457,883	500,000	21,059
Pima Medical Institute	21,285,691			21,285,691	10,642,846
Prescott College	301,297	14,696	184,007	500,000	150,649
Pure Aesthetics Natural Skincare School	32,907			32,907	16,454
Refrigeration School	1,786,314			1,786,314	893,157
Regional Center for Border Health	13,967		486,033	500,000	6,984
Roberto-Venn School of Luthiery	35,092			35,092	17,546
School of Architecture at Taliesin	3,492		496,508	500,000	1,746
Southwest College of Naturopathic Medicine & Health Sciences	114,934		385,066	500,000	57,467
Southwest Institute of Healing Arts	339,100			339,100	169,550

**Table 4 continued**

**HEERF Allocations: Private Institutions**

Southwest University of Visual Arts	239,538			239,538	119,769
Studio Academy of Beauty	994,090			994,090	497,045
Tucson College of Beauty	180,991			180,991	90,496
Turning Point Beauty College	94,238			94,238	47,119
Universal Technical Institute	24,281,085			24,281,085	12,140,543
University of Advancing Technology	759,682			759,682	379,841
University of Phoenix	6,589,433			6,589,433	3,294,717
<b>Total</b>	<b>97,974,699</b>	<b>224,375</b>	<b>2,439,150</b>	<b>100,638,224</b>	<b>48,987,350</b>

1/ At least 50% of the Section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. These figures represent the minimum amount that must be distributed as student grants.

## Attachment: FEMA Stafford Act Assistance

The Federal Emergency Management Agency (FEMA), part of the U.S. Department of Homeland Security, provides disaster assistance under the Stafford Disaster Relief and Emergency Assistance Act ("Stafford Act"). Federal assistance is paid for through the Disaster Relief Fund, which received \$45 billion in the CARES Act (COVID 3) and, as of May 2020, has a total balance of \$80 billion.

There are 2 types of Stafford Act declarations: emergency declarations and major disaster declarations. On March 13, the President issued a national emergency declaration due to the COVID-19 pandemic. The Governor subsequently requested a major disaster declaration for Arizona, which was approved on April 4.

There are 3 major categories of federal assistance under the Stafford Act: (1) Public Assistance (PA); (2) Hazard Mitigation Assistance; and (3) Individual Assistance (IA). The federal cost-share for PA, Hazard Mitigation Assistance, and some IA programs is a minimum of 75%, but can be increased by the President on the recommendation of FEMA or through a legislative (Congressional) waiver. For example, Congress waived the cost-share following Hurricane Katrina and 9/11, and the Executive waived the cost-share following Hurricane Sandy and the Columbia Space Shuttle incident.

As a result of the national emergency declaration, all states became eligible for PA Category B (emergency protective measures) spending with a 75% federal cost-share. In Arizona's major disaster declaration request, the Governor sought a waiver of Arizona's cost-share portion, as well as:

1. PA Category B eligibility (which Arizona was already entitled to, due to the national emergency declaration), including direct federal assistance;
2. Hazard Mitigation Assistance; and
3. Access to the following IA programs:
  - Crisis Counseling Program
  - Disaster Case Management
  - Disaster Unemployment Assistance
  - Disaster Legal Services
  - Disaster Supplemental Nutrition Assistance Program

The major disaster declaration was approved for PA Category B spending (item #1 above), which Arizona was already eligible for, due to the national emergency declaration. However, the federal government did not waive Arizona's 25% state match requirement.

The federal approval also did not initially expand Arizona's eligibility to include Hazard Mitigation Assistance or any IA programs (items #2 and #3 above). However, the major disaster declaration for Arizona was later amended to include one IA program, the Crisis Counseling Program (for more information, see Crisis Counseling Program section).

### Public Assistance

Eligible entities (such as state agencies, cities, counties, tribal governments, and some "critical" nonprofits) have 30 days from the approval of the major disaster declaration (until May 4) to submit requests for PA to the state coordinating agency. In Arizona, the state coordinating agency is the Department of Emergency and Military Affairs (DEMA). DEMA then submits requests and supporting documentation to FEMA, which reviews and approves the funding package.

As of December 23, FEMA has obligated to Arizona \$64.9 million for the PA Category B federal cost-share and \$4.7 million for state management costs, for a total of \$69.6 million. Of these monies, \$68.4 million went to state agencies, \$0.6 million to local governments, and \$0.6 million to tribal entities. A total of 22 applicants have received funding for 33 projects. For a more detailed breakdown of projects, see *Table 1*. Critical supplies delivered

(as of June 9) include 485,055 N95 respirators, 356,208 gloves, 86,993 face shields, 566,477 surgical masks, 100 ventilators, and 8,564 non-contact infrared thermometers. Additional FEMA assistance is expected.

Table 1		FEMA Stafford Act Public Assistance Grants by Project		12/23/2020
Recipient	Federal Share of Project Cost	Additional Project Information		
DHS	\$ 35,783,380	Materials		
		270,117 Logistical Facility		
		413,782 Materials		
		13,287,270 PPE		
<b>Subtotal</b>	<b>49,754,549</b>			
DEMA, Division of Emergency Management	10,077,750	Coveralls		
		2,161,559 PPE		
		4,707,678 State Management Costs		
<b>Subtotal</b>	<b>16,946,988</b>			
Navajo Nation Reservation	269,710	Health Command Operations Center (HCOC) Force Account Materials		
		25,173 Local Temp Hire to Process Chapter House		
<b>Subtotal</b>	<b>294,883</b>			
Pascua Yaqui Indian Reservation	48,357	Food Procurement & Distribution		
		92,507 Food Procurement & Distribution		
		34,753 Food Procurement & Distribution		
		37,308 Food Procurement & Distribution		
<b>Subtotal</b>	<b>212,924</b>			
Eloy	15,719			
		5,089		
<b>Subtotal</b>	<b>20,808</b>			
DEMA, Military Affairs	1,537,129	Expedited ADEM Military Affairs - Food Distribution		
ADOA	169,728			
Apache County	6,414			
Pima County	5,438	Emergency Operations Center		
El Mirage	3,882			
Guadalupe	4,683	PPE		
Forest Lakes Fire District	2,698			
Pleasant Valley Fire District	2,852	PPE		
Verde Valley Fire District	10,181			
Three Points Fire Department	3,505			
Somerton	3,266			
Yuma	33,345			
Winslow	60,000			
Green Valley Fire District	17,929	PPE		
Apache Junction	7,180			
Cocconino County	439,825	Temporary Isolation Housing Site		
Bullhead City Fire Department	7,428			
Yavapai-Apache Nation Indian Reservation	45,968			
<b>Total</b>	<b>\$ 69,591,602</b>			

National Guard

COVID 3 provides \$1.4 billion nationwide to support deployment of 20,000 members of the National Guard for 6 months. Under U.S.C. Title 32, state governments pay 25% of the cost of operating the National Guard, while the federal government provides the remaining 75%. On April 7, the President issued a memorandum allowing FEMA to fully fund National Guard activities in Arizona for 31 days. The 100% federal cost share was extended through May 31 (in an April 20 memorandum), through June 24 (in a May 8 memorandum), and through August 21 (in a June 2 memorandum). On August 3, the President issued a memorandum allowing FEMA to provide a 75% federal cost share for National Guard activities through December 31. According to NCSL, mobilization of 1,000 troops costs \$9 million per month. As of November 17, 730 Arizona National Guard members are deployed in response to COVID-19.

Crisis Counseling Program

FEMA oversees the Crisis Counseling Assistance and Training Program (CCP) in partnership with the Substance Abuse and Mental Health Services Administration (SAMSHA), a branch of the U.S. Department of Health and Human Services. The CCP supports short-term interventions to assist disaster survivors in understanding their current situation and their reactions, stress management, disaster recovery options, coping strategies, and

emotional support. CCP services include individual or group crisis counseling, community networking, educational materials, connection to resources, and media/public messaging partnerships.

State, local, and tribal mental health authorities may receive funds through the Immediate Services Program, which provides funds for 60 days of services from IA approval and is monitored by FEMA, or the Regular Services Program, which funds 9 months of services from notice of award and is monitored by SAMHSA. Funding for entities is contingent on the provision of regular progress and financial status reports, a site visit by FEMA and SAMSHA during the grant period, and detailed documentation of services.

The CCP does not have cost-sharing requirements and is funded 100% by the federal Disaster Relief Fund.

*Relationship to State Emergency Declaration*

On March 11, the Governor issued a state emergency declaration due to the COVID-19 pandemic.

Stafford Act assistance may be tied to a state emergency declaration. Relief under the Stafford Act is not a formula grant, in which the level of funding provided to a state is based on a pre-determined formula. Stafford Act aid to Arizona is dependent on the dollar level of COVID-related expenditures approved for reimbursement by the federal government.

The FEMA guide to the disaster declaration process states that “the Governor must take appropriate action under State law and direct execution of the State’s emergency plan” to qualify for Stafford Act funding. In Arizona’s major disaster declaration request, the Governor was required to certify that he had “taken appropriate action under State... law and [has] directed the execution of the State... Emergency Plan on March 11, 2020, in accordance with the Stafford Act”. In an April 1 press release, the Governor referenced the state emergency declaration as being required to receive federal Stafford Act disaster relief monies.

Federal Coronavirus Response Funds to Tribal Entities

Tribal Entity	Location	CRF <sup>1/</sup>	Aid to Tribal Governments	Welfare Assistance	BIE	ESF TCU Set-Aside	Head Start	CDC	Emergency Grants	Behavioral Health Grants	Suicide Prevention	Telehealth	Rural Tribal COVID-19 Response	Indian Self-Determination & Self-Governance
Ak-Chin Indian Community	Maricopa	15,166,882	437,612	7,904				57,935						7,188
Cocopah Indian Tribe	Somerton	6,112,305	500,127	10,178			17,576		500,000					
Colorado River Indian Tribe *	Parker	15,364,177	1,500,382	48,105			160,822	135,380						
Diné College					2,522,270	1,523,984								
Fort Defiance Indian Hospital Board, Inc	Fort Defiance							1,022,068		97,402			300,000	8,707,851
Fort McDowell Yavapai Nation	Fountain Hills	12,527,172	500,127	10,037										
Fort Mojave Indian Tribe *	Needles, California	9,213,765	718,933	15,548										
Gila River Health Care Corporation	Sacaton							658,964						
Gila River Indian Community	Sacaton	97,327,409	2,407,613	221,729			308,461	25,000						2,783,658
Havasupai Tribe	Supai	2,719,030	437,612	7,947			31,637	54,640		97,402				
Hopi Tribe	Kykotsmovi	92,996,823	2,407,613	156,149			171,367	226,360		97,402			300,000	
Hualapai Indian Tribe	Peach Springs	11,651,422	843,965	23,094			50,092	83,151	254,678					
Inter-Tribal Council of Arizona, Inc	Phoenix							4,025,000						
Kaibab Band of Paiute Indians	Fredonia	1,858,226	194,246	3,118										
Native American Community Health Center	Phoenix									97,402				
Navajo Nation *	Window Rock	714,189,631	4,000,000	3,008,211			1,186,390	3,275,000		97,402		954,990		
Navajo Nation Health Foundation	Ganado													6,576
Navajo Technical University					2,534,030	1,528,059								
Navajo Tribal Utility Authority	Fort Defiance							391,175						
Pascua Yaqui Tribe	Tucson	43,800,816	2,407,613	199,652			63,274	143,963		97,402	800,000			
Phoenix Indian Center, Inc	Phoenix									97,402				
Quechan Indian Tribe *	Yuma	21,539,160	1,250,319	36,682			76,456	268,281						
Salt River Pima-Maricopa Indian Community	Scottsdale	60,445,469	1,750,446	114,150			177,519	162,770						96,133
San Carlos Apache Healthcare Corporation	Peridot							173,462						
San Carlos Apache Tribe	San Carlos	57,930,809	2,407,613	158,661			270,673	363,442						
San Juan Southern Paiute Tribe	Tuba City	1,552,337	116,965	2,252										
Tohono O'odham Community College					480,290	817,579								
Tohono O'odham Nation	Sells	61,115,398	2,407,613	288,792			188,944	585,602		97,402			298,403	
Tonto Apache Tribe	Payson	2,302,670	116,965	1,895				45,589						
Tuba City Regional Health Care Corporation	Tuba City							1,015,993						
White Mountain Apache Tribe	Whiteriver	61,356,787	2,407,613	143,243			221,460	663,999					300,000	
Winslow Indian Health Care Center	Winslow							625,962						
Yavapai-Apache Nation	Camp Verde	4,598,672	843,965	23,105				30,469						
Yavapai-Prescott Indian Tribe	Prescott	2,931,883	116,965	1,808										
Zuni Tribe *	Zuni, New Mexico	31,466,013	1,750,446	111,065										
<b>Total</b>		<b>\$ 1,328,166,856</b>	<b>\$ 29,524,753</b>	<b>\$ 4,593,325</b>	<b>\$ 5,536,590</b>	<b>\$ 3,869,622</b>	<b>\$ 2,924,671</b>	<b>\$ 14,034,205</b>	<b>\$ 754,678</b>	<b>\$ 779,216</b>	<b>\$ 800,000</b>	<b>\$ 954,990</b>	<b>\$ 1,198,403</b>	<b>\$ 11,601,406</b>

\* indicates tribes located in multiple states. Some of the Federal Funds allocated to these tribes may be spent in states other than Arizona.

1/ These figures represent all Coronavirus Relief Funds reported as distributed to tribes as of September 25, 2020. These allocations are based on population, employment, and expenditure data.

Federal Coronavirus Response Funds to Tribal Entities

Tribal Entity	Epidemiology Cooperative Agreements	Community Health Centers	FEMA Stafford Act	CCDBG	Child Welfare Services	FVPSA	OAA	LIHEAP	CSBG	CDBG	Public Transit	Byrne JAG	CESF	Tribal Total
Ak-Chin Indian Community							73,310							\$ 15,750,831
Cocopah Indian Tribe				25,153			73,310	6,376			48,976			\$ 7,294,001
Colorado River Indian Tribe *					2,430		136,350	19,759						\$ 17,367,405
Diné College														\$ 10,127,321
Fort Defiance Indian Hospital Board, Inc														\$ 13,254,430
Fort McDowell Yavapai Nation				217,094										\$ 9,948,246
Fort Mojave Indian Tribe *														\$ 658,964
Gila River Health Care Corporation														\$ 104,158,347
Gila River Indian Community				606,650	12,389		136,350	64,345			194,314	70,429		\$ 3,452,427
Havasupai Tribe							76,730				27,429			\$ 97,405,310
Hopi Tribe				276,817	7,349		324,247				441,183			\$ 13,492,818
Hualapai Indian Tribe				92,229		8,525	90,520				395,142			\$ 5,108,160
Inter-Tribal Council of Arizona, Inc	1,000,000						83,160							\$ 2,124,989
Kaibab Band of Paiute Indians											69,399			\$ 1,166,332
Native American Community Health Center		1,068,930												\$ 740,050,404
Navajo Nation *	1,000,000		294,883	6,715,335	150,251	548,046	179,020	802,385	1,742,693		933,471	486,348	486,348	\$ 6,576
Navajo Nation Health Foundation														\$ 391,175
Navajo Technical University														\$ 48,408,244
Navajo Tribal Utility Authority											59,290			\$ 97,402
Pascua Yaqui Tribe			212,924	422,450	12,100		164,180	24,580						\$ 23,370,781
Phoenix Indian Center, Inc														\$ 64,876,665
Quechan Indian Tribe *				101,001			64,450	6,432	28,000					\$ 173,462
Salt River Pima-Maricopa Indian Community				1,592,667	8,749		117,700	23,741			172,629	107,346	107,346	\$ 62,630,323
San Carlos Apache Healthcare Corporation														\$ 1,671,554
San Carlos Apache Tribe				479,980	10,303		151,190	39,150	86,173		600,264	132,065		\$ 67,886,688
San Juan Southern Paiute Tribe														\$ 2,467,119
Tohono O'odham Community College														\$ 1,779,030
Tohono O'odham Nation				1,100,304	22,882	60,894	179,020			1,500,000		41,434		\$ 69,716,272
Tonto Apache Tribe														\$ 625,962
Tuba City Regional Health Care Corporation		763,037												\$ 5,640,342
White Mountain Apache Tribe				806,588			179,020	55,928	102,055	3,000,000	260,608	218,971		\$ 3,056,745
Winslow Indian Health Care Center														\$ 33,327,524
Yavapai-Apache Nation			45,968	98,163										\$ 5,640,342
Yavapai-Prescott Indian Tribe						6,089								\$ 3,056,745
Zuni Tribe *														\$ 33,327,524
<b>Total</b>	<b>\$ 2,000,000</b>	<b>\$ 1,831,967</b>	<b>\$ 553,775</b>	<b>\$ 12,534,431</b>	<b>\$ 226,453</b>	<b>\$ 623,554</b>	<b>\$ 2,028,557</b>	<b>\$ 1,042,696</b>	<b>\$ 1,958,921</b>	<b>\$ 4,500,000</b>	<b>\$ 3,202,705</b>	<b>\$ 1,056,593</b>	<b>\$ 593,694</b>	<b>\$ 1,427,485,849</b>

\* indicates tribes located in multiple states. Some of the Federal Funds allocated to these tribes may be spent in states other than Arizona.

1/ These figures represent all Coronavirus Relief Funds reported as distributed to tribes as of September 25, 2020. These allocations are based on population, employment, and expenditure data.

## Executive Allocation of Discretionary COVID Funding

### Overview

Two 2020 session laws appropriate state monies for responding to the COVID-19 pandemic. Both laws give the Executive discretion in allocating the appropriated funds.

Laws 2020, Chapter 6 appropriates \$5.0 million from the Budget Stabilization Fund in FY 2020 to the Public Health Emergencies Fund. Additionally, no more than \$50.0 million is appropriated from the Budget Stabilization Fund in FY 2020 to the Public Health Emergencies Fund. The \$50.0 million appropriation is to be used to pay expenses related to public health emergency responses to the emergency declaration for COVID-19 in Arizona. Chapter 6 also requires that the Department of Health Services notifies the Joint Legislative Budget Committee of the intended use of the monies prior to spending any of the funds.

Laws 2020, Chapter 56 appropriates an additional \$50.0 million from the state General Fund to the newly-created Crisis Contingency and Safety Net Fund in FY 2020. The non-appropriated Crisis Contingency and Safety Net Fund is administered by the Office of the Governor, and monies may only be spent following a state of emergency declared by the Executive. Additionally, the fund may only be used for housing assistance; homeless services; economic assistance to small businesses with fewer than 50 employees, nonprofit organizations and health care providers; and food bank operations. Prior to spending any monies in the Crisis Contingency and Safety Net Fund, the Executive shall notify the President of the Senate, Speaker of the House of Representatives, and the Joint Legislative Budget Committee of the intended use.

### Crisis Contingency and Safety Net Fund

The Executive has notified the Legislature of the intent to spend monies from the Crisis Contingency and Safety Net Fund as follows:

- March 30, 2020: \$6.8 million
- April 7, 2020 \$2.0 million
- April 18, 2020 \$3.6 million
- May 20, 2020 \$300,000
- June 10, 2020 \$1.8 million
- July 2, 2020 \$2.0 million
- July 8, 2020 \$850,000
- July 13, 2020 \$120,000
- July 16, 2020 \$5.9 million
- August 13, 2020 \$10.0 million
- October 28, 2020 \$7.0 million
- October 29, 2020 \$1.6 million
- November 6, 2020 \$1.0 million
- December 2, 2020 \$1.0 million
- January 5, 2021 \$2.0 million

Table 1 displays the Executive's use of monies from the Crisis Contingency and Safety Net Fund as of January 5, 2021.

### *Economic Assistance to Nonprofit Organizations/Small Businesses*

- \$2.0 million to Goodwill of Central and Northern Arizona to allow 400 employees to continue work in providing access to necessities for individuals, job training, and other employment services.
- \$2.0 million to the Arizona Commission on the Arts to fund Arizona businesses and non-profits in the arts and culture sector. In FY 2020, \$2.0 million was appropriated from the General Fund to the Arizona Commission on the Arts. This funding was not repeated in the FY 2021 budget.
- \$600,000 to the Arizona Small Business Association to launch the Live Local program to assist small businesses in finding resources during the COVID-19 outbreak.

**Table 1**

**State Funding for COVID-19  
Crisis Contingency and Safety Net Fund**

<b>Economic Assistance to Nonprofit Organizations/Small Businesses</b>	
Goodwill of Central and Northern Arizona	\$2,000,000
Arizona Commission on the Arts	2,000,000
Arizona Small Business Association	600,000
Special Olympics Arizona	250,000
Heal the Hero	120,000
Local Chambers of Commerce	1,000,000
Safest Outside Restaurant Assistance Program	3,000,000
Small Business Rent and Mortgage Relief Grant Program	10,000,000
<b>Economic Assistance to Health Care Providers</b>	
Santa Cruz Regional Hospital	5,400,000
Open Hearts Family Wellness	50,000
<b>Food Assistance</b>	
Food Bank Assistance	1,000,000
Expand the "Double-Up" Food Bucks Program	1,000,000
Expand the Arizona Produce Purchasing Program	250,000
St. Mary's Food Bank	600,000
Community Food Bank	525,000
<b>Homeless Shelters and Housing</b>	
Assistance to Homeless Shelters	5,000,000
St. Vincent de Paul Rent Assistance Program	250,000
Foreclosure Prevention Program	5,000,000
Temporary Rental Assistance Program Staffing	650,000
Chicanos Por La Causa	250,000
Rental Eviction Assistance Program	2,000,000
Rental Property Owner Preservation Fund	<u>5,000,000</u>
<b>Total Allocated as of 1/5/2021</b>	<b>\$45,945,000</b>
<b>Total Unallocated</b>	<b>\$4,055,000</b>

- \$250,000 to the Special Olympics Arizona to provide virtual programming during the COVID-19 outbreak and to ensure proper mitigation efforts once in-person activities are conducted.
- \$120,000 to Heal the Hero to support efforts to mitigate mental health impacts to first responders due to COVID-19.
- \$1.0 million to local chambers of commerce to implement programs geared toward accelerating local economic recovery.
- \$3.0 million to establish the Safest Outside Restaurant Assistance Program. This program will provide funding of up to \$10,000 per restaurant distributed through the Arizona Commerce Authority to assist businesses in creating or expanding outdoor dining spaces. The Executive directed 2 allocations to this program, one on December 2, 2020 for \$1.0 million and another on January 5, 2021 for \$2.0 million.
- \$10.0 million to launch the Arizona Small Business Rent and Mortgage Relief Grant Program. The Governor's Office will be partnering with Local First Arizona Foundation to launch this program to help small business owners required to pause their operations as a result of a June Executive Order meet their rent and mortgage obligations.

*Economic Assistance to Health Care Providers*

- \$5.4 million to Santa Cruz Regional Hospital (\$3.6 million on April 18 and \$1.8 million on June 10) to ensure that the hospital remains open to treat patients. During the COVID-19 outbreak, the hospital stated the possibility of closure due to financial difficulties.

- \$50,000 to Open Hearts Family Wellness to provide transportation services for medical and behavioral health appointments and expand access to telehealth services for at-risk families.

#### *Food Assistance*

- \$1.0 million for food bank assistance and enhancement of existing food bank infrastructure.
- \$1.0 million for the "Double-Up" Food Bucks Program. The Executive directed two allocations of \$500,000 to the Double-Up Food Bucks Program, one on March 30, 2020 and another on October 29, 2020. The "Double-Up" Food Bucks Program allows individuals in Arizona who receive assistance from the Supplemental Nutrition Assistance Program (SNAP) to get a \$1 match from the state for every \$1 they spend on fruits and vegetables grown in Arizona. Private-sector partners will contribute \$500,000 in addition to the state allocations.
- \$250,000 for the Arizona Produce Purchasing Program. This "Farm to Food Bank" Program provides individuals in need with fresh produce, dairy, and protein items from local producers through a partnership between the Arizona Food Bank Network, DES, and the Department of Agriculture.
- \$600,000 for St. Mary's Food Bank home-delivery to reach an additional 2,000 seniors in Maricopa, Coconino, Gila, Mohave, Pinal, and Yavapai Counties.
- \$525,000 for Community Food Bank home-delivery to reach an additional 2,000 seniors in Pima County and continue providing fresh produce to residential senior living facilities.

#### *Homeless Shelters and Housing*

- \$5.0 million for homeless shelters, specifically for temporary isolation and quarantine housing and sanitation supplies and services to prevent and slow the spread of COVID-19. The Executive directed the Arizona Department of Housing, the Department of Economic Security (DES), and the Arizona Department of Administration to work together on homeless-related issues.
- \$250,000 to the St. Vincent de Paul Rental Assistance Program to provide rent and utility assistance for families whose finances have been affected by COVID-19 and prevent homelessness.
- \$5.0 million to establish a Foreclosure Prevention Program to assist landlords whose tenants have been unable to pay rent due to the COVID-19 pandemic.
- \$650,000 to support community action agencies in order to improve temporary staffing for current rental assistance programs.
- \$250,000 to Chicanos Por La Causa for their Statewide Housing Program that helps find housing for homeless individuals.
- \$2.0 million to the Arizona Department of Housing Rental Eviction Assistance Program to tenants seeking rental assistance.
- \$7.0 million for the Rental Property Owner Preservation Fund to assist rental property owners during the COVID-19 pandemic.

#### **Department of Health Services**

On July 10, 2020, the Department of Health Services notified JLBC of its intent to spend \$166.2 million of the funding it received for responding to COVID-19. *Table 2* displays the department's use of all available monies. Of the \$104.5 million available, \$55.5 million was from the Public Health Emergencies Fund, \$31.0 million was from Federal Funds, \$12.5 million was from the federal Coronavirus Relief Fund, and \$5.5 million was from donations. In addition to these available funds, the department expected to receive reimbursement of approximately \$82.4 million in expenditures from the Federal Emergency Management Agency (FEMA) public assistance program, \$1.8 million from the Arizona Department of Economic Security (DES) for a portion of children's recreation and childcare costs, and an additional \$50 million from the Coronavirus Relief Fund, for an overall total funding of \$238.7 million. After reimbursement, approximately \$72.5 million remained unallocated.

Their planned expenditures for the \$166.2 million included:

- \$72.1 million to purchase medical supplies and personal protective equipment.
- \$29.2 million for COVID-19 testing, of which, \$12.7 million was for ASU testing, \$7.2 million was to expand testing, \$3.5 million was for serology/antibody testing, \$570,000 was for the Arizona Testing Blitz, and \$5.2 million was for additional testing expenses.
- \$13.0 million to provide up to 600 traveling nurses from other states to support up to 20% of licensed beds in Arizona hospitals.

- \$10.0 million to purchase ventilators.
- \$9.6 million for St. Luke's hospital build-out to expand the state's bed capacity for treatment of COVID-19 patients and for hospital operating costs.
- \$8.2 million to counties and \$1.8 million to tribes for local preparedness and response to COVID-19.
- \$5.7 million to the Department of Emergency and Military Affairs for expenses related to the activation of the State Emergency Operations Center and the Arizona National Guard.
- \$4.7 million to expand children's recreation and childcare options for essential workers.
- \$3.1 million to operate the Arizona Surge Line, a 24/7 toll-free call line to facilitate the transfer of patients during a healthcare facility surge, and \$786,500 for the Infectious Disease Hotline.
- \$1.7 million to purchase lab equipment and other supplies needed to process COVID-19 tests in the State Health Lab and in private labs.
- \$6.3 million for other operating expenditures, including IT services, legal services, advertising, and contract services.

<b>Table 2</b>	
<b>State Funding for COVID-19</b>	
<b>Department of Health Services</b>	
<u>Available Funds</u>	
Public Health Emergencies Fund	\$55,500,000
Federal Funds	31,007,700
Federal Coronavirus Relief Fund	12,500,000
Donations Fund	<u>5,500,000</u>
<b>Total Available as of 7/10/20</b>	<b>\$104,507,700</b>
<u>Expenditure Plan</u>	
Medical/PPE Supplies	\$72,072,700
COVID-19 Testing	29,232,200
600 Traveling Nurses	13,000,000
Ventilators	10,000,000
St. Luke's Hospital Build-Out/Operating Expenses	9,622,300
County Distribution	8,175,400
Tribal Distribution	1,760,400
DEMA Distribution	5,727,700
Children's Recreation/Childcare	4,686,700
Arizona Surge Line	3,114,300
Infectious Disease Hotline	786,500
Lab Equipment/Supplies	1,773,300
Other Operating Expenditures	<u>6,272,200</u>
<b>Total Allocated as of 7/10/20</b>	<b>\$166,223,700</b>
<b>Estimated FEMA Reimbursement</b>	<b>82,410,800</b>
<b>Estimated DES Reimbursement</b>	<b>1,838,600</b>
<b>Coronavirus Relief Fund Reimbursement</b>	<b>50,000,000</b>
<b>Unallocated Funds</b>	<b>72,533,400</b>

The department charged expenses to Federal Funds, private donations, and the federal Coronavirus Relief Fund as allowed by federal law and donor agreement. Any additional expenses were charged to the Public Health Emergencies Fund.

On December 4, 2020, DHS updated their plans and reported \$98.5 million in expenditures currently charged to the Public Health Emergencies Fund. Although the fund commitments are greater than the \$55.5 million available in the fund, the department expects monies received for FEMA reimbursements will cover the difference. For example, DHS' October report listed \$108.6 million in expenditures, but that number has been reduced as DHS has received more FEMA reimbursements. *Table 3* displays the expenses currently charged to the Public Health

Emergencies Fund. Because the information in *Table 2* has not been updated since July, those figures cannot be directly correlated with the figures below.

COVID-19 Testing	\$31,623,600
Traveling Nurses	23,506,700
PPE Supplies	22,834,700
Communications	8,054,300
Post-Acute Bed Reserve	5,133,800
St. Luke's Hospital Build-Out	2,593,900
Arizona Surge Line	1,837,500
Vaccination System	986,400
Warehousing	614,800
Ventilators	384,200
Palliative Care	300,000
Contract Services	185,800
Other	424,500
<b>Total as of 12/4/20</b>	<b>\$98,480,200</b>

#### **Arizona Coronavirus Relief Fund**

The Executive established the Arizona Coronavirus Relief Fund (CRF) as part of the Arizona Together Initiative during the COVID-19 outbreak. The Executive reports that over \$9.8 million has been donated to this fund from individuals and organizations. Of the amount donated, the Ben and Catherine Ivy Foundation has donated \$5.0 million for the purchase of personal protective equipment (PPE).

The Executive has announced allocations of \$8.5 million in CRF donations to Arizona entities for the following purposes:

- \$5.0 million from the Ben and Catherine Ivy Foundation to DHS for purchase of PPE.
- \$480,000 for organizations providing out of school child care such as Boys and Girls Clubs across Arizona, the CLUB for YOUth Kingman, Cobre Valley Youth Club and the Patagonia Youth Enrichment Center.
- \$100,000 for organizations supporting children with special needs. Funds will be used to offer new services such as video conference check-ins, in-home treatment through telemedicine and remote supervision, and coaching for parents and supporting programs for newly diagnosed families.
- \$100,000 for organizations supporting foster families and children in out-of-home care. This allocation is to address the increased demand for services, supplies, and education needs of those children.
- \$527,000 to support the Association of Food Banks/Arizona Food Bank Network to address increased demand during the pandemic.
- \$320,000 to support senior citizens, those who are homebound, and those who are medically fragile. Funds will assist identified populations with services such as grocery shopping, meal deliveries, and emergency errands.
- \$1.0 million to 14 organizations supporting homeless populations.
- \$350,000 to shelters and support centers that provide support to victims of domestic violence through shelter space, supplies, virtual services, medical exams, and transportation.
- \$645,000 for organizations supporting individuals and families in need through services such as short-term housing, food and living assistance, employment support, and health services.

*Table 4* displays the Executive's allocation of CRF monies as of October 28, 2020.

**Table 4****Arizona Coronavirus Relief Fund**

Personal Protective Equipment	4,957,600
Education Continuity and Child Care	480,000
Special Needs Populations	100,000
Foster Children	100,000
Nutrition Assistance	527,000
Seniors, Homebound and Medically Fragile	320,000
Homeless Populations	1,000,000
Domestic Violence Prevention	350,000
Family Support and Stabilization	<u>645,000</u>
<b>Total Allocated as of 10/28/20</b>	<b>\$8,497,600</b>

**Other**

On March 27, the Executive announced that the Rental Eviction Prevention Assistance Program would be launched in the Arizona Department of Housing on March 30, 2020. This program will be funded with \$5.0 million from the State Housing Trust Fund. Rental assistance through this program may be provided to households whose primary residence is a rental unit in Arizona and who have seen a reduction in income caused by COVID-19. Households must also not exceed 100% of the area median income adjusted for family size in the county that they reside in.

***INDIVIDUAL AGENCY ESTIMATES***

## Arizona State Board of Accountancy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	769,600	956,800	956,800
Employee Related Expenditures	309,600	386,500	386,500
Professional and Outside Services	468,400	437,200	437,200
Travel - In State	1,400	6,100	6,100
Travel - Out of State	5,100	12,000	12,000
Other Operating Expenditures	249,200	293,400	293,400
Equipment	36,600	6,500	6,500
<b>AGENCY TOTAL</b>	<b>1,839,900</b>	<b>2,098,500</b>	<b>2,098,500<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,839,900	2,098,500	2,098,500
SUBTOTAL - Other Appropriated Funds	1,839,900	2,098,500	2,098,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,839,900</b>	<b>2,098,500</b>	<b>2,098,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,839,900</b>	<b>2,098,500</b>	<b>2,098,500</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$2,098,500 and 14 FTE Positions from the Board of Accountancy Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
<b>Funds Expended</b>	1,839,900	2,098,500
<b>Year-End Fund Balance</b>	3,065,300	2,539,600

## Acupuncture Board of Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	96,900	102,000	102,000
Employee Related Expenditures	29,600	29,600	29,600
Travel - In State	1,000	1,900	1,900
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	42,200	42,200	42,200
<b>AGENCY TOTAL</b>	<b>169,700</b>	<b>180,700</b>	<b>180,700<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Acupuncture Board of Examiners Fund	169,700	180,700	180,700
SUBTOTAL - Other Appropriated Funds	169,700	180,700	180,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>169,700</b>	<b>180,700</b>	<b>180,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>169,700</b>	<b>180,700</b>	<b>180,700</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$180,700 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate acupuncturists, and for board administration.		
<b>Funds Expended</b>	169,700	180,700
<b>Year-End Fund Balance</b>	160,700	150,300

## Arizona Department of Administration

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	550.1	551.1	551.1
Personal Services	25,836,300	28,807,900	28,807,900 <sup>1/</sup>
Employee Related Expenditures	9,060,900	10,478,700	10,478,700
Professional and Outside Services	6,047,000	5,493,400	5,493,400
Travel - In State	211,600	213,800	213,800
Travel - Out of State	3,300	6,400	6,400
Other Operating Expenditures	37,781,200	50,025,800	50,025,800
Equipment	3,657,500	3,512,600	3,512,600
<b>OPERATING SUBTOTAL</b>	<b>82,597,800</b>	<b>98,538,600</b>	<b>98,538,600 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Facilities Management</b>			
Utilities	4,580,400	7,649,900	7,649,900
<b>Financial Services</b>			
Arizona Financial Information System	8,585,400	9,549,100	9,549,100
Named Claimants	40,900	0	0
<b>Information Technology Services</b>			
Information Technology Project Management and Oversight	1,417,000	1,562,600	1,562,600
Statewide Information Security and Privacy Operations and Controls	5,516,300	6,423,600	6,423,600
<b>Risk Management</b>			
Federal Transfer Payment	3,933,100	0	0 <sup>3/</sup>
Risk Management Administrative Expenses	7,866,700	8,747,200	8,747,200
Risk Management Losses and Premiums	44,933,300	46,178,400	46,178,400
Workers' Compensation Losses and Premiums	23,310,800	31,830,300	31,830,300
<b>Support Services</b>			
Government Transformation Office	1,530,700	2,076,800	2,076,800
State Surplus Property Sales Agency Proceeds	1,540,000	1,810,000	1,810,000 <sup>4/</sup>
<b>Other</b>			
Public Safety Regional Communications	271,000	0	0
Southwest Defense Contracts	25,000	25,000	25,000 <sup>5/</sup>
<b>AGENCY TOTAL</b>	<b>186,148,400</b>	<b>214,391,500</b>	<b>214,391,500 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	7,322,900	8,209,900	8,209,900
<u>Other Appropriated Funds</u>			
Air Quality Fund	454,000	927,300	927,300 <sup>7/</sup>
Arizona Financial Information System Collections Fund	8,585,400	9,549,100	9,549,100
Automation Operations Fund	26,189,000	31,275,400	31,275,400 <sup>8/</sup>
Capital Outlay Stabilization Fund	15,155,000	18,749,800	18,749,800
Corrections Fund	573,700	593,000	593,000
Federal Surplus Materials Revolving Fund	30,100	467,400	467,400
Information Technology Fund	7,036,200	8,566,400	8,566,400
Motor Vehicle Pool Revolving Fund	7,041,000	10,199,700	10,199,700 <sup>9/</sup>
Personnel Division Fund	11,509,500	13,056,800	13,056,800
Risk Management Revolving Fund	86,681,900	94,772,900	94,772,900
Special Employee Health Insurance Trust Fund	4,917,000	5,449,100	5,449,100
Special Services Revolving Fund	662,500	1,172,800	1,172,800
State Surplus Materials Revolving Fund	2,542,300	3,003,200	3,003,200

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
State Web Portal Fund	6,079,600	6,705,100	6,705,100
Telecommunications Fund	1,368,300	1,693,600	1,693,600
SUBTOTAL - Other Appropriated Funds	178,825,500	206,181,600	206,181,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>186,148,400</b>	<b>214,391,500</b>	<b>214,391,500</b>
Other Non-Appropriated Funds	1,137,901,900	1,103,771,900	1,136,906,700
Federal Funds	1,101,500	2,458,700	2,458,700
<b>TOTAL - ALL SOURCES</b>	<b>1,325,151,800</b>	<b>1,320,622,100</b>	<b>1,353,756,900</b>

**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 57 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ The department may charge state agencies not more than \$10.42 per user per month for the statewide email and calendar service. (General Appropriation Act footnote)
- 3/ The legislature intends 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 section 38-654, Arizona Revised Statutes, unless the proposed agreements have been reviewed by the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ All state surplus materials revolving fund monies received by the department of administration in excess of \$3,003,200 in fiscal year 2021-2022 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$3,003,200 in fiscal year 2021-2022, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ The amount appropriated for southwest defense contracts shall be distributed to a nonprofit organization that advocates for preserving and enhancing critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ On or before September 1, 2022, the department shall submit a report for review by the joint legislative budget committee on the results of pilot projects implemented in fiscal year 2021-2022 for the state employee public transportation service reimbursements pursuant to section 41-710.01, Arizona Revised Statutes, in a vehicle emissions control area as defined in section 49-541, Arizona Revised Statutes, of a county with a population of more than four hundred thousand persons. (General Appropriation Act footnote)
- 8/ The appropriation from the automation operations fund established by section 41-711, Arizona Revised Statutes, is an estimate representing all monies, including balance forward, revenues and transfers during fiscal year 2021-2022. These monies are appropriated to the department of administration for the purposes established in section 41-711, Arizona Revised Statutes. The appropriation is adjusted as necessary to reflect monies credited to the automation operations fund for automation operation center projects. Before spending any automation operations fund monies in excess of \$31,275,400 in fiscal year 2021-2022, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- D/ ~~The legislature intends that the department not replace vehicles until they have an average of 80,000 miles or more. On or before August 1, 2020, 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)~~

<b>Operating Budget</b>		<b>FY 2022</b>
The Baseline includes \$98,538,600 and 494.1 FTE Positions in FY 2022 for the operating budget. These amounts consist of:	General Fund	\$8,184,900
	Air Quality Fund	927,300
	Automation Operations Fund	29,712,800
	Capital Outlay Stabilization Fund (COSF)	11,099,900
	Corrections Fund	593,000
	Federal Surplus Materials Revolving Fund	467,400

Information Technology Fund	2,142,800
Motor Vehicle Pool Revolving Fund	10,199,700
Personnel Division Fund	13,056,800
Risk Management Revolving Fund	8,017,000
Special Employee Health Insurance Trust Fund	5,449,100
Special Services Revolving Fund	1,172,800
State Surplus Materials Revolving Fund	1,193,200
State Web Portal Fund	4,628,300
Telecommunications Fund	1,693,600

These amounts are unchanged from FY 2021.

The Baseline transfers the operations state motor vehicle fleet operations to the Arizona Department of Transportation (ADOT) in FY 2022. No changes are made to ADOA's operating budget because ADOA will continue collecting agency motor pool fees. The Baseline adds a new motor vehicle fleet operations line item in ADOT's operating budget from which ADOT will expend the fees. In addition, the Baseline deletes a footnote requiring ADOA to replace vehicles after an average of 80,000 miles and to annually report on vehicle replacements. The Baseline includes a new footnote in ADOT for vehicle replacement. *(Please see the Arizona Department of Transportation section for more information.)*

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**Facilities Management**

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**Utilities**

The Baseline includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2022 for Utilities. This amount is unchanged from FY 2021.

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

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**Financial Services**

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**Arizona Financial Information System**

The Baseline includes \$9,549,100 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2022 for the Arizona Financial Information System (AFIS). These amounts are unchanged from FY 2021.

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 2022 for Named Claimants. This amount is unchanged from FY 2021.

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 2020, Chapter 20 appropriated \$40,908.06 in FY 2020 for prior year unpaid claims.

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**Information Technology Services**

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**Information Technology Project Management and Oversight**

The Baseline includes \$1,562,600 and 15 FTE Positions from the Automation Operations Fund in FY 2022 for IT Project Management and Oversight. These amounts are unchanged from FY 2021.

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.

**Statewide Information Security and Privacy Operations and Controls**

The Baseline includes \$6,423,600 and 14 FTE Positions from the Information Technology (IT) Fund in FY 2022 for Statewide Information Security and Privacy Operations and Controls. These amounts are unchanged from FY 2021.

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 0.43% pro-rata charge on agency payroll.

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**Risk Management**

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**Federal Transfer Payment**

The Baseline includes no funding in FY 2022 for one-time payments to the federal government. This amount is unchanged from FY 2021.

The FY 2021 General Appropriation Act included an FY 2020 supplemental appropriation of \$3,933,100 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2019. In addition, the FY 2021 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 Repayment](#) 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 2022 for Risk Management Administrative Expenses. This amount is unchanged from FY 2021.

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 2022 for Risk Management Losses and Premiums. This amount is unchanged from FY 2021.

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 2022 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2021.

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.

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**Support Services**

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**Government Transformation Office**

The Baseline includes \$2,076,800 from the State Web Portal Fund in FY 2022 for the Government Transformation Office (GTO). This amount is unchanged from FY 2021.

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 2022 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2021.

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.

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**Other**

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**Southwest Defense Contracts**

The Baseline includes \$25,000 from the General Fund in FY 2022 for Southwest Defense Contracts. This amount is unchanged from FY 2021.

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:

- FY 2021 Supplemental
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayment
- COVID-Related Spending

### FY 2021 Supplemental

The Baseline includes an FY 2021 supplemental appropriation of \$2,801,500 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2020. *(Please see the Other Issues - Federal Financial Participation 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.

HITF has experienced financial issues for several years. As a result, the FY 2021 budget included \$22,000,000 one-time from the General Fund and \$72,994,400 in total funds for the one-time employer premium increase (see Table 1).

At the April 2020 JLBC meeting, ADOA proposed changes to the plan structure effective January 2021 including increased premiums and deductibles which would shift approximately \$14,200,000 in costs to employees in FY 2021. This amount consists of \$4,700,000 in increased employee premiums and \$9,500,000 in increased employee deductible costs. The Committee gave a favorable review of the proposal.

For FY 2021, the fund is projected to have an ongoing shortfall of approximately \$(85,700,000) but a cash balance of \$69,600,000. With the one-time employer premium contribution increase and the ongoing impact of ADOA's changes to employee costs, HITF has a projected ongoing shortfall of about \$(106,400,000) in FY 2022 and an ending cash shortfall of \$(36,800,000).

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

\$50,000,000 to \$100,000,000, equal to approximately 1 month's claim expenses.

Table 1

### Health Insurance Trust Fund

#### Balance Sheet

(\$ in millions)

	Actual FY 2020	Estimated FY 2021	Estimated FY 2022
Beginning Balance	117.0	82.3	69.6
Base Receipts	825.0	815.2	827.8
Employer One-Time Premium Increase	34.4	73.0	0.0
1/21 Ongoing Employee Premium Increase	<u>0.0</u>	<u>4.7</u>	<u>4.7</u>
Net Revenues	976.4	975.2	902.1
Base Expenses	888.8	909.8	946.7
1/21 Plan Revisions	0.0	(9.5)	(13.1)
Administration	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
Net Expenses	894.1	905.6	938.9
<b>Ongoing Balance <sup>1/</sup></b>	<b>(69.1)</b>	<b>(85.7)</b>	<b>(106.4)</b>
<b>Ending Cash Balance</b>	<b>82.3</b>	<b>69.6</b>	<b>(36.8)</b>

<sup>1/</sup> Reflects ongoing revenues vs. ongoing 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 \$50,000,000.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2020 as well as the estimated amounts for FY 2021 and FY 2022.

<b>Table 2</b>			
<b>Risk Management Revolving Fund</b>			
(\$ in thousands)			
	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Beginning Balance</b>	80,560.8	78,254.8	76,751.4
<b>Revenues</b>	<u>109,124.8</u>	<u>108,751.1</u>	<u>106,948.4</u>
<b>Total Funds Available</b>	189,685.6	187,005.9	183,699.8
<b>Expenditures</b>			
ADOA	82,722.6	94,772.9	96,879.0
Federal Repayment	<u>3,933.1</u>	<u>0.0</u>	<u>0.0</u>
<b>ADOA Subtotal</b>	86,655.7	94,772.9	96,879.0
<b>Other Agencies</b>			
DPS	1,349.5	1,408.6	1,408.6
DCS	2,772.9	2,602.0	0.0
Attorney General	<u>9,582.1</u>	<u>9,927.3</u>	<u>9,927.3</u>
<b>Other Agencies Subtotal</b>	13,704.5	13,937.9	11,335.9
Admin Adjustment	<u>11,070.6</u>	<u>1,543.7</u>	<u>0.0</u>
<b>Total Expenditures</b>	111,430.8	110,254.5	108,214.9
<b>Ending Balance</b>	<b>78,254.8</b>	<b>76,751.4</b>	<b>75,484.9</b>

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.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government of \$3,933,100 in FY 2020. (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 was previously funded by an assessment charged to each agency as a percentage of payroll expenses. The federal government disallowed 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 billed the state a proportionate share if state agencies use Federal Funds to pay for these disallowed costs. Project oversight is now funded through the Automation Operations Fund which generates revenue through fees to agencies for services. A portion of each fee is cost allocated to ASET administration including oversight. The federal government has not yet audited the cost allocation to determine if any costs are still disallowed.

#### 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 HITF.

#### FY 2021

Based on prior year experience of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately, \$2,801,500 for restricted uses. This amount consists of:

- \$578,800 related to fund transfers from the Risk Management Revolving Fund FY 2020.
- \$327,000 related to disallowed costs from the Risk Management Revolving Fund for unallowable FY 2019 uses.

- \$1,131,200 related to excess retained earnings in the IT Fund and the Records Services Fund.
- \$475,100 related to payments made from the Risk Management Revolving Fund which has federal financial participation.
- \$289,400 related to interest on fund transfers, disallowed costs, and payments.

Amounts owed for FY 2021 will be paid in FY 2022 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.)

**COVID-Related Spending**

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included \$5,000,000 from the Coronavirus Relief Fund for support of the 2020 Census.

(Please see the COVID-Related Spending Summary at the front of this book for more information).

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Air Quality Fund (ADA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
<b>Purpose of Fund:</b> To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
<b>Funds Expended</b>	454,000	927,300
<b>Year-End Fund Balance</b>	1,395,200	1,385,200
<b>Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> Supplements the cost of operating AFIS.		
<b>Funds Expended</b>	8,585,400	9,549,100
<b>Year-End Fund Balance</b>	1,161,200	1,161,200
<b>Automation Operations Fund (ADA4230/A.R.S. § 41-711)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
<b>Purpose of Fund:</b> 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 transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
<b>Funds Expended</b>	26,189,000	31,275,400
<b>Year-End Fund Balance</b>	9,786,200	7,943,100
<b>Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
<b>Purpose of Fund:</b> To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
<b>Funds Expended</b>	15,155,000	18,749,800
<b>Year-End Fund Balance</b>	22,593,700	8,286,800
<b>Capitol Mall Consolidation Fund (ADA3211/A.R.S. § 41-792.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	8,320,500	2,574,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
<b>Purpose of Fund:</b> To make COP lease-purchase payments on buildings under such agreements.		
<b>Funds Expended</b>	127,534,500	105,421,300
<b>Year-End Fund Balance</b>	9,401,800	5,018,500
<b>Construction Insurance Fund (ADA4219/A.R.S. § 41-622)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To self-insure state construction projects against tort losses from design and construction defects.		
<b>Funds Expended</b>	3,375,800	9,475,600
<b>Year-End Fund Balance</b>	23,699,200	17,223,600
<b>Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To operate the cooperative purchasing program and support its membership list.		
<b>Funds Expended</b>	3,168,700	4,216,400
<b>Year-End Fund Balance</b>	4,071,400	3,829,200
<b>Corrections Fund (ADA2088/A.R.S. § 41-1641)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Luxury taxes on alcohol and tobacco products.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	573,700	593,000
<b>Year-End Fund Balance</b>	(608,100)	(1,201,100)
<b>Crisis Contingency and Safety Net Fund (ADA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Purpose of Fund:</b> Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	11,959,800	20,185,200
<b>Year-End Fund Balance</b>	17,065,500	15,548,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
<b>Purpose of Fund:</b> To administer state employee benefit plans and pay non-health insurance premiums.		
<b>Funds Expended</b>	34,534,400	35,209,700
<b>Year-End Fund Balance</b>	1,451,000	997,000
<b>Federal Grants (ADA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants, including pass through grants from several agencies.		
<b>Purpose of Fund:</b> To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
<b>Funds Expended</b>	1,101,500	2,458,700
<b>Year-End Fund Balance</b>	1,800	0
<b>Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal surplus property service and handling fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	30,100	467,400
<b>Year-End Fund Balance</b>	8,800	(457,300)
<b>IGA and ISA Fund (ADA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute various intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	17,028,200	11,991,300
<b>Year-End Fund Balance</b>	7,027,900	3,636,700
<b>Information Technology Fund (ADA2152/A.R.S. § 18-401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A pro rata share of 0.43% 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).		
<b>Purpose of Fund:</b> 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 transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
<b>Funds Expended</b>	7,036,200	8,566,400
<b>Year-End Fund Balance</b>	5,337,800	4,638,500
<b>Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State trust land lease revenues.		
<b>Purpose of Fund:</b> To support state Legislative, Executive, and Judicial buildings. Monies appropriated for capital expenses are not displayed in the ADOA operating budget.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,031,400	2,382,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges to agencies for the use of motor pool vehicles.		
<b>Purpose of Fund:</b> To operate the motor vehicle pool.		
<b>Funds Expended</b>	7,041,000	10,199,700
<b>Year-End Fund Balance</b>	19,680,700	(711,000)
<b>Payroll Administration Fund (ADA9200/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	29,000	152,300
<b>Year-End Fund Balance</b>	131,100	62,800
<b>Personnel Division Fund (ADA1107/A.R.S. § 41-750)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
<b>Purpose of Fund:</b> To operate the ADOA Human Resources Division.		
<b>Funds Expended</b>	11,509,500	13,056,800
<b>Year-End Fund Balance</b>	3,669,300	7,902,300
<b>Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,212,900	15,056,100
<b>Year-End Fund Balance</b>	5,412,300	5,556,200
<b>Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. (See the Automation Projects Fund page for more details.)		
<b>Funds Expended</b>	86,681,900	94,772,900
<b>Year-End Fund Balance</b>	85,507,000	79,766,600
<b>Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Employer and employee medical and dental insurance contributions.		
<b>Purpose of Fund:</b> 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. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	4,917,000	5,449,100
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Employer and employee medical and dental insurance contributions.		
<b>Purpose of Fund:</b> To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. The Non-Appropriated expenditures reflect the state's self-insured health care claims costs. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	888,933,900	900,184,500
<b>Year-End Fund Balance</b>	82,240,800	69,532,700
<b>Special Events Fund (ADA2503/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Set-up fees for special events on state property.		
<b>Purpose of Fund:</b> To set up special events on state property.		
<b>Funds Expended</b>	22,400	0
<b>Year-End Fund Balance</b>	200	200
<b>Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Payments by agencies using administrative services offered by ADOA.		
<b>Purpose of Fund:</b> Appropriated monies are collected from 11 small regulatory boards residing in the State Boards' Office to provide centralized administrative services. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	662,500	1,172,800
<b>Year-End Fund Balance</b>	230,500	(405,800)
<b>Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Payments by agencies using administrative services offered by ADOA.		
<b>Purpose of Fund:</b> Non-Appropriated expenditures reflect various centralized printing, copying, and repair services offered by ADOA. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	952,800	977,500
<b>Year-End Fund Balance</b>	230,500	(405,800)
<b>State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
<b>Purpose of Fund:</b> To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
<b>Funds Expended</b>	582,700	535,000
<b>Year-End Fund Balance</b>	612,000	392,000
<b>State Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	237,500	237,500
<b>State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State surplus property sales revenues.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,542,300	3,003,200
<b>Year-End Fund Balance</b>	1,590,100	1,473,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>State Web Portal Fund (ADA2531/A.R.S. § 18-421)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
<b>Funds Expended</b>	6,079,600	6,705,100
<b>Year-End Fund Balance</b>	6,639,300	9,342,200
<b>Statewide Donations Fund (ADA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Employee donations and other miscellaneous deposits.		
<b>Purpose of Fund:</b> Employee donations are used to recognize outstanding employees.		
<b>Funds Expended</b>	8,800	8,000
<b>Year-End Fund Balance</b>	5,600	2,100
<b>Telecommunications Fund (ADA4231/A.R.S. § 41-713)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Administrative surcharges on telecommunications services for agencies and other political entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,368,300	1,693,600
<b>Year-End Fund Balance</b>	1,203,700	1,200,300
<b>Text to 911 Services Fund (ADA2177/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred from the Emergency Telecommunications Service Revolving Fund. In FY 2018, ADOA transferred \$1,362,700 from the fund.		
<b>Purpose of Fund:</b> To provide grants to political subdivisions of the state for text-to-911 services.		
<b>Funds Expended</b>	43,600	330,000
<b>Year-End Fund Balance</b>	1,339,700	1,015,800
<b>Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Penalties and fees collected for traffic and parking violations on state property.		
<b>Purpose of Fund:</b> To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
<b>Funds Expended</b>	100	0
<b>Year-End Fund Balance</b>	4,100	4,100
<b>Transparency Website Fund (ADA2955/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges to local governments that utilize the state's transparency website, Arizona OpenBooks.		
<b>Purpose of Fund:</b> To maintain the transparency website for public use.		
<b>Funds Expended</b>	27,400	29,000
<b>Year-End Fund Balance</b>	37,900	37,900
<b>VW Diesel Emissions Environment Mitigation Trust Fund (ADA3917/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support eligible air pollution mitigation activities.		
<b>Funds Expended</b>	35,486,900	0
<b>Year-End Fund Balance</b>	3,239,100	0

## Arizona Department of Administration - Automation Projects Fund

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>INDIVIDUAL PROJECTS <sup>1/2/3/4/</sup></b>			
<b>Department of Administration Subaccount</b>			
e-Procurement System Replacement	638,200	0	0
Business One-Stop Shop Web Portal	1,000,000	0	0
ASET Initiatives			
State Data Center	2,356,600	0	0
E-Government	187,200	0	0
HRIS Replacement Feasibility Study/Upgrade	212,100	0	0
ASET Initiatives Subtotal	2,755,900	0	0
<b>Department of Administration Subtotal</b>	<b>4,394,100</b>	<b>0</b>	<b>0</b>
<b>Department of Agriculture Subaccount</b>			
Weights and Measures IT Assessment	150,000	0	0
<b>Department of Child Safety Subaccount <sup>5/</sup></b>			
CHILDS Replacement	13,500,000	4,992,800	0
<b>Department of Education Subaccount</b>			
Education Learning and Accountability System	1,136,000	0	0
<b>Department of Environmental Quality Subaccount</b>			
e-Licensing	2,583,000	0	0
<b>Arizona Medical Board Subaccount</b>			
Cloud Migration	300,000	0	0
<b>Department of Public Safety Subaccount</b>			
Arizona Criminal Justice Information System	3,456,200	0	0
Microwave System Upgrade	404,000	0	0
Concealed Weapon Tracking System	0	0	0
<b>Department of Public Safety Subtotal</b>	<b>3,860,200</b>	<b>0</b>	<b>0</b>
<b>TOTAL - ALL PROJECTS <sup>6/</sup></b>	<b>25,923,300</b>	<b>4,992,800</b>	<b>0</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Automation Projects Fund	0	0	0
Department of Administration APF Subaccount	4,394,100	0	0
Department of Agriculture APF Subaccount	150,000	0	0
Department of Child Safety APF Subaccount	13,500,000	4,992,800	0
Department of Education APF Subaccount	1,136,000	0	0
Department of Environmental Quality APF Subaccount	2,583,000	0	0
Medical Board APF Subaccount	300,000	0	0
Department of Public Safety APF Subaccount	3,860,200	0	0
SUBTOTAL - Other Appropriated Funds	25,923,300	4,992,800	0
<b>SUBTOTAL - Appropriated Funds <sup>7/</sup></b>	<b>25,923,300</b>	<b>4,992,800</b>	<b>0</b>
<b>TOTAL - ALL SOURCES</b>	<b>25,923,300</b>	<b>4,992,800</b>	<b>0</b>

**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 all 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/ Represents expenditures from the APF. Because many of the APF appropriations are spent over multiple years, the fiscal year 2019-2020 actual column also includes non-lapsing expenditures from FY 2019 appropriations.
- 3/ The amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2018-2019 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)
- 4/ The amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2019-2020 are exempt from the provisions of A.R.S § 35-190, relating to lapsing of appropriations until June 30, 2021. (FY 2020 General Appropriation Act footnote)
- 5/ The amount appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2020-2021 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- 6/ The department of administration shall submit to the joint legislative budget committee, within thirty days after the last day of each calendar quarter, a quarterly report on implementing projects approved by the information technology authorization committee established by section 18-121, Arizona Revised Statutes, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 7/ The transfers into the automation projects fund established by section 41-714, Arizona Revised Statutes, as outlined in this section are not appropriations out of the automation project 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. ADOA is required to establish a subaccount for each agency that implements an IT project funded through APF. 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 that includes project costs, deliverables, timeline for completion and method of procurement.

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. If project costs are greater than \$5,000,000, A.R.S. § 18-104 requires an additional third-party analysis from an independent contracted vendor before receiving ITAC approval and requires agencies to submit quarterly progress reports from the third-party consultant to ITAC and the JLBC, which include project expenditures, deliverables, timeline for completion, and status updates. Unless otherwise noted, appropriations are non-lapsing for 2 years.

**Department of Administration Subaccount**

**Business One-Stop Shop Web Portal**

The Baseline includes no funding in FY 2022 for the Business One-Stop Shop Web Portal. This amount is unchanged from FY 2021.

ADOA's FY 2020 appropriation of \$1,000,000 was financed by a transfer from the General Fund into the ADOA APF Subaccount.

In September 2019, the Committee gave a favorable review of ADOA's expenditure plan for a public-use prototype and assessment of statewide costs. The prototype is limited to the agencies and functionality required to create a new domestic Liability Corporation (LLC), Professional LLC, Sole Proprietorship, or General Partnership in Arizona. This includes:

- Submission of the Arizona Joint Tax Application (JT-1) (excluding foreign entities and contractors) (Department of Revenue)
- Trade Name search and status verification (Secretary of State)
- Creation of a new Arizona LLC or PLLC by domestic entities (Corporation Commission)
- New entity name reservations (Corporation Commission and Secretary of State)

- Small business checklist that provides users with relevant resources and links to additional out-of-scope requirements such as permits and licenses (Arizona Commerce Authority)

ADOA completed the prototype in the spring of 2020 but put demonstrations on hold due to the COVID-19 pandemic. ADOA estimates that the total project costs will be approximately \$32,200,000 over 3 phases.

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**Department of Child Safety Subaccount**

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**CHILDS Replacement**

The Baseline includes no funding from the DCS APF Subaccount in FY 2022 to replace the CHILDS system. FY 2022 adjustments are as follows:

**Eliminate One-Time Funding**

The Baseline includes a decrease of \$(4,992,800) from the DCS APF Subaccount in FY 2022 to eliminate one-time funding for the project. The FY 2021 appropriation of \$4,992,800 was financed by a transfer from the APF into the DCS APF Subaccount.

Through FY 2021, the Legislature appropriated a total of \$35,784,600 for the CHILDS Replacement project. Including federal IV-E matching funds, DCS projects that total cumulative resources for the project will be \$86,088,100 through FY 2021.

CHILDS is the management information system used to document the status, demographics, location and outcomes for every child in the care of DCS. *(Please see the [FY 2020 Appropriations Report](#) for additional details and background on the project.)*

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 2020 indicated that the project timeline has been delayed by 5 months due to data migration issues. DCS reported that the project will be rescoped to exclude some enhanced system functionality. The delays have resulted in fully utilizing the project contingency budget and any further delays would not fit in the project budget.

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**Department of Education Subaccount**

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**Education Learning and Accountability System**

The Baseline includes no funding in FY 2022 for the Education Learning and Accountability System. This amount is unchanged from FY 2021.

The FY 2020 budget included \$3,000,000 from the ADE APF Subaccount for development of the Education Learning and Accountability System (ELAS) at ADE. This amount was financed by a transfer from the Empowerment Scholarship Account Fund into the ADE APF Subaccount. ELAS is intended to allow ADE to collect, compile, maintain, and report student level data for students enrolled in public schools. The funding will begin the replacement of the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools.

Before expending the \$3,000,000 from FY 2020, ADOA directed ADE to solicit a Request for Proposals (RFP) for a contracted vendor to complete the project. In October 2019, however, ADE cancelled the RFP due to a lack of qualified bidders for the project. As a result, ADE intends to develop the school finance system internally. At its December 2019 meeting, JLBC favorably reviewed ADE's plan to expend the \$3,000,000 to begin replacement of CHAR, which ADE expects to be completed by May 2021. Pursuant to A.R.S. § 18-104 ADE plans to reengage with its third-party reviewer during the development of CHAR.

ADE estimates that an additional \$6,000,000 will be needed to complete the replacement of the school finance portions of SAIS. The department therefore currently plans to request the remaining \$6,000,000 to complete the project in FY 2022 and FY 2023. *(See the [Department of Education - Education Learning and Accountability System](#) section for more information.)*

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**Department of Environmental Quality Subaccount**

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**E-Licensing**

The Baseline includes no funding in FY 2022 for e-Licensing. This amount is unchanged from FY 2021.

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. The FY 2020 budget did not include additional funding for the project and ADEQ used current project balances in FY 2020 to continue to the project. In FY 2021, ADEQ allocated \$1,290,000 from its operating budget to continue the project and add an additional 6 services online.

Pursuant to A.R.S. § 18-104, DEQ contracted with a third-party consultant for project oversight. In the April 2020 report, the vendor gave an overall favorable evaluation of DEQ's progress in incorporating recommendations from the previous third-party report while noting that DEQ continues to improve in project development velocity and online services delivery costs. Because the APF funding has been exhausted, ASET is not requiring ADEQ to continue its third-party review.

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***Department of Public Safety Subaccount***

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***Arizona Criminal Justice Information System***

The Baseline includes no funding in FY 2022 for upgrades to the Arizona Criminal Justice Information System (ACJIS). This amount is unchanged from FY 2021.

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.

A total of \$7,450,200 has been appropriated from the DPS APF Subaccount between FY 2018 and FY 2020 for the ACJIS project. The project is expected to be completed in FY 2021 using FY 2020 project balances.

***Microwave System Upgrade***

The Baseline includes no funding in FY 2022 for upgrades to the statewide Microwave Radio System. This amount is unchanged from FY 2021.

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.

At its December 2017 meeting, the JLBC favorably reviewed an engineering study of the northern loop which was completed in July 2019. Based off the third-party assessment, DPS estimates the northern loop will cost \$45,000,000, which they propose to fund at \$9,000,000 over 5 years.

***Concealed Weapons Tracking System***

The Baseline includes no funding in FY 2022 for upgrades to the Concealed Weapons Tracking System This amount is unchanged from FY 2021.

The FY 2020 budget included an appropriation of \$410,000 from the DPS APF Subaccount to replace the Concealed Weapons Tracking System. This amount was financed by a transfer from the Concealed Weapons Permit Fund into the DPS APF Subaccount

The system tracks concealed weapon permits and allows law enforcement to verify permits. The current system uses antiquated mainframe technology. The new system will interface with other law enforcement systems and allow the public to renew permits online.

At the September 2020 JLBC meeting, the Committee gave a favorable of DPS's expenditure plan for the first phase of the project. DPS estimates it will cost \$550,000 to complete phase 2 with an additional \$44,100 in ongoing maintenance costs.

Table 1

**Automation Projects Fund Transfers**

(\$ in thousands)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>Department of Administration Subaccount</u>			
General Fund	1,000.0		
<u>Department of Agriculture Subaccount</u>			
Air Quality Fund	200.0		
<u>Department of Child Safety Subaccount</u>			
General Fund	10,100.0		
Automation Projects Fund		4,992.8	
<u>Department of Education Subaccount</u>			
Empowerment Scholarship Fund	3,000.0		
<u>Arizona Medical Board Subaccount</u>			
Medical Examiners Fund	300.0		
<u>Department of Public Safety Subaccount</u>			
Concealed Weapons Permit Fund	410.0		
Highway Patrol Fund	2,301.0		

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Automation Projects Fund (ADA2566/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects for any state agency. A.R.S § 41-714 requires ADOA to establish subaccounts for each agency that implements an Information Technology project funded through the APF.		
<b>Funds Expended</b>	0	0
<b>Prior Year Appropriations Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,313,200	3,313,200
<b>Department of Administration Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Administration.		
<b>Funds Expended</b>	1,000,000	0
<b>Prior Year Appropriation Expended</b>	3,394,100	0
<b>Year-End Fund Balance</b>	594,400	594,400
<b>Department of Agriculture Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Agriculture.		
<b>Funds Expended</b>	150,000	0
<b>Year-End Fund Balance</b>	50,000	50,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Department of Child Safety Automation Projects Fund Subaccount (ADA9967/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Child Safety.		
Funds Expended	8,500,000	4,992,800
Prior Year Appropriation Expended	5,000,000	1,600,000
Year-End Fund Balance	1,600,000	0
<b>Department of Education Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Education.		
Funds Expended	1,136,000	0
Prior Year Appropriation Expended	0	1,864,000
Year-End Fund Balance	1,864,000	0
<b>Department of Environmental Quality Automation Projects Fund Subaccount (ADA9966/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Environmental Quality.		
Funds Expended	0	0
Prior Year Appropriation Expended	2,583,000	0
Year-End Fund Balance	0	0
<b>Medical Board Automation Projects Fund Subaccount (ADA9965/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Arizona Medical Board		
Funds Expended	300,000	0
Prior Year Appropriation Expended	0	0
Year-End Fund Balance	0	0
<b>Department of Public Safety Automation Projects Fund Subaccount (ADA9964/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Public Safety.		
Funds Expended	1,200,000	0
Prior Year Appropriation Expended	2,660,200	1,511,000
Year-End Fund Balance	3,361,400	701,200

## Office of Administrative Hearings

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	12.0	12.0	12.0
Personal Services	565,200	592,100	592,100
Employee Related Expenditures	220,300	221,400	221,400
Other Operating Expenditures	104,300	108,000	108,000
<b>AGENCY TOTAL</b>	<b>889,800</b>	<b>921,500</b>	<b>921,500<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	889,800	921,500	921,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>889,800</b>	<b>921,500</b>	<b>921,500</b>
Other Non-Appropriated Funds	825,000	794,000	794,000
<b>TOTAL - ALL SOURCES</b>	<b>1,714,800</b>	<b>1,715,500</b>	<b>1,715,500</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$921,500 and 12 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
<b>Purpose of Fund:</b> To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
<b>Funds Expended</b>	825,000	794,000
<b>Year-End Fund Balance</b>	0	0
<b>Video Service Provider Complaint Fund (HGA2603/A.R.S. § 9-1451)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from administrative hearings conducted for complaints filed about alleged violations of video service statutes or agreements between local government and video service providers.		
<b>Purpose of Fund:</b> To cover expenses of hearings to hear disputes between local governments and video service providers.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Arizona Commission of African-American Affairs

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	80,400	87,000	87,000
Employee Related Expenditures	31,800	26,200	26,200
Travel - Out of State	0	3,200	3,200
Other Operating Expenditures	15,200	16,800	16,800
<b>AGENCY TOTAL</b>	<b>127,400</b>	<b>133,200</b>	<b>133,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	127,400	133,200	133,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>127,400</b>	<b>133,200</b>	<b>133,200</b>
Other Non-Appropriated Funds	5,500	20,000	20,000
<b>TOTAL - ALL SOURCES</b>	<b>132,900</b>	<b>153,200</b>	<b>153,200</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$133,200 and 3 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and fees from the Arizona African-American town hall.		
<b>Purpose of Fund:</b> To pay for the operating costs of the Arizona Commission of African-American Affairs.		
<b>Funds Expended</b>	5,500	20,000
<b>Year-End Fund Balance</b>	4,900	4,400

## Arizona Department of Agriculture

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	209.3	209.3	209.3 <sup>1/</sup>
Personal Services	5,638,500	6,144,900	6,144,900
Employee Related Expenditures	2,485,400	2,601,500	2,601,500
Professional and Outside Services	209,100	252,500	252,500
Travel - In State	663,000	723,800	723,800
Travel - Out of State	20,700	47,400	47,400
Other Operating Expenditures	1,715,500	1,814,000	1,814,000
Equipment	581,700	167,200	167,200
<b>OPERATING SUBTOTAL</b>	<b>11,313,900</b>	<b>11,751,300</b>	<b>11,751,300</b>
<b>SPECIAL LINE ITEMS</b>			
Agricultural Consulting and Training	127,000	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	252,500	280,500	201,500 <sup>2/</sup>
Red Imported Fire Ant Control	23,200	23,200	23,200
<b>AGENCY TOTAL</b>	<b>11,804,900</b>	<b>12,271,800</b>	<b>12,192,800 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	10,163,200	10,492,200	10,492,200
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,389,200	1,499,100	1,499,100
Nuclear Emergency Management Fund	252,500	280,500	201,500
SUBTOTAL - Other Appropriated Funds	1,641,700	1,779,600	1,700,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,804,900</b>	<b>12,271,800</b>	<b>12,192,800</b>
Other Non-Appropriated Funds	14,482,500	19,455,300	19,455,300
Federal Funds	5,782,800	6,110,300	6,110,300
<b>TOTAL - ALL SOURCES</b>	<b>32,070,200</b>	<b>37,837,400</b>	<b>37,758,400</b>

**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. It 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 2.88 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ 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.
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$11,751,300 and 206.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$10,252,200
Air Quality Fund	1,499,100

These amounts are unchanged from FY 2021.

### **Agricultural Consulting and Training**

The Baseline includes \$128,500 from the General Fund in FY 2022 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2021.

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 2022 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2021.

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 2022 for the Animal Damage Control line item. This amount is unchanged from FY 2021.

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 \$201,468 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2022 for the Nuclear Emergency Management Program line item. FY 2022 adjustments are as follows:

### **New NEMF Assessment**

The Baseline includes a decrease of \$(79,044) from the NEMF in FY 2022 for a new NEMF assessment.

Laws 2019, Chapter 24 appropriated \$301,376 and 2.88 FTE Positions from the NEMF to the department in FY 2020 and \$280,512 and 2.88 FTE Positions in FY 2021.

As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services (DHS), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2021 - FY 2023 are displayed in *Table 1*. (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. The legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2022 and FY 2023 NEMF funding levels for the 3 agencies as outlined in *Table 1*. The DEMA recommendation for FY 2022 and FY 2023 proposes that DEMA take over the offsite response activities from DHS. This results in a shift of both funds and FTE Positions from DHS to DEMA.

The recommendations would include a decrease of \$(79,000) in FY 2022 and an increase of \$5,500 in FY 2023 above the FY 2022 level for the Department of Agriculture. The Baseline decreases NEMF funding to the department by \$(79,000) in FY 2022 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2021 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.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2021		FY 2022		FY 2023	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs <sup>1/</sup>	5.5	\$1,506,116	8.5	\$1,930,417	8.5	\$1,987,423
Health Services	5.5	789,663	0	0	0	0
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>201,468</u>	<u>2.88</u>	<u>206,968</u>
<b>Total</b>	<b>13.88</b>	<b>\$2,576,291</b>	<b>11.38</b>	<b>\$2,131,885</b>	<b>11.38</b>	<b>\$2,194,391</b>

<sup>1/</sup> The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

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 2022 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2021.

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 2022, including legislative intent that limits additional revenues to \$357,000.

**COVID-Related Spending**

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Department of Agriculture was reimbursed for \$210,217 in General Fund spending. This reduced spending increased the agency's General Fund reversion beyond what it would have otherwise been.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

**Auditor General Report**

**Performance and Sunset Review Audit**

In September 2020, the Auditor General published a Department of Agriculture performance audit and sunset review that included recommendations for improvements to the department's conflict-of-interest policies and steps to better safeguard its information technology (IT) systems.

The audit recommended that the department comply with all statutory conflict-of-interest requirements. The Auditor General believes this recommendation can be implemented with the department's existing resources. The department agreed to the auditor's recommendations.

The audit made the following recommendations for safeguarding the department's IT systems:

- Conduct an annual risk assessment of department IT systems.
- Incorporate security measures to address potentially vulnerable areas in department IT systems.
- Improve management of web allocation accounts.
- Perform periodic scans to check for vulnerabilities in the IT system safeguards.
- Ensure contractors using the IT system complete annual IT security awareness training.
- Develop and implement an IT security governance framework.

The audit noted that in 2019, an independent consultant completed an assessment of the department's IT systems. The consultant reported concerns about the systems' supporting IT resources as well as noting areas that could be modernized or improved on. The consultant also indicated that the department would likely require additional funding beyond its existing resources to fully implement the auditor's recommendations. The department did not request additional funding related to safeguarding its IT systems in its FY 2022 budget request.

**Key Regulatory Responsibilities Audit**

In September 2020, the Auditor General also published a Department of Agriculture audit regarding the department's processes for conducting inspections, licensing of applicants, and maintaining related public records. The Auditor General made the following findings:

- Divisions within the department did not always prioritize high-risk establishments and licensees for inspection or coordinate inspection activities to optimize efficiency.
- From 2015 through 2019, the department performed accuracy inspections on only a third of all licensed airport baggage scales and did not inspect any licensed medical marijuana dispensary scales.
- Criminal history background checks were not consistently performed for pest management qualified applicators.
- The department did not consistently ensure that all licensing requirements were met prior to licensing applicants.
- Public records relating to licensing and inspection functions were not properly maintained by the department.

The audit recommended that the department establish performance metrics for inspections and coordinate inspection activities to improve efficiency, perform inspections on all licensed scales not previously inspected, and comply with all state public record laws. The Auditor General believes these recommendations can be

implemented with the department's existing resources. The department agreed to the auditor's recommendations.

**State Agricultural Lab Audit**

In April 2020, the Auditor General published a performance audit specifically related to the department's State Agricultural Lab, which included recommendations for improving the department's tracking of expenditures from non-appropriated funds used to support lab activities. Additionally, the audit recommended the department use this expenditure information to determine if monies from these non-appropriated funds support an appropriate amount of the cost associated with the tests the lab performs. The department agreed to the auditor's recommendations but suggested that additional resources, such as an increase in administrative staff for the lab, may be needed to fully implement the audit's recommendations. The department did not request additional funding related to the State Agricultural Lab in its FY 2022 budget request.

Finally, the audit found that the department did adhere to all state procedures for relocating the lab, including working with the Department of Administration in finalizing the leasing plans and submitting the relocation plans and leasing agreements for JCCR review prior to the relocation. *(Please see the Agricultural Lab Relocation issue in the Operating Budget section of the Department of Agriculture narrative in the FY 2020 Appropriations Report or more information on the State Agricultural Lab relocation.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Administrative Support Fund (AHA2436/A.R.S. § 3-108)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies are collected from each commodity council based on annually negotiated interagency agreements.		
<b>Purpose of Fund:</b> For costs incurred by the department in providing administrative support.		
<b>Funds Expended</b>	35,400	41,800
<b>Year-End Fund Balance</b>	68,600	67,100
<b>Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To fund the agricultural consulting and training program established by A.R.S. § 3-109.01.		
<b>Funds Expended</b>	1,500	14,400
<b>Year-End Fund Balance</b>	28,900	14,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
<i>Purpose of Fund:</i> To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
<b>Funds Expended</b>	512,700	492,900
<b>Year-End Fund Balance</b>	182,300	111,900
<b>Air Quality Fund (ADA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
<i>Purpose of Fund:</i> To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
<b>Funds Expended</b>	1,389,200	1,499,100
<b>Year-End Fund Balance</b>	59,600	0
<b>Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A non-appropriated trust fund with fees resulting from the regulation of aquaculture.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	9,900
<b>Year-End Fund Balance</b>	43,700	39,500
<b>Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> \$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.		
<i>Purpose of Fund:</i> For collection and administration costs.		
<b>Funds Expended</b>	280,100	280,000
<b>Year-End Fund Balance</b>	94,000	0
<b>Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A non-appropriated trust fund with fees resulting from the assessment on citrus produced in the state, other charges, and interest.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	36,300	41,800
<b>Year-End Fund Balance</b>	14,700	12,900
<b>Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A non-appropriated trust fund with fees resulting from the assessments and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	198,500	307,700
<b>Year-End Fund Balance</b>	205,200	101,200
<b>Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A non-appropriated trust fund for licensing fees and fees collected for the inspection of animal and bird feeds.		
<i>Purpose of Fund:</i> To regulate animal and bird feeds.		
<b>Funds Expended</b>	232,300	327,900
<b>Year-End Fund Balance</b>	757,200	801,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
<b>Funds Expended</b>	9,100	4,000
<b>Year-End Fund Balance</b>	21,400	23,600
<b>Coronavirus Relief Fund (AHA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	210,200	0
<b>Year-End Fund Balance</b>	0	0
<b>Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,061,100	7,180,200
<b>Year-End Fund Balance</b>	7,983,000	4,317,800
<b>Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S § 3-214.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund for certification fees and reimbursements for the destruction of dangerous plants, pests, and diseases.		
<b>Purpose of Fund:</b> To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
<b>Funds Expended</b>	168,500	60,000
<b>Year-End Fund Balance</b>	46,100	85,600
<b>Designated Fund (AHA3011/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), 5% of Beef Council surcharges, and other grants and contributions.		
<b>Purpose of Fund:</b> To administer the purpose for which the fee, grant, or contribution is intended.		
<b>Funds Expended</b>	1,409,800	708,300
<b>Year-End Fund Balance</b>	1,054,300	553,400
<b>Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees from the regulation of eggs and egg products.		
<b>Purpose of Fund:</b> To administer the Egg Inspection Program.		
<b>Funds Expended</b>	1,620,100	1,814,200
<b>Year-End Fund Balance</b>	556,000	415,500
<b>Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Inspection fees for processing ownership and transportation of horses.		
<b>Purpose of Fund:</b> To fund the issuance of horse ownership and transportation certificates.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	600	800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,189,200	4,355,100
<b>Year-End Fund Balance</b>	4,371,400	6,456,300
<b>Federal Funds (AHA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	5,369,400	5,824,300
<b>Year-End Fund Balance</b>	39,100	19,100
<b>Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees collected for the inspection of materials and a portion of the fertilizer manufacturer's license fee.		
<b>Purpose of Fund:</b> To regulate fertilizers.		
<b>Funds Expended</b>	326,400	381,100
<b>Year-End Fund Balance</b>	829,100	828,200
<b>Grain Trust Fund (AHA2201/A.R.S. § 3-590)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from an assessment on commercial grain sales.		
<b>Purpose of Fund:</b> To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing freshwater consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
<b>Funds Expended</b>	96,400	78,100
<b>Year-End Fund Balance</b>	87,000	56,600
<b>Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from an assessment on iceberg lettuce prepared for market.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	90,600	100,000
<b>Year-End Fund Balance</b>	60,900	45,700
<b>Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> For indirect costs associated with administration of federal grants.		
<b>Funds Expended</b>	203,200	286,000
<b>Year-End Fund Balance</b>	406,300	237,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Industrial Hemp Trust Fund (AHA2372/A.R.S. § 3-315)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and licensing fees related to the processing, manufacturing, and distribution of industrial hemp.		
<b>Purpose of Fund:</b> To support the licensing and regulation of industrial hemp.		
<b>Funds Expended</b>	0	490,100
<b>Year-End Fund Balance</b>	1,039,800	1,023,600
<b>Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
<b>Funds Expended</b>	60,800	136,300
<b>Year-End Fund Balance</b>	268,800	134,700
<b>Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with monies resulting from fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
<b>Purpose of Fund:</b> To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
<b>Funds Expended</b>	98,800	107,000
<b>Year-End Fund Balance</b>	121,000	60,700
<b>Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
<b>Purpose of Fund:</b> To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
<b>Funds Expended</b>	252,500	280,500
<b>Year-End Fund Balance</b>	54,700	54,700
<b>Pest Management Trust Fund (AHA2050/A.R.S. § 3-3604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Division of Pest Management for the licensing of professional pest control companies and applicators of structural pesticides.		
<b>Purpose of Fund:</b> To license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
<b>Funds Expended</b>	1,646,400	1,792,900
<b>Year-End Fund Balance</b>	2,384,900	1,977,000
<b>Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from a portion of pesticide registration fees.		
<b>Purpose of Fund:</b> To regulate pesticides.		
<b>Funds Expended</b>	256,200	559,600
<b>Year-End Fund Balance</b>	1,139,900	885,000
<b>Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from permits issued for the removal or salvage of protected native plants.		
<b>Purpose of Fund:</b> For the protection of native plants.		
<b>Funds Expended</b>	79,100	82,900
<b>Year-End Fund Balance</b>	16,500	8,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from seed dealers' and labelers' license fees and penalties.		
<b>Purpose of Fund:</b> To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
<b>Funds Expended</b>	73,200	89,100
<b>Year-End Fund Balance</b>	242,300	262,500

## Arizona Health Care Cost Containment System

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,339.3	2,339.3	2,339.3 <sup>1/</sup>
Personal Services	39,992,000	39,921,600	39,921,600
Employee Related Expenditures	16,626,400	16,571,400	16,571,400
Professional and Outside Services	10,924,900	10,614,100	10,614,100
Travel - In State	91,300	90,800	90,800
Travel - Out of State	35,600	36,300	36,300
Other Operating Expenditures	20,088,100	25,759,400	30,703,900
Equipment	322,200	322,800	322,800
<b>OPERATING SUBTOTAL</b>	<b>88,080,500</b>	<b>93,316,400</b>	<b>98,260,900 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
AHCCCS Data Storage	10,645,100	19,325,800	19,325,800
DES Eligibility	78,288,200	88,874,500	88,874,500 <sup>3/</sup>
Proposition 204 - AHCCCS Administration	14,007,000	13,964,300	13,964,300 <sup>4/</sup>
Proposition 204 - DES Eligibility	36,437,600	44,358,700	44,358,700 <sup>4/</sup>
<b>Medicaid Services</b>			
Traditional Medicaid Services	5,273,538,900	5,743,961,500	7,058,092,600 <sup>5/6/7/8/</sup>
Proposition 204 Services	4,167,272,100	4,585,376,000	6,337,948,400 <sup>7/8/</sup>
Adult Expansion Services	469,909,100	572,108,200	1,267,247,400
Comprehensive Medical and Dental Program	198,407,400	197,732,200	228,690,300 <sup>7/</sup>
KidsCare Services	83,410,400	92,088,200	134,795,000
ALTCS Services	1,835,477,700	1,966,345,300	2,016,757,300 <sup>9/10/11/</sup>
Behavioral Health Services in Schools	9,990,000	18,003,300	10,003,300
<b>Non-Medicaid Behavioral Health Services</b>			
Non-Medicaid Seriously Mentally Ill Services	75,896,600	77,646,900	77,646,900 <sup>12/</sup>
Supported Housing	5,201,300	5,324,800	5,324,800
Crisis Services	15,401,600	16,391,300	16,391,300
<b>Hospital Payments</b>			
Disproportionate Share Payments	4,894,500	5,087,100	5,087,100 <sup>13/</sup>
DSH Payments - Voluntary Match	36,366,500	45,260,100	48,666,500 <sup>8/14/</sup>
Graduate Medical Education	397,316,000	357,621,200	361,324,500 <sup>8/15/-18/</sup>
Graduate Medical Education - Community Health Centers	750,000	0	0
Rural Hospitals	33,927,300	28,612,400	28,612,400
Targeted Investments Program	90,035,400	70,000,000	50,000,000
<b>AGENCY TOTAL</b>	<b>12,925,253,200</b>	<b>14,041,398,200</b>	<b>17,911,372,000 <sup>19/-23/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,669,160,500	1,951,981,100	2,175,273,400
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	3,906,400	4,037,400	4,076,200
Children's Health Insurance Program Fund	80,961,300	81,348,200	112,306,400
Prescription Drug Rebate Fund - State	149,574,500	148,459,600	148,459,600
Substance Abuse Services Fund	1,350,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	16,216,300	16,216,300	17,921,600
Tobacco Tax and Health Care Fund - Medically Needy Account	66,861,800	65,627,200	69,002,100
SUBTOTAL - Other Appropriated Funds	318,870,500	317,938,900	354,016,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,988,031,000</b>	<b>2,269,920,000</b>	<b>2,529,289,500</b>

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	94,283,100	102,000,000	102,000,000
County Funds	291,575,800	351,691,000	352,761,700
Delivery System Reform Incentive Payment Fund	28,062,400	21,686,700	15,495,200
Federal Medicaid Authority	9,386,797,000	10,012,054,700	13,086,797,500
Health Care Investment Fund	0	0	382,548,500
Hospital Assessment Fund	314,374,800	408,220,600	592,610,300
Nursing Facility Provider Assessment Fund	32,201,000	32,989,600	32,989,600
Political Subdivision Funds	139,370,100	198,782,700	169,989,300
Prescription Drug Rebate Fund - Federal	616,503,700	609,060,300	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	34,054,300	34,797,900	37,635,400
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>10,937,222,200</b>	<b>11,771,478,200</b>	<b>15,382,082,500</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>12,925,253,200</b>	<b>14,041,398,200</b>	<b>17,911,372,000</b>
Other Non-Appropriated Funds	116,395,300	115,781,300	115,781,300
Federal Funds	155,602,600	154,236,700	154,236,700
<b>TOTAL - ALL SOURCES</b>	<b>13,197,251,100</b>	<b>14,311,416,200</b>	<b>18,181,390,000</b>

**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 2022.
- 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. The Arizona health care cost containment system administration, 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, 2022 on the suicide prevention coordinator's accomplishments in fiscal year 2021-2022. (General Appropriation Act footnote)
- 3/ The amount 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 section 36-2901.01, subsection B, Arizona Revised Statutes. (General Appropriation Act Footnote)
- 5/ The Arizona health care cost containment system administration shall transfer up to \$1,200,000 from the traditional medicaid services line item for fiscal year 2021-2022 to the attorney general for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2021-2022 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/ The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent 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 fiscal year 2021-2022 costs of graduate medical education, disproportionate share payments - voluntary match, 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 Arizona health care cost containment system 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 section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2021-2022 nonfederal costs of providing long-term care system services is \$307,127,700. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$109,928,700 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2021-2022, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2021-2022. Before spending 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 spent under this provision. These payments are included in the expenditure authority fund source. (General Appropriation Act footnote)
- 12/ On or before June 30, 2022, the Arizona health care cost containment system 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, eight 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 for fiscal year 2021-2022 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, 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 fiscal year 2021-2022 by the Arizona health care cost containment system administration in excess of \$48,666,500 are appropriated to the administration in fiscal year 2021-2022. Before spending 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 spent under this provision. (General Appropriation Act footnote)
- 15/ Any monies for graduate medical education received in fiscal year 2021-2022, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$361,324,500 are appropriated to the administration in fiscal year 2021-2022. Before spending 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 spent under this provision. (General Appropriation Act footnote)
- 16/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$5,000,000 from the state general fund and \$11,672,200 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of less than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 17/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$4,000,000 from the state general fund and \$9,337,800 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of more than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 18/ Monies appropriated for graduate medical education in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- D/ Any monies received for the safety net care pool by the Arizona health care cost containment system administration in fiscal year 2021-2022, including any federal matching monies, are appropriated to the administration in fiscal year 2021-

2022. Before spending 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 spent under this provision. (General Appropriation Act footnote)

- 19/ The nonappropriated portion of the prescription drug rebate fund established by section 36-2930, Arizona Revised Statutes, is included in the federal portion of the expenditure authority fund source. (General Appropriation Act footnote)
- 20/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona health care cost containment system administration shall report its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 21/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2022 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 two percent. Before implementing any changes in capitation rates, the 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)
- 22/ On or before July 1, 2022, the Arizona health care cost containment system 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, 2021. (General Appropriation Act footnote)
- 23/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

**Summary**

AHCCCS' FY 2022 General Fund spending increases by \$223,292,300 from FY 2021. This amount includes:

- \$228,292,300 for formula adjustments.
- \$(8,000,000) for removal of one-time funding of Behavioral Health Services in School for low-income, non-TXIX children.
- \$3,000,000 for Graduate Medical Education funding.

Below is an overview of FY 2022 formula adjustments, which *Table 1* summarizes. As part of the budget's 3-year spending plan AHCCCS' General Fund costs are projected to increase by \$60,151,300 in FY 2023 above FY 2022 and by \$56,077,900 in FY 2024 above FY 2023. (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. The Baseline includes an increase of \$228,292,300 from the General Fund in FY 2022 for the following AHCCCS formula adjustments. This amount includes:

- \$774,475,900 for state match expenses associated with formula adjustments.
- \$(546,183,600) for changes in General Fund offsets.

**Table 1**

**AHCCCS State Match Spending Changes (in millions)**

**State Match Formula Adjustments**

FY 2022 Caseload Growth	389
FY 2022 Inflation Increase	399
FY 2022 Federal Medicaid Match Rate Change	18
FY 2022 Health Insurer Fee Repeal	(31)
<i>State Match Costs Subtotal</i> <sup>1/</sup>	774

**Non-General Fund State Match Offsets**

Political Subdivisions Fund Decrease	27
Hospital Assessment Fund	(184)
County Funds Increase	(1)
Tobacco Tax Revenue Increase	(8)
Health Care Investment Fund	(380)
<i>General Fund Offsets Subtotal</i>	(546)

**Non-Formula Adjustments**

GME/Health Professional Shortage Area	3
NTXIX Children's Behavioral Health	(8)
<i>Non-Formula Subtotal</i>	(5)

**Total General Fund Spending Change** **\$223**

<sup>1/</sup> Numbers do not add to total due to rounding.

**FY 2022 Caseload Adjustment**

Formula adjustments include flat enrollment growth for most populations, including Traditional, Proposition 204, Adult Expansion, CMDP, and KidsCare; and 0.5% growth for ALTCS. Caseloads in June 2021, however, are estimated to exceed the original FY 2021 budget numbers by 250,040, or 14%, due to the COVID-19 pandemic and associated economic recession. As a result, even with flat

growth between June 2021 and June 2022, caseloads would still be 14% above the enacted FY 2021 budget. Overall, caseload growth is expected to increase state match expenses by \$388,875,100 and Total Funds expenses by \$2,342,231,200 in FY 2022. *Table 2* displays historical and forecasted member months across AHCCCS populations. (See the *Other Issues* section for more information.)

**FY 2022 Inflation Adjustments**

The Baseline assumes a 3.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2021. This increase is based on a 5-year average of the medical care consumer price index. The Baseline also annualizes the FY 2021 capitation rate adjustment of 5.6% and adds expenditure authority associated with directed payments to hospitals financed by the Health Care Investment Fund. Inflation adjustments increase AHCCCS state costs by \$398,917,600 and Total Funds costs by \$1,681,051,600 in FY 2022. Of those amounts, \$380,076,200 of state match and \$1,566,212,400 are financed by the Health Care Investment Fund.

**FY 2022 Federal 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 2022, the standard base FMAP rates will be as follows:

- Traditional Medicaid rate will remain at 70.01%.
- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 79.01% (a 3.03 percentage point decrease).

The Baseline includes an increase of \$18,002,400 in state costs and a corresponding decrease of \$(18,002,400) in Federal Medicaid Authority in FY 2022 as a result of these FMAP adjustments. These changes reflect the impact of federal match rate changes in comparison to the enacted FY 2021 budget, which did not include adjustments for the enhanced FMAP authorized by the federal government to address the COVID-19 pandemic. (See the *Other Issues* section for more information.)

**Health Insurer Fee Repeal**

The Baseline includes a decrease of \$(31,319,300) in state funds (\$(137,363,200) Total Funds) for repeal of the Affordable Care Act Health Insurer Fee in FY 2022. The Consolidated Appropriations Act of 2020 repeals the fee beginning in FY 2022.

**Table 2**

**AHCCCS Member Months <sup>1/</sup>**

<u>Population</u>	<u>June 2021 (Budgeted)<sup>2/</sup></u>	<u>June 2021 (Revised)</u>	<u>June 2022 (Forecast)</u>	<u>'21-'22 % Change</u>
Traditional	1,014,064	1,092,462	1,092,462	0.0%
Prop 204 Childless Adults	337,601	384,182	384,182	0.0
Other Proposition 204	188,759	202,173	202,173	0.0
Adult Expansion	76,825	167,697	167,697	0.0
KidsCare	35,766	47,095	47,095	0.0
CMDP	13,147	13,657	13,657	0.0
ALTCS - Elderly & Physically Disabled <sup>3/</sup>	33,085	32,002	32,162	0.5
Emergency Services	<u>112,795</u>	<u>122,814</u>	<u>122,814</u>	<u>0.0</u>
<b>Total Member Months</b>	<b>1,812,042</b>	<b>2,062,082</b>	<b>2,061,922</b>	<b>0.0%</b>

<sup>1/</sup> The figures represent June 1 enrollment.

<sup>2/</sup> The FY 2021 budgeted numbers do not account for caseload increases associated with the COVID-19 pandemic.

<sup>3/</sup> The ALTCS program funded in AHCCCS. An additional 36,195 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of December 1, 2020.

**Non-General Fund State Match Items**

The gross state match contribution from FY 2022 caseload growth, inflation, and federal match rate changes is projected to increase by \$774,475,900. The Non-General Fund state match is forecast to offset \$(546,183,600) of this cost, resulting in a net General Fund change of \$228,292,300. When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change decreases to \$223,292,300.

The non-General Fund state match offsets are as follows:

- An increase of \$184,389,800 from the Hospital Assessment Fund in FY 2022 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$380,076,200 from the Health Care Investment Fund to provide directed payments to providers and increase physician and dental fee schedule reimbursement rates.
- A decrease of \$(27,309,600) in Political Subdivision Funds, mostly for Traditional.
- An increase of \$1,109,500 in County Funds, mostly for ALTCS.
- An increase of \$7,917,700 from tobacco tax revenues to reflect higher-than-budgeted receipts.

**Operating Budget**

The Baseline includes \$98,260,900 and 1,023.2 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$29,289,400
Children’s Health Insurance Program (CHIP) Fund	5,676,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	661,700
Federal Medicaid Authority (FMA)	60,161,000

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$4,944,500 in FY 2022 for the cost of administering the Health Care Investment Fund, established by Laws 2020, Chapter 46. This amount consists of:

Health Care Investment Fund	2,472,300
Federal Medicaid Authority (FMA)	2,472,200

A.R.S. § 36-2999.73 authorizes AHCCCS to retain a maximum of 1% of Health Care Investment Fund monies for administrative purposes. At its September 2020 meeting, the Joint Legislative Budget Committee favorably reviewed AHCCCS' expenditure plan for the Health Care Investment Fund.

**Administration**

**AHCCCS Data Storage**

The Baseline includes \$19,325,800 in FY 2022 for the AHCCCS Data Storage. 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 2021.

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.

The Baseline changes the name of the line item from "ADOA Data Center" to "AHCCCS Data Storage" pursuant to an agency request to more broadly reflect AHCCCS' expenses on computing services, which include both ADOA data center charges as well as cloud migration and storage costs.

**DES Eligibility**

The Baseline includes \$88,874,500 and 885 FTE Positions in FY 2022 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 2021.

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

**Proposition 204 - AHCCCS Administration**

The Baseline includes \$13,964,300 and 131 FTE Positions in FY 2022 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,545,000
PDRF - State	60,900
Federal Medicaid Authority	9,358,400

These amounts are unchanged from FY 2021.

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

**Proposition 204 - DES Eligibility**

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2022 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,646,000
Budget Neutrality Compliance Fund (BNCF)	4,076,200
Federal Medicaid Authority	23,636,500

FY 2022 adjustments are as follows:

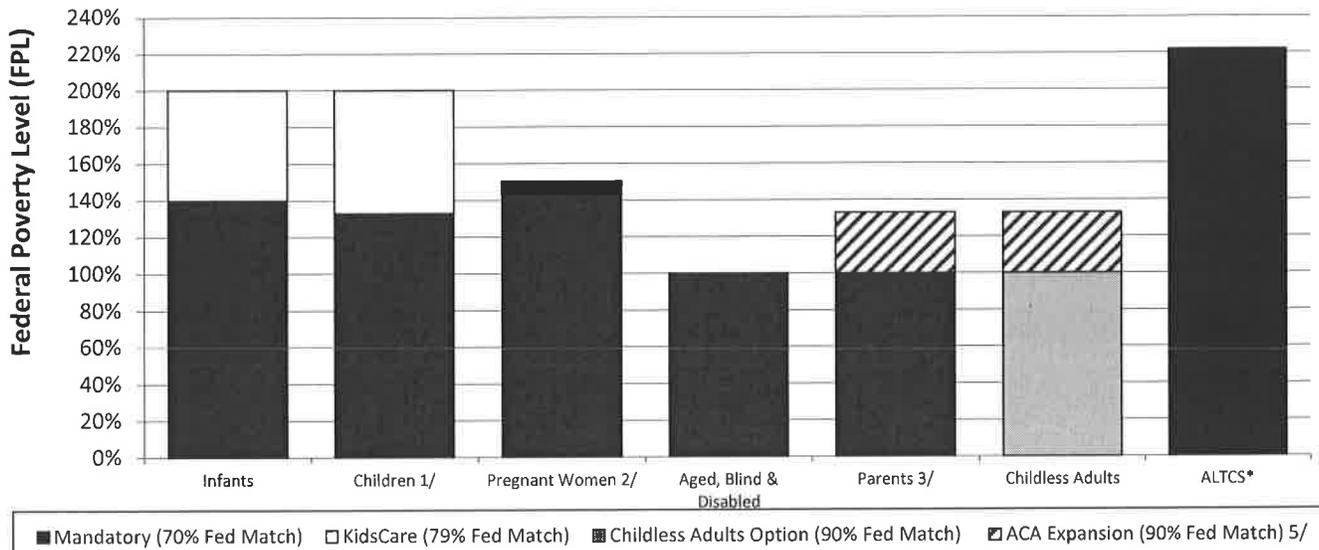
**Formula Adjustments**

The Baseline includes a decrease of \$(38,800) from the General Fund and a corresponding increase of \$38,800 from the BNCF in FY 2022 to reflect an increase of county contributions in FY 2022 as required by A.R.S. § 11-292.

*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

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 an 79.01% federal match in SFY 2022.
- 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/ In FFY 2021, the base federal match for KidsCare will remain at 79.01%.

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 2022. A description of program components can be found in the *Other Issues* section.

**Traditional Medicaid Services**

The Baseline includes \$7,058,092,600 in FY 2022 for Traditional Medicaid Services. This amount consists of:

General Fund	1,476,087,300
County Funds	45,634,000
Health Care Investment Fund	226,678,100
Political Subdivision Funds	50,247,800
PDRF - State	140,158,600
TTHCF - Medically Needy Account	69,002,100
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,477,451,700

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$1,314,131,100 in FY 2022 for formula adjustments. This amount consists of:

General Fund	198,465,000
County Funds	(185,000)
Health Care Investment Fund	226,678,100
Political Subdivision Funds	(23,570,800)
TTHCF - Medically Needy Account	3,374,900
Federal Medicaid Authority	909,368,900

These adjustments include:

- Caseload growth of 10.7% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- 3.0% capitation rate increase.
- Repeal of the Health Insurer Fee.
- \$3,374,900 increase from the TTHCF - Medically Needy Account with a corresponding General Fund decrease.
- \$(185,000) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.

*Background* – Traditional Medicaid Services funds acute care and behavioral health services of the following populations:

- Children under 1, up to 140% of the federal poverty level (FPL).
- Children aged 1-18, up to 133% FPL.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

### **Proposition 204 Services**

The Baseline includes \$6,337,948,400 in FY 2022 for Proposition 204 Services. This amount consists of:

General Fund	129,026,100
Health Care Investment Fund	123,904,400
Hospital Assessment Fund	491,233,900
Political Subdivision Funds	4,398,100
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,921,600
TPTF - Proposition 204 Protection Account	37,635,400
Federal Medicaid Authority	5,431,828,900

FY 2022 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$1,752,572,400 in FY 2022 for formula adjustments. This amount consists of:

General Fund	7,814,600
Health Care Investment Fund	123,904,400
Hospital Assessment Fund	127,049,200
Political Subdivision Funds	(2,996,700)
TPTF - Emergency Health Services Account	1,705,300
TPTF - Proposition 204 Protection Account	2,837,500
Federal Medicaid Authority	1,492,258,100

These adjustments include:

- Caseload growth of 17.8% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- No change to the base federal match rate (70.01%) in SFY 2022 for the non-childless adult population.
- No change to the federal match rate for the childless adult population (90.00%) in SFY 2022.
- 3.0% capitation rate increase.
- \$2,837,500 increase from the TPTF - Proposition 204 Protection Account due to higher-than-expected tobacco tax revenues and a corresponding decrease of in other state costs.
- Repeal of the federal Health Insurer Fee.

*Background* – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population but are below 100% FPL.

### **Adult Expansion Services**

The Baseline includes \$1,267,247,400 in FY 2022 for Adult Expansion Services. This amount consists of:

General Fund	13,056,300
Health Care Investment Fund	9,045,900
Hospital Assessment Fund	101,376,400
Political Subdivision Funds	482,500
Federal Medicaid Authority	1,143,286,300

FY 2022 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$695,139,200 in FY 2022 for formula adjustments. This amount consists of:

General Fund	5,694,700
Health Care Investment Fund	9,045,900
Hospital Assessment Fund	57,340,500
Political Subdivision Funds	(142,000)
Federal Medicaid Authority	623,200,100

These adjustments include:

- Caseload growth of 114.9% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- A federal match rate of 90.00% in SFY 2022.
- 3.0% capitation rate increase.
- Repeal of the Health Insurer Fee.

*Background* – The Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. While the federal government previously paid 100% of the cost of this population, the federal share gradually declined 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 \$228,690,300 in FY 2022 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	65,963,700
Health Care Investment Fund	2,600,700
Federal Medicaid Authority	160,125,900

FY 2022 adjustments are as follows:

#### Formula Adjustments

The Baseline includes an increase of \$30,958,100 in FY 2022 for formula adjustments. This amount consists of:

General Fund	6,712,800
Health Care Investment Fund	2,600,700
Federal Medicaid Authority	21,644,600

These adjustments include:

- Flat enrollment in FY 2022.
- No change to the base federal match rate (70.01%) in FY 2022.
- 3.0% capitation rate increase.

*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 physical health services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBAs).

Laws 2019, Chapter 305 authorizes the integration of physical health services and behavioral health services under a single plan administered by DCS if sufficient funding is available. The Baseline does not include funding for administrative cost increases associated with integration of physical and behavioral health services within CMDP. Laws 2019, Chapter 305 requires that “funding is made available by the federal government and this state” prior to implementation of an integrated health plan by AHCCCS and DCS. The Legislature did not make any such funding available as part of the 3-year spending plan associated with the enacted FY 2021 budget. As a result, the Baseline excludes \$1,278,100 of General Fund and \$4,323,300 of Federal Medicaid Authority of DCS’ administrative costs for the integrated plan that AHCCCS proposes to fund through the CMDP capitation rate in FY 2022. (Please see the [CMDP Integration section](#) of the Department of Child Safety narrative for additional information.)

### KidsCare Services

The Baseline includes \$134,795,000 in FY 2022 for KidsCare Services. This amount consists of:

General Fund	25,629,500
Health Care Investment Fund	2,232,700
Political Subdivision Funds	462,900
CHIP Fund	106,469,900

FY 2022 adjustments are as follows:

#### Formula Adjustments

The Baseline includes an increase of \$42,706,800 in FY 2022 for formula adjustments. This amount consists of:

General Fund	9,415,100
Health Care Investment Fund	2,232,700
Political Subdivision Funds	100,800
CHIP Fund	30,958,200

These adjustments include:

- Caseload growth of 32.3% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- A decrease in the base CHIP federal match rate from 82.04% in SFY 2021 to 79.01% in SFY 2022.
- 3.0% capitation rate increase.
- Repeal of the federal Health Insurer Fee.

*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.

For additional program history, please refer to the [FY 2020 Appropriations Report](#).

### ALTCS Services

The Baseline includes \$2,016,757,300 in FY 2022 for ALTCS Services. This amount consists of:

General Fund	265,664,500
County Funds	307,127,700
Health Care Investment Fund	15,614,400
Political Subdivision Funds	450,000
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	1,350,910,700

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$50,412,000 in FY 2022 for formula adjustments. This amount consists of:

General Fund	228,900
County Funds	1,255,700
Health Care Investment Fund	15,614,400
Political Subdivision Funds	(700,900)
Federal Medicaid Authority	34,013,900

These adjustments include:

- Caseload decline of (3.5)% in comparison to the enacted FY 2021 budget.
- 0.5% enrollment growth in FY 2022.
- No change to the base federal match rate (70.01%) in SFY 2022.
- 3.0% capitation rate increase.
- Repeal of the federal Health Insurer Fee.

*Background* – ALTCS provides coverage for individuals up to 222% of the FPL, or \$28,327 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,570 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 2021, AHCCCS estimates that client contributions will pay for 3.7%, or \$52,400,000 of the cost of care.

A.R.S. § 36-2999.52 authorizes 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. A.R.S. § 36-2999.55 continues the assessment through September 30, 2023. The assessment ranges from \$1.80 to \$15.63 per day of

patient care. 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 \$10,003,300 in FY 2022 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,003,300

FY 2022 adjustments are as follows:

**Children's Behavioral Health Services**

The Baseline includes a decrease of \$(8,000,000) from the General Fund in FY 2022 to remove one-time funding for a deposit into the Children's Behavioral Health Services Fund established by Laws 2020, Chapter 46. This funding will be used to pay contractors for behavioral health services rendered to low-income, non-Medicaid students.

*Background* – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. AHCCCS plans to use \$1,000,000 of this funding for an interagency service agreement with the Arizona Department of Education for administration of Mental Health First Aid training in public schools. Of the remaining funds, \$9,003,300 will be allocated to behavior health providers contracted with AHCCCS health plans working directly in schools. (See the Other Issues section for more information.)

**Non-Medicaid Behavioral Health Services**

**Non-Medicaid Seriously Mentally Ill Services**

The Baseline includes \$77,646,900 from the General Fund in FY 2022 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2021.

*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. (Please see footnotes for more information on service targets established by the *Arnold v. Sarn* 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 2022 for Supported Housing. This amount is unchanged from FY 2021.

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

In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. The RBHAs report expending \$19,530,200 of their allocation from the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing Services in FY 2019.

### Crisis Services

The Baseline includes \$16,391,300 in FY 2022 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 2021.

*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.

### 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 Consolidated Appropriations Act of 2021 delayed nationwide DSH payment reductions that were originally authorized by the federal Affordable Care Act (ACA) until

FY 2024. Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the Baseline does not assume any federal funding loss related to DSH in FY 2024. The Baseline therefore assumes that Arizona's DSH allocation would be adjusted in FY 2022 through FY 2024 according to the regular federal formula, as outlined below.

#### MIHS Distribution

After the enactment of the budget, AHCCCS informed the JLBC Staff that the actual certifiable uncompensated care from MIHS in FY 2020 was \$95,696,000, or \$(18,122,500) below the eligible funding level assumed in the budget. As a result, the net General Fund deposit in FY 2020 was only \$83,314,600, or \$(12,515,400) less than the amount budgeted. The Baseline assumes no changes in MIHS' uncompensated care levels in FY 2021 and FY 2022, which would result in net General Fund deposits of \$82,729,000 in both years. 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 2021 and FY 2022. If MIHS' uncompensated care increases again, the state would be able to deposit additional monies into the General Fund revenues of up to \$12,687,500 in FY 2021 and FY 2022.

#### Increase in Uncompensated Care Payments

In FY 2022, the state's total DSH payments are estimated to increase by \$3,406,400 from \$170,315,800 in FY 2021 to \$173,722,200 due to federal adjustments for inflation and the FMAP. Of the \$173,722,200 of eligible DSH funding in FY 2022, \$136,483,400 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$37,238,800 of eligible funding represents existing expenditures used as part of the state match.

*For more information regarding public hospital distributions, private hospital distributions, and DSH voluntary match distributions, please refer to the [Hospital Payments program summary on the JLBC website](#).*

### Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2022 for Disproportionate Share Payments. This amount consists of:

General Fund	265,400
Federal Medicaid Authority	4,821,700

These amounts are unchanged from FY 2021.

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 \$265,400 from the General Fund and \$619,400 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 \$48,666,500 in FY 2022 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	14,595,100
Federal Medicaid Authority	34,071,400

FY 2022 adjustments are as follows:

**Increased Funding**

The Baseline includes an increase of \$3,406,400 in FY 2022 due to an increase in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	1,021,600
Federal Medicaid Authority	2,384,800

Although the FY 2021 General Appropriation Act displays a \$27,137,600 appropriation for FY 2021, 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 2020 will be \$41,591,700 due to a lower-than-budgeted level of

uncompensated care at MIHS of \$95,696,000. The FY 2021 appropriation has been adjusted to \$45,260,100, or an increase of \$18,122,500, to reflect the lower level of uncompensated care at MIHS.

*Background* – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue a provision 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 2022.

**Graduate Medical Education**

The Baseline includes \$361,324,500 in FY 2022 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	99,352,900
Federal Medicaid Authority	252,971,600

FY 2022 adjustments are as follows:

**Decreased Funding**

The Baseline includes a decrease of \$(6,300,000) in FY 2022 to reflect AHCCCS' revised projections of

Eligible Funding <sup>1/</sup>	FY 2021 (Enacted)	FY 2021 (Estimated)	FY 2022
MIHS - CPE <sup>2/</sup>	\$ 113,818,500	\$ 95,696,000	\$ 95,696,000
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>27,137,600</u>	<u>45,260,100</u>	<u>48,666,500</u>
<b>Total Funding</b>	<b>\$ 170,315,800</b>	<b>\$ 170,315,800</b>	<b>\$ 173,722,200</b>
<b>General Fund</b>			
Retain FF of CPE (via MIHS)	\$ 75,812,100	\$ 62,794,500	\$ 62,794,500
Retain FF of CPE (via ASH)	<u>20,017,900</u>	<u>19,935,300</u>	<u>19,935,300</u>
Subtotal - General Fund	\$ 95,830,000	\$ 82,729,800	\$ 82,729,800
<b>Other Entities</b>			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
<b>Total DSH Distributions</b>	<b>\$ 100,917,100</b>	<b>\$ 87,816,900</b>	<b>\$ 87,816,900</b>
<b>Voluntary Match</b>	<b>\$ 27,137,600</b>	<b>\$ 45,260,100</b>	<b>\$ 48,666,500</b>
<b>Total Distributions</b>	<b>\$ 128,054,700</b>	<b>\$ 133,077,000</b>	<b>\$ 136,483,400</b>

<sup>1/</sup> Amounts include state and federal match funding.  
<sup>2/</sup> The Baseline would continue to establish an MIHS DSH limit of \$113,818,500 in the FY 2022 Health BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher.

reimbursable GME expenses among participating hospitals in FY 2022. This amount consists of:

Political Subdivision Funds	(2,505,400)
Federal Medicaid Authority	(3,794,600)

**Health Professional Shortage Areas**

The Baseline includes an increase of \$10,003,300 in FY 2022 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,003,300

With this increase, \$30,010,000 Total Funds will be available for Health Professional Shortage Areas, or \$9,000,000 from the General Fund and \$21,010,000 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes would instruct AHCCCS how to allocate the \$30,010,000 total amount for this program. The Baseline allocates \$5,501,800 Total Funds of the increase for GME programs located in a county with less than 500,000 persons and the remaining \$4,501,500 to programs in counties with a population of more than 500,000 persons. The General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. AHCCCS shall prioritize funding for hospitals located in federally-designated health professional shortage areas.

The 3-year spending plan associated with the enacted FY 2020 budget assumed the General Fund appropriation for Graduate Medical Education program would increase from \$3,000,000 in FY 2020 to \$6,000,000 in FY 2021 and \$9,000,000 in FY 2022. The \$9,000,000 in FY 2022 would include a \$5,000,000 allocation for rural GME program and \$4,000,000 for urban GME programs. The funding phase-in assumes that the recipient hospitals would increase the number of slots for incoming residents in FY 2020 and each successive class thereafter, but that the number of slots for the cohorts already enrolled in the program (i.e., that started in FY 2019 or before) would remain unchanged. As a result, the full phase-in of the larger number of slots is scheduled to occur in FY 2022.

*Background* – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Besides the use of General Fund monies, 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 2020, 19 hospitals received a total of \$396,566,000 for Graduate Medical

Education. Please see *Table 4* for a breakdown of funding between the regular GME program and the Health Professional Shortage Area program.

<u>Expenditure Categories</u>	<u>FY 2021</u>	<u>FY 2022</u>
Locally Funded GME	\$ 337,614,500	\$ 331,314,500
FY 2021 Rebase	(67,157,500)	0
<i>GME Subtotal</i>	<i>\$ 270,457,000</i>	<i>\$ 331,314,500</i>
<i>HPSA GME</i>	<i>\$ 20,006,700</i>	<i>\$ 30,010,000</i>
<b>Total Revenues</b>	<b>290,463,700</b>	<b>\$ 361,324,500</b>

**Rural Hospitals**

The Baseline includes \$28,612,400 in FY 2022 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,580,800
Federal Medicaid Authority	20,031,600

These amounts are unchanged from FY 2022.

*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 2020, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from CAH.

**Targeted Investments Program**

The Baseline includes \$50,000,000 in FY 2022 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	15,495,200
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	34,504,800

FY 2022 adjustments are as follows:

**Decreased Funding**

The Baseline includes a decrease of \$(20,000,000) in FY 2022 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund (6,191,500)  
 Federal Medicaid Authority (13,808,500)

*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 2021 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Health Care Investment Fund
- Prescription Drug Rebate Fund
- Federal Waivers
- Affordable Care Act Litigation
- County Contributions
- COVID-19-Related FMAP and Enrollment Requirements
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

**FY 2021 Supplemental**

The Baseline includes an FY 2021 supplemental appropriation of \$2,417,171,700 for costs associated with increased caseload growth from the pandemic. That amount includes of a state match cost increase of \$54,273,000, offset by growth in other funds of \$258,613,800, resulting in an estimated net General Fund surplus of \$(204,340,800). The remaining \$2,362,448,700 comes from federal matching funds.

*Table 5* delineates the individual impacts contributing to the General Fund savings of \$(204,340,800) in FY 2021. The Baseline includes federal match rate savings through March 31, 2021, though actual savings may be higher if the public health emergency is extended beyond the third quarter of FY 2021. Expiration of the public health emergency determines when the enhanced federal match rate expires and when can AHCCCS can begin disenrolling members who are no longer eligible.

<b>Table 5</b>	
<b>AHCCCS' FY 2021 General Fund Savings (in millions)</b>	
<b>State Match Components</b>	
FY 2021 Inflation Growth	207
FY 2021 Federal Medicaid Match Rate Change	(379)
FY 2021 Enrollment Growth	<u>227</u>
State Match Rebase Cost <sup>1/</sup>	54
<b>Non-General Fund State Match Offsets</b>	
Political Subdivisions Fund Decrease	9
Hospital Assessment Fund Increase	(72)
County Funds Decrease	58
Tobacco Tax Revenue Increase	(9)
Health Care Investment Fund Increase	(248)
Nursing Facility Assessment Decrease	<u>5</u>
General Fund Offsets Subtotal <sup>1/</sup>	(258)
<b>Total General Fund Spending Change</b>	<b>\$(204)</b>
<sup>1/</sup> Numbers do not add to total due to rounding.	

**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. Continue to impose a 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 FY 2022 County Acute Care contribution at \$45,634,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2022, 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 2022 county Arizona Long Term Care System (ALTCs) contributions at \$307,127,700.

*Hospitals*

- As session law, continue to establish FY 2022 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 2022.

- 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, as well as 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.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, AHCCCS's General Fund spending increases by \$60,151,300 in FY 2023 above FY 2022 and by \$56,077,800 in FY 2024 above FY 2023. These figures assumes a (2.0)% enrollment decline for most populations, a 3.0% inflation rate, and no change to the federal match rate.

In addition to AHCCCS spending changes, the Baseline's 3-year spending plan assumes that the current \$16,700,000 transfer from the Prescription Drug Rebate Fund - State to the General Fund continues through FY 2024.

**Health Care Investment Fund**

Laws 2020, Chapter 46 establishes the Health Care Investment Fund. The fund receives revenues based on an assessment on hospital revenues, discharges, or bed days relative to inpatient and outpatient services, to be established by the AHCCCS director.

At the September 2020 JLBC meeting, AHCCCS received a favorable review of its proposed methodology to collect the Health Care Investment Fund assessment. AHCCCS' spending plan for FY 2021 includes the following distributions:

- \$204,831,400 in HCIF monies (\$955,467,400 Total Funds) for directed payments to hospitals. The payments represent a net reimbursement increase of approximately 40%. The hospital payments will not be included in AHCCCS capitation rates and will instead supplement payments hospitals receive from health plans and other AHCCCS programs.
- \$43,658,300 from HCIF (\$213,535,900 Total Funds) for increase to base reimbursement rates for physician and dentists of approximately 15%. These rate increases will be funded via capitation rate increases.
- \$1,854,300 from HCIF (\$3,708,500 Total Funds) for administration of the HCIF. These monies will be allocated to the AHCCCS operating budget.

The Health Care Investment Fund, in combination with the original Hospital Assessment, will result in total Hospital Assessment collections of \$975,158,900 in FY 2022.

**Prescription Drug Rebate Fund**

Since FY 2019, the budget has used high balances in the Prescription Drug Rebate Fund (PDRF) - State to the benefit of the General Fund. The FY 2021 budget's 3-year revenue and expenditure plan continued that usage by assuming a) the use of \$148,459,600 in PDRF as part of the state match in lieu of the General Fund and b) a \$16,700,100 transfer from the PDRF fund to the General Fund each year through FY 2023. The Baseline continues both practices and extends them through FY 2024. Under the budgeted projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$18,932,300 at the end of FY 2022 (see Table 6).

**Table 6**

**State Prescription Drug Rebate Fund Sources and Uses**

	<b>FY 2021</b>	<b>FY 2022</b>
<b>Revenues</b>		
Beginning Balance	\$ 9,765,100	\$ 0
Rebate Collections	<u>151,280,800</u>	<u>184,091,900</u>
<b>Total Revenues</b>	<b>\$161,045,900</b>	<b>\$184,091,900</b>
<b>Budgeted Disbursements</b>		
Operating Budget and Administration	\$ 661,700	\$ 661,700
Traditional Services	140,158,600	140,158,600
ALTCS Services	7,578,400	7,578,400
Prop 204	<u>60,900</u>	<u>60,900</u>
<b>AHCCCS Subtotal</b>	<b>\$148,459,600</b>	<b>\$148,459,600</b>
<b>Total Disbursements</b>	<b>\$148,459,600</b>	<b>\$148,459,600</b>
<b>General Fund Transfer <sup>1/</sup></b>	<b>\$ 16,700,000</b>	<b>\$ 16,700,000</b>
<b>Projected Ending Balance</b>	<b>\$ (4,113,700)<sup>2/</sup></b>	<b>\$ 18,932,300</b>

<sup>1/</sup> The FY 2021 transfer was enacted by Laws 2019, Chapter 263.  
<sup>2/</sup> AHCCCS' estimates assume that total rebate collections will decline by (8.4)% in FY 2021 and grow by 5.1% in FY 2022. Ending balances could be higher or lower depending on how actual growth rates compare to these estimates. The JLBC Staff anticipates that total PDRF collections will not decline and there will be sufficient funds for the FY 2021 transfer.

**Federal Waivers**

State Medicaid programs can apply for waivers from the Centers for Medicare and Medicaid Services (CMS) in order to implement changes to service delivery that would otherwise not comply with federal rules. This

section describes current waivers being utilized by AHCCCS.

#### AHCCCS Works 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.

On January 18, 2019, CMS partly approved AHCCCS' waiver submittal. Effective January 1, 2020, AHCCCS enrollees aged 19-49 were to be subject to a "community engagement" requirement of 80 hours per month, which may be satisfied with employment, education, job or life skills training, job search activities, or community service. Individuals failing to comply with the requirement will have their AHCCCS coverage suspended for 2 months. Coverage will be automatically reinstated following the 2-month suspension. CMS did not approve the request for a 5-year time limit on coverage.

The waiver exempts several populations from the community engagement requirement, including individuals with an SMI diagnosis, members of federally recognized tribes, and former foster youth. After accounting for the exemptions, AHCCCS estimates that 120,000 enrollees will be subject to the community engagement requirement.

In January 2019, AHCCCS opened a request for proposals (RFP) for a new information technology system called the "AHCCCS Works Portal" that AHCCCS enrollees will use to report their compliance with the community engagement requirement. The portal is expected to cost \$4,778,900 across 5 years.

In November 2019, AHCCCS announced that implementation of AHCCCS Works would be delayed while court cases involving CMS community engagement requirements are heard. The program, which was set to begin no sooner than summer 2020, is further delayed as a result of the maintenance of eligibility requirement associated with the Families First Coronavirus Response Act (FFCRA). To be eligible for the enhanced federal match rate, state Medicaid agencies cannot disenroll members during the federal public health emergency period. Thus, the program will not be implemented before the end of the public health emergency.

#### Section 1135 Waiver

In response to the COVID-19 emergency, AHCCCS submitted an 1135 waiver to CMS on March 17, 2020. Section 1135 waivers permit the Health and Human Services Secretary to temporarily waive or modify

Medicaid requirements during a national emergency. As part of the list of approved flexibilities, AHCCCS is authorized to streamline provider enrollment requirements, suspend member cost-sharing requirements, extend KidsCare renewal deadlines, and delay action on changes of circumstances that would affect KidsCare eligibility, among other administrative changes. These authorities will expire following the end of the public health emergency.

#### **Affordable Care Act Litigation**

Current litigation revolves around the constitutionality of the ACA's individual mandate. The Tax Cuts and Jobs Act (TCJA), passed in December 2017, established a \$0 penalty for not having health insurance. On December 14, 2018, the Fifth Circuit Court ruled in *Texas v. Azar* that a \$0 Shared Responsibility Payment renders the mandate unconstitutional and that, by extension, the entirety of the ACA is unconstitutional. In November 2020, the U.S. Supreme Court heard oral arguments for the case. A ruling has not been made at the time of this writing.

Formal repeal of the ACA by Congress would trigger the authorizations set forth in A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08, which extend eligibility to the adult expansion population. However, coverage would continue for the Proposition 204 population from 0-100% and for children ages 6-18 from 100-133%. *For more information regarding prior federal litigation, refer to the [FY 2020 Appropriations Report](#).*

#### **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. *More details regarding how [County Contributions](#) are calculated can be found in the corresponding program summary on the JLBC website.*

#### **COVID-19-Related FMAP and Enrollment Requirements**

In March 2020, the President signed the federal Families First Coronavirus Response Act (FFCRA) into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is effective through the last quarter that the federal public health emergency is in effect. At the time of this writing, the public health emergency has been extended through January 2021.

The JLBC Staff's estimates assume that that the 6.2% increase will be in effect through March 2021 given that the federally-declared public health emergency is currently scheduled to expire in January 2021. If the public health emergency is extended, the JLBC Staff estimates that the match rate increase will reduce AHCCCS' General Fund expenditures by \$(105) million per quarter relative to the Baseline.

FFCRA also stipulates, however, that state Medicaid agencies are prohibited from disenrolling Medicaid recipients for the duration of the federal public health emergency. As a result, any federal match rate savings above would likely be at least partially offset by caseload growth rates above what is assumed in the Baseline.

**Program Components**

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

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2022, the average capitation rate is expected to be approximately \$511 per member per month (or \$6,100 annually). Of that amount, an average of \$123 is from state match and \$388 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 member 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.

**Table 7**

**County Contributions**

County	FY 2021			FY 2022		
	BNCF <sup>1/</sup>	Acute	ALTCS	BNCF <sup>1/</sup>	Acute	ALTCS
Apache	\$133,100	\$268,800	696,200	\$134,400	\$268,800	721,800
Cochise	248,200	2,214,800	5,181,000	250,600	2,214,800	5,063,700
Coconino	244,900	742,900	2,090,300	247,200	742,900	2,167,100
Gila	100,600	1,413,200	2,519,200	101,500	1,413,200	2,520,800
Graham	71,500	536,200	1,745,100	72,200	536,200	1,468,300
Greenlee	18,400	190,700	3,900	18,500	190,700	(44,200)
La Paz	38,100	212,100	716,100	38,400	212,100	407,400
Maricopa	0	17,788,700	196,891,500	0	17,603,700	199,613,900
Mohave	285,800	1,237,700	9,763,200	288,600	1,237,700	9,916,400
Navajo	187,300	310,800	2,881,800	189,100	310,800	2,987,800
Pima	1,702,500	14,951,800	47,415,800	1,718,800	14,951,800	47,742,600
Pinal	333,100	2,715,600	14,431,100	336,300	2,715,600	13,154,000
Santa Cruz	78,700	482,800	2,402,000	79,500	482,800	2,429,500
Yavapai	314,700	1,427,800	9,074,300	317,700	1,427,800	8,469,400
Yuma	280,600	1,325,100	10,060,500	283,300	1,325,100	10,509,200
<b>Subtotal</b>	<b>\$4,037,400</b>	<b>\$45,819,000</b>	<b>\$305,872,000</b>	<b>\$4,076,200</b>	<b>\$45,634,000</b>	<b>\$307,127,700</b>
<b>Total</b>			<b>\$355,728,400</b>			<b>\$356,837,900</b>

<sup>1/</sup> Numbers do not add to total due to rounding.

### ***Tobacco Master Settlement Agreement***

The Baseline continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2022 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.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties.

For additional details related to [\*Tobacco Tax Enforcement and Litigation\*](#), please refer to the corresponding program summary on the JLBC website.

### ***Tobacco Tax Allocations***

The Baseline projects AHCCCS and DHS will receive \$148,754,800 in transfers of tobacco tax collections in FY 2022. This amount represents a decrease of \$(1,800,000) from FY 2021. *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

	FY 2020	FY 2021
<b>Medically Needy Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 1,580,600
Transfer In - Tobacco Tax and Health Care Fund	44,749,600	45,339,400
Transfer In - Tobacco Products Tax Fund	24,392,800	24,481,200
<b>Total Funds Available</b>	<b>\$ 69,142,400</b>	<b>\$ 71,401,200</b>
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ 66,861,800	\$ 65,627,200
Total AHCCCS Allocations	\$ 66,861,800	\$ 65,627,200
<i>DHS</i>		
Folic Acid	\$ 400,000	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	300,000	300,000
Administrative Adjustments	0	0
Total DHS Allocations	700,000	700,000
<b>Balance Forward</b>	<b>\$ 1,580,600</b>	<b>\$ 5,074,000</b>
<b>AHCCCS Proposition 204 Protection Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 3,890,000
Transfer In - Tobacco Products Tax Fund	37,944,300	38,081,800
<b>Total Funds Available</b>	<b>\$ 37,944,300</b>	<b>\$ 41,971,800</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 34,054,300	\$ 34,797,900
Administrative Adjustments	0	0
<b>Balance Forward</b>	<b>\$ 3,890,000</b>	<b>\$ 7,173,900</b>
<b>AHCCCS Emergency Health Services Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 1,852,400
Transfer In - Tobacco Products Tax Fund	18,068,700	18,134,200
<b>Total Funds Available</b>	<b>\$ 18,068,700</b>	<b>\$ 19,986,600</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	16,216,300	16,216,300
Administrative Adjustments	\$ 0	\$ 0
<b>Balance Forward <sup>1/</sup></b>	<b>\$ 1,852,400</b>	<b>\$ 3,770,300</b>
<b>DHS Health Education Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 1,810,500	\$ 5,342,100
Transfer In - Tobacco Tax and Health Care Fund	14,406,300	13,679,800
Transfer In - Tobacco Products Tax Fund	3,427,500	1,637,500
<b>Total Funds Available</b>	<b>\$ 19,644,300</b>	<b>\$ 20,659,400</b>
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 11,441,200	\$ 13,999,300
Leading Causes of Death - Prevention and Detection	2,861,000	3,500,700
<b>Balance Forward</b>	<b>\$ 5,342,100</b>	<b>\$ 3,159,400</b>
<b>Health Research Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 5,915,200	\$ 2,330,300
Transfer In - Tobacco Tax and Health Care Fund	3,196,300	3,067,300
Transfer In - Tobacco Products Tax Fund	4,517,200	4,414,000
<b>Total Funds Available</b>	<b>\$ 13,628,700</b>	<b>\$ 9,811,600</b>
<u>Allocations</u>		
Biomedical Research Support	\$ 2,000,000	\$ 2,000,000
Alzheimer's Disease Research	3,000,000	1,000,000
Research Grants	6,298,400	6,678,000
<b>Balance Forward</b>	<b>\$ 2,330,300</b>	<b>\$ 133,600</b> *

<sup>1/</sup> Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.  
 \* Actual ending balance will not be negative.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies received from tobacco companies as part of a lawsuit settlement.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	94,283,100	102,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> County contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,906,400	4,037,400
<b>Year-End Fund Balance</b>	626,000	0
<b>Children's Behavioral Health Services Fund (HCA2735/A.R.S. § 36-3436)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Includes monies appropriated to the fund, gifts or donations to the fund, and any interest earned.		
<b>Purpose of Fund:</b> To provide behavioral health services for uninsured or underinsured non-Medicaid children. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 \$52,400 for a family of 4.		
<b>Funds Expended</b>	80,961,300	81,348,200
<b>Year-End Fund Balance</b>	10,182,500	10,182,500
<b>County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/A.R.S. § 36-2912)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Statutorily prescribed county contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	291,575,800	351,691,000
<b>Year-End Fund Balance</b>	0	0
<b>Crisis Contingency and Safety Net Fund (HCA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investment Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities.		
<b>Funds Expended</b>	28,062,400	21,686,700
<b>Year-End Fund Balance</b>	20,798,300	5,000,000
<b>Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations.		
<b>Purpose of Fund:</b> To be used for the agency's employee recognition program.		
<b>Funds Expended</b>	2,800	2,800
<b>Year-End Fund Balance</b>	3,500	1,900
<b>Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	68,808,600	69,294,100
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies.		
<b>Purpose of Fund:</b> To provide federal match for non-appropriated state expenditures.		
<b>Funds Expended</b>	86,794,000	84,942,600
<b>Year-End Fund Balance</b>	286,400	0
<b>Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> For AHCCCS' administrative costs and for the provision of services to eligible Medicaid populations.		
<b>Funds Expended</b>	9,386,797,000	10,012,054,700
<b>Year-End Fund Balance</b>	301,892,400	0
<b>Health Care Investment Fund (HCA2588/A.R.S. § 36-2999.73)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
<b>Purpose of Fund:</b> To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by AHCCCS.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days.		
<b>Purpose of Fund:</b> For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
<b>Funds Expended</b>	314,374,800	408,220,600
<b>Year-End Fund Balance</b>	69,606,700	69,606,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To expand funding for Graduate Medical Education or other payments to hospitals. Expenditures are not displayed to avoid double counting.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA for County Behavioral Health Services Fund (HSA4503/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from local governments and state liquor service fees.		
<b>Purpose of Fund:</b> 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. This fund was transferred from DHS to AHCCCS on July 1, 2016.		
<b>Funds Expended</b>	69,092,300	73,436,000
<b>Year-End Fund Balance</b>	1,293,300	0
<b>Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from the State of Hawaii.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,691,900	10,842,500
<b>Year-End Fund Balance</b>	110,200	192,700
<b>Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
<b>Purpose of Fund:</b> To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid share 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.		
<b>Funds Expended</b>	32,201,000	32,989,600
<b>Year-End Fund Balance</b>	0	0
<b>Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> 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, or Graduate Medical Education (GME) programs.		
<b>Funds Expended</b>	139,370,100	198,782,700
<b>Year-End Fund Balance</b>	0	0
<b>Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
<b>Purpose of Fund:</b> 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. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies are listed as Expenditure Authority. All other monies are appropriated.		
<b>Funds Expended</b>	616,503,700	609,060,300
<b>Year-End Fund Balance</b>	284,797,700	175,163,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Prescription drug rebate collections and interest from prescription drug rebate late payments.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	149,574,500	148,459,600
<b>Year-End Fund Balance</b>	9,765,100	(4,113,700)
<b>Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gaming monies received from the Arizona Benefits Fund.		
<b>Purpose of Fund:</b> For unrecovered trauma center readiness and emergency services costs.		
<b>Funds Expended</b>	30,328,900	25,000,000
<b>Year-End Fund Balance</b>	1,831,000	1,831,000
<b>Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund housing projects and rental assistance for seriously mentally ill persons. The Legislature may appropriate up to 10% of the monies from the fund for administrative costs in providing services relating to the fund.		
<b>Funds Expended</b>	1,244,700	4,500,000
<b>Year-End Fund Balance</b>	7,828,700	5,488,700
<b>Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,350,200	2,250,200
<b>Year-End Fund Balance</b>	1,826,600	1,826,600
<b>Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the fund, any gifts or donations to the fund and interest earned on those monies.		
<b>Purpose of Fund:</b> 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. Preferences 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. Expenditures are not displayed to avoid double counting of General Fund monies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,396,700	0
<b>Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> To provide acute medical services to AHCCCS members.		
<b>Funds Expended</b>	0	194,700
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Third Party Liability and Recovery Fund (HCA 3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> To provide acute medical services to AHCCCS members. This account displays payment of the Third Party Liability contractor fee and return of the federal share of recoveries to CMS.		
<b>Funds Expended</b>	1,034,700	2,000,000
<b>Year-End Fund Balance</b>	4,581,500	4,736,800
<b>Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
<b>Funds Expended</b>	16,216,300	16,216,300
<b>Year-End Fund Balance</b>	1,852,600	1,852,600
<b>Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> To fund state match costs in AHCCCS for the Proposition 204 program. These monies must be spent before any other state monies on the Proposition 204 program.		
<b>Funds Expended</b>	34,054,300	34,797,900
<b>Year-End Fund Balance</b>	3,890,500	3,890,500
<b>Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	66,861,800	65,627,200
<b>Year-End Fund Balance</b>	1,581,400	1,581,400

## Arizona Commission on the Arts

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Arts Trust Fund Deposit	2,000,000	0	0
Nonprofit Theater Capital Support	200,000	0	0
<b>AGENCY TOTAL</b>	<b>2,200,000</b>	<b>0</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	2,200,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,200,000</b>	<b>0</b>	<b>0</b>
Other Non-Appropriated Funds	1,867,300 <sup>1/</sup>	1,178,500	1,178,500
Federal Funds	841,400	1,351,700	1,351,700
<b>TOTAL - ALL SOURCES</b>	<b>4,908,700</b>	<b>2,530,200</b>	<b>2,530,200</b>

**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

<sup>1/</sup> Monies appropriated from the General Fund for deposit into the Arts Trust Fund pursuant to the FY 2020 General Appropriation Act are not displayed to avoid double counting of appropriations.

#### Arts Trust Fund Deposit

The Baseline includes no funding from the General Fund in FY 2022 for deposit into the non-appropriated Arts Trust Fund. This amount is unchanged from FY 2021.

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.

#### Other Issues

#### COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included \$2,000,000 from the Crisis Contingency and Safety Net Fund to fund Arizona businesses and non-profits in the arts and culture sector.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Arts Trust (HUA3043/A.R.S. § 41-983.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An annual report filing fee from domestic and foreign for-profit corporations.		
<b>Purpose of Fund:</b> 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 and General Fund are not displayed to avoid double counting of appropriations.		
<b>Funds Expended</b>	1,178,400	871,600
<b>Year-End Fund Balance</b>	26,900	28,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Public and private grants, donations, exhibit rentals, admissions, charges for services, and amounts transferred in from the Budget Stabilization Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	688,900	306,900
<b>Year-End Fund Balance</b>	233,600	245,800
<b>Crisis Contingency and Safety Net Fund (HUA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants (HUA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants from the National Endowment for the Arts.		
<b>Purpose of Fund:</b> To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
<b>Funds Expended</b>	841,400	1,351,700
<b>Year-End Fund Balance</b>	0	0
<b>State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and donations.		
<b>Purpose of Fund:</b> To pay costs of the State poet laureate.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,500	2,500

## Board of Athletic Training

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	63,800	65,400	65,400
Employee Related Expenditures	27,800	37,600	37,600
Travel - In State	500	1,200	1,200
Other Operating Expenditures	18,600	26,300	26,300
Equipment	2,000	0	0
<b>AGENCY TOTAL</b>	<b>112,700</b>	<b>130,500</b>	<b>130,500<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Athletic Training Fund	112,700	130,500	130,500
SUBTOTAL - Other Appropriated Funds	112,700	130,500	130,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>112,700</b>	<b>130,500</b>	<b>130,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>112,700</b>	<b>130,500</b>	<b>130,500</b>

**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 \$130,500 and 1.5 FTE Positions from the Athletic Training Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Athletic Training Fund (BAA2583/A.R.S. § 32-4105)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate athletic trainers, and for board administration.		
<b>Funds Expended</b>	112,700	130,500
<b>Year-End Fund Balance</b>	246,300	259,500

## Attorney General - Department of Law

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	607.7	607.7	607.7 <sup>1/</sup>
Personal Services	29,996,100	32,106,600	32,106,600
Employee Related Expenditures	11,395,500	13,016,300	13,016,300
Professional and Outside Services	360,800	473,800	473,800
Travel - In State	167,200	190,300	190,300
Travel - Out of State	92,500	112,100	112,100
Other Operating Expenditures	8,252,400	9,712,800	11,112,800
Equipment	621,300	336,200	336,200
<b>OPERATING SUBTOTAL</b>	<b>50,885,800</b>	<b>55,948,100</b>	<b>57,348,100</b> <sup>2/3/</sup>
<b>SPECIAL LINE ITEMS</b>			
Capital Postconviction Prosecution	757,600	824,800	824,800
Child and Family Advocacy Centers	500,000	100,000	100,000 <sup>4/</sup>
Federalism Unit	884,700	1,048,900	1,048,900
First Responder Personnel Mental Health Services	256,300	0	0
Government Accountability and Special Litigation	1,049,000	1,252,000	1,252,000
Human Trafficking Survivor Services	225,000	0	0
Internet Crimes Against Children Enforcement	2,600	1,250,000	1,250,000 <sup>5/</sup>
Military Airport Planning	79,300	88,100	88,100 <sup>6/</sup>
Multidisciplinary Young Persons Program	250,000	0	0
Peace Officer Memorial Fund Deposit	1,000,000	0	0
Risk Management Interagency Service Agreement	8,998,800	9,927,300	9,927,300
Southern Arizona Law Enforcement	1,423,700	1,571,300	1,571,300
State Grand Jury	173,600	185,200	185,200
Tobacco Enforcement	190,900	834,200	834,200
Victims' Rights	2,495,000	3,783,300	3,783,300
Voter Fraud Unit	246,700	530,000	530,000
<b>AGENCY TOTAL</b>	<b>69,419,000</b>	<b>77,343,200</b>	<b>78,743,200</b> <sup>7/</sup>
<b>FUND SOURCES</b>			
General Fund	24,844,800	25,411,000	25,411,000
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	109,400	152,500	152,500
Attorney General Legal Services Cost Allocation Fund	1,544,000	2,166,600	2,166,600
Collection Enforcement Revolving Fund	6,454,500	7,132,700	7,132,700
Consumer Protection - Consumer Fraud Revolving Fund	10,178,800	10,889,300	12,289,300
Interagency Service Agreements Fund	14,793,700	16,980,500	16,980,500 <sup>8/</sup>
Internet Crimes Against Children Enforcement Fund	0	900,000	900,000
Risk Management Revolving Fund	8,998,800	9,927,300	9,927,300
Victims' Rights Fund	2,495,000	3,783,300	3,783,300
SUBTOTAL - Other Appropriated Funds	44,574,200	51,932,200	53,332,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>69,419,000</b>	<b>77,343,200</b>	<b>78,743,200</b>
Other Non-Appropriated Funds	52,891,400	60,505,700	60,505,700
Federal Funds	8,561,500	8,376,700	8,376,700
<b>TOTAL - ALL SOURCES</b>	<b>130,871,900</b>	<b>146,225,600</b>	<b>147,625,600</b>

**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 129 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ The sum of \$950,000 in FY 2021, the sum of \$2,350,000 in FY 2022 and the sum of \$2,350,000 in FY 2023 are appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 to the Attorney General for operating expenses of the Criminal Division. (FY 2020 General Appropriation Act footnote)
- 3/ Within ten days after receiving a complaint alleging a violation of section 15-511, Arizona Revised Statutes, the attorney general shall forward a copy of the complaint to the governor, the president of the senate and the speaker of the house of representatives. (General Appropriation Act footnote)
- 4/ The amount appropriated for the child and family advocacy centers line item is allocated to the child and family advocacy center fund established by section 41-191.11, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ The \$900,000 appropriation from the internet crimes against children enforcement fund established by section 41-199, Arizona Revised Statutes, 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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2023. (General Appropriation Act footnote)
- 6/ 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.
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ 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 fiscal year 2021-2022. (General Appropriation Act footnote)

**Operating Budget**

The Baseline includes \$57,348,100 and 456.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$22,522,300
Antitrust Enforcement Revolving Fund	152,500
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,166,600
Collection Enforcement Revolving Fund (CERF)	7,132,700
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	8,393,500
Interagency Service Agreements (ISA) Fund	16,980,500

FY 2022 adjustments are as follows:

**Criminal Division Resources**

The Baseline includes an increase of \$1,400,000 from the CPCF Revolving Fund in FY 2022 for additional Criminal Division resources.

An FY 2020 General Appropriation Act footnote appropriates \$950,000 in FY 2021, \$2,350,000 in FY 2022, and \$2,350,000 in FY 2023 from the CPCF Revolving Fund for Criminal Division resources. This funding will not appear in the FY 2022 General Appropriation Act.

Currently, a portion of the Criminal Division within the AG's Office is funded through the Anti-Racketeering Revolving Fund (ARRF), which receives revenues from civil

asset forfeiture and Racketeer Influenced and Corrupt Organizations (RICO) Act monies. These monies 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 declining and uncertain revenues from these sources, the additional funds are to support agency efforts to move FTE Positions within the Criminal Division to more stable funding.

Additionally, 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 FY 2022 CPCF increase will replace the one-time use of Consumer Remediation Subaccount monies for these purposes.

In total, the Attorney General will have received \$1,500,000 in each of FY 2018 and FY 2019 for its Criminal Division. The agency will also receive a total of \$2,350,000 in each of FY 2020, FY 2021, FY 2022, and FY 2023 for these purposes. *(Please see Table 1 for more details.)*

**Table 1**

**Additional Criminal Division Resources**

	<b>19 BRB GF</b>	<b>19 CJ BRB Consumer Remediation</b>	<b>20 GAA CPCF <sup>1/</sup></b>	<b>Total</b>
FY 2018	\$1,500,000			\$1,500,000
FY 2019	1,500,000			1,500,000
FY 2020	1,500,000		\$850,000	2,350,000
FY 2021		\$1,400,000	950,000	2,350,000
FY 2022			2,350,000	2,350,000
FY 2023			2,350,000	2,350,000

<sup>1/</sup> FY 2020 includes an additional \$476,000 to shift SAWCCE FTE Positions from ARRF.

**Capital Postconviction Prosecution**

The Baseline includes \$824,800 and 6 FTE Positions from the General Fund in FY 2022 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2021.

This line item funds costs associated with prosecuting capital cases after the initial conviction.

**Child and Family Advocacy Centers**

The Baseline includes \$100,000 from the General Fund in FY 2022 for the Child and Family Advocacy Centers line item. This amount is unchanged from FY 2021.

These monies are 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.

**Federalism Unit**

The Baseline includes \$1,048,900 and 7 FTE Positions from the CPCF Revolving Fund in FY 2022 for the Federalism Unit. These amounts are unchanged from FY 2021. 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**

The Baseline includes \$1,252,000 and 10 FTE Positions from the CPCF Revolving Fund in FY 2022 for the Government Accountability and Special Litigation (GASL) line item. These amounts are unchanged from FY 2021.

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.

**Internet Crimes Against Children Enforcement**

The Baseline includes \$1,250,000 in FY 2022 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 2021.

A.R.S. § 41-199 requires the Attorney General to enter into 1 or more intergovernmental agreements to operate 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 2022 amount non-lapsing until the end of FY 2023.

**Military Airport Planning**

The Baseline includes \$88,100 and 1 FTE Position from the General Fund in FY 2022 for Military Airport Planning. These amounts are unchanged from FY 2021.

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.

**Risk Management Interagency Service Agreement**

The Baseline includes \$9,927,300 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2022 for the Risk Management Interagency Service Agreement. These amounts are unchanged from FY 2021.

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 \$1,571,300 and 16 FTE Positions in FY 2022 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,252,300
CPCF Revolving Fund	319,000

These amounts are unchanged from FY 2021.

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 \$185,200 and 1.6 FTE Positions from the General Fund in FY 2022 for the State Grand Jury. These amounts are unchanged from FY 2021.

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 \$834,200 and 6.6 FTE Positions in FY 2022 for Tobacco Enforcement. These amounts consist of:

General Fund	88,300
CPCF Revolving Fund	745,900

These amounts are unchanged from FY 2021.

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 Baseline includes a total of up to \$2,034,200 for the Attorney General to enforce the MSA in FY 2022.

**Victims' Rights**

The Baseline includes \$3,783,300 and 6 FTE Positions from the Victims' Rights Fund in FY 2022 for Victims' Rights. These amounts are unchanged from FY 2021.

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 is funded by a \$9 penalty on civil and criminal violations.

**Voter Fraud Unit**

The Baseline includes \$530,000 and 4 FTE Positions from the CPCF Revolving Fund in FY 2022 for the Voter Fraud Unit. These amounts are unchanged from FY 2021.

This line item provides funding for the development of a public complaint process for allegations of voter fraud and for the investigation of those allegations by the Attorney General's office.

**Other Issues**

**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 as specified by the General Appropriation Act each year. See *Table 2* for a list of agencies and their corresponding FY 2022 Attorney General Legal Services charge. These amounts are unchanged from FY 2021.

*(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.)*

**Table 2**  
**FY 2022 Attorney General Legal Services Charges**

<u>Agency</u>	<u>Charge</u>
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Commission on the Arts	3,100
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
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 and Financial Institutions	13,800
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
<b>Total Legal Services Charges</b>	<b>\$ 1,798,500</b>

**COVID-Related Spending**

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Attorney General was reimbursed for \$390,396 in General Fund spending. This reduced spending increased the agency's General Fund reversionment beyond what it would have otherwise been.

**Proposition 207 – Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Attorney General receives a self-determined amount from the fund for enforcement. The Attorney General has estimated annual spending of \$322,700 to fulfill the initiative's requirements.

*(Please see the Department of Health Services - Other Issues Section for more information.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
<b>Purpose of Fund:</b> To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
<b>Funds Expended</b>	7,395,700	7,080,700
<b>Year-End Fund Balance</b>	22,991,000	23,637,100
<b>Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
<b>Purpose of Fund:</b> For antitrust enforcement expenses, excluding attorney compensation.		
<b>Funds Expended</b>	109,400	152,500
<b>Year-End Fund Balance</b>	1,990,400	2,077,900
<b>Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Restricted donations and gifts from individuals and corporations.		
<b>Purpose of Fund:</b> For purposes specified by donors or grantors.		
<b>Funds Expended</b>	1,045,800	6,000
<b>Year-End Fund Balance</b>	402,700	402,900
<b>Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
<b>Purpose of Fund:</b> To fund non-contracted Attorney General Legal Services.		
<b>Funds Expended</b>	1,544,000	2,166,600
<b>Year-End Fund Balance</b>	587,700	219,600
<b>Child and Family Advocacy Center Fund (AGA2540/A.R.S. § 41-191.11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriated funds as well as other monies such as private gifts and grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	400,000
<b>Year-End Fund Balance</b>	600,000	300,000
<b>CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enhance prosecutorial efforts of county attorneys.		
<b>Funds Expended</b>	3,068,300	3,089,000
<b>Year-End Fund Balance</b>	719,800	387,600
<b>Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Monies in the Collection Enforcement Revolving Fund up to \$1,000,000 are non-lapsing.		
<b>Funds Expended</b>	6,454,500	7,132,700
<b>Year-End Fund Balance</b>	6,064,700	5,962,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
<b>Purpose of Fund:</b> To pay cost of investigation and prosecution of state's claims of sovereign lands near the Colorado River.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,178,800	10,889,300
<b>Year-End Fund Balance</b>	40,066,400	36,981,200
<b>Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,751,700	2,128,000
<b>Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	474,700	2,206,700
<b>Year-End Fund Balance</b>	3,751,700	2,128,000
<b>Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,075,800	7,543,600
<b>Year-End Fund Balance</b>	8,573,600	5,525,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Coronavirus Relief Fund (AGA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	390,900	0
Year-End Fund Balance	0	0
<b>Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
Funds Expended	754,300	0
Year-End Fund Balance	7,561,200	6,411,300
<b>Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
<b>Purpose of Fund:</b> For the processing of criminal cases.		
Funds Expended	63,000	103,400
Year-End Fund Balance	231,900	194,500
<b>Federal Grants (AGA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants awarded by various federal agencies and state agencies which pass through federal monies.		
<b>Purpose of Fund:</b> To be used in accordance with the terms of the individual grants.		
Funds Expended	8,170,600	8,376,700
Year-End Fund Balance	1,294,500	1,429,500
<b>Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies and other appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	8,610,400	11,209,300
Year-End Fund Balance	5,540,700	3,926,700
<b>Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
<b>Purpose of Fund:</b> To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	14,793,700	16,980,500
Year-End Fund Balance	2,012,300	0
<b>Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Any monies received from state agencies for specialized projects.		
<b>Purpose of Fund:</b> For costs associated with approved projects.		
Funds Expended	28,475,700	27,976,400
Year-End Fund Balance	2,468,700	1,763,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Internet Crimes Against Children Enforcement Fund (AGA3217/A.R.S. § 41-199)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. (Please see the Department of Public Safety for more detail on the Victims' Rights Enforcement Fund.)		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	900,000
<b>Year-End Fund Balance</b>	2,384,700	2,121,200
<b>Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	46,300	49,300
<b>Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
<b>Funds Expended</b>	927,700	890,600
<b>Year-End Fund Balance</b>	89,400	90,200
<b>Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
<b>Purpose of Fund:</b> To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
<b>Funds Expended</b>	8,998,800	9,927,300
<b>Year-End Fund Balance</b>	617,200	0
<b>Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A \$9 penalty on civil and criminal violations.		
<b>Purpose of Fund:</b> For states and local entities that provide victims' rights services and assistance.		
<b>Funds Expended</b>	2,495,000	3,783,300
<b>Year-End Fund Balance</b>	1,708,200	720,900

## Board of Barbers

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	203,400	205,200	205,200
Employee Related Expenditures	95,500	96,700	96,700
Professional and Outside Services	0	1,300	1,300
Travel - In State	700	8,700	8,700
Travel - Out of State	1,100	3,300	3,300
Other Operating Expenditures	86,500	103,400	103,400
Equipment	0	600	600
<b>AGENCY TOTAL</b>	<b>387,200</b>	<b>419,200</b>	<b>419,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	387,200	419,200	419,200
SUBTOTAL - Other Appropriated Funds	387,200	419,200	419,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>387,200</b>	<b>419,200</b>	<b>419,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>387,200</b>	<b>419,200</b>	<b>419,200</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$419,200 and 4 FTE Positions from the Board of Barbers Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Barbers Fund (BBA2007/A.R.S. § 32-305)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
<b>Funds Expended</b>	387,200	419,200
<b>Year-End Fund Balance</b>	719,300	665,500

## Board of Behavioral Health Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	835,500	990,000	990,000
Employee Related Expenditures	334,000	385,000	385,000
Professional and Outside Services	183,700	190,000	190,000
Travel - In State	10,200	20,000	20,000
Travel - Out of State	6,200	15,000	15,000
Other Operating Expenditures	189,200	208,200	208,200
Equipment	6,000	10,000	10,000
<b>AGENCY TOTAL</b>	<b>1,564,800</b>	<b>1,818,200</b>	<b>1,818,200</b> <sup>1/</sup>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,564,800	1,818,200	1,818,200
SUBTOTAL - Other Appropriated Funds	1,564,800	1,818,200	1,818,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,564,800</b>	<b>1,818,200</b>	<b>1,818,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,564,800</b>	<b>1,818,200</b>	<b>1,818,200</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,818,200 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
<b>Funds Expended</b>	1,564,800	1,818,200
<b>Year-End Fund Balance</b>	3,629,000	3,784,500

## State Board for Charter Schools

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	19.0	24.0	24.0
Personal Services	719,800	868,900	868,900
Employee Related Expenditures	253,900	346,500	346,500
Professional and Outside Services	117,200	70,500	70,500
Travel - In State	3,000	10,000	10,000
Travel - Out of State	6,000	5,500	5,500
Other Operating Expenditures	400,200	830,700	830,700
Equipment	11,000	20,000	20,000
<b>AGENCY TOTAL</b>	<b>1,511,100</b>	<b>2,152,100</b>	<b>2,152,100<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,511,100	2,152,100	2,152,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,511,100</b>	<b>2,152,100</b>	<b>2,152,100</b>
Other Non-Appropriated Funds	127,400	85,000	85,000
<b>TOTAL - ALL SOURCES</b>	<b>1,638,500</b>	<b>2,237,100</b>	<b>2,237,100</b>

**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 over 538 charter schools.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$2,152,100 and 24 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of fees collected and administered by the State Board for Charter Schools.		
<b>Purpose of Fund:</b> To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
<b>Funds Expended</b>	37,100	39,500
<b>Year-End Fund Balance</b>	7,900	28,400
<b>New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of fees collected and administered by the State Board for Charter Schools.		
<b>Purpose of Fund:</b> To fund the processing of applications submitted for new charters.		
<b>Funds Expended</b>	90,300	45,500
<b>Year-End Fund Balance</b>	0	26,500

## Department of Child Safety

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,193.1	3,193.1	3,193.1 <sup>1/</sup>
Personal Services	54,786,900	55,323,700	55,323,700
Employee Related Expenditures	23,093,400	23,654,500	23,654,500
Professional and Outside Services	7,498,200	7,680,700	7,680,700
Travel - In State	562,200	574,900	574,900
Travel - Out of State	84,700	86,800	86,800
Other Operating Expenditures	25,032,800	25,641,200	25,641,200
Equipment	2,618,500	2,989,400	2,989,400
<b>OPERATING SUBTOTAL</b>	<b>113,676,700</b>	<b>115,951,200</b>	<b>115,951,200 <sup>2/-10/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Additional Operating Resources</b>			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 <sup>11/</sup>
Caseworkers	100,171,500	107,927,300	107,927,300
General Counsel	156,100	161,700	161,700
Inspections Bureau	2,483,200	2,548,300	2,548,300
Litigation Expenses	0	2,602,000 <sup>12/</sup>	0
New Case Aides	3,185,200	3,305,900	3,305,900
Office of Child Welfare Investigations	8,960,600	9,964,800	9,964,800
Overtime Pay	6,407,700	8,602,400	8,602,400
Records Retention Staff	594,300	600,000	600,000
Training Resources	7,000,000	9,150,000	9,150,000
<b>Out-of-Home Placements</b>			
Congregate Group Care	104,132,100	89,788,900	89,788,900
Extended Foster Care	0	14,437,200	14,437,200
Foster Home Placement	48,371,700	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	36,243,600	32,753,600	32,753,600
Kinship Care	4,055,400	5,000,000	5,000,000 <sup>13/</sup>
<b>Permanent Placements</b>			
Adoption Services	274,170,500	278,258,500	278,258,500
Permanent Guardianship Subsidy	11,367,400	12,516,900	12,516,900
<b>Support Services</b>			
DCS Child Care Subsidy	48,923,000	56,559,400	56,559,400
In-Home Mitigation	23,106,000	28,988,100	28,988,100
Out-of-Home Support Services	144,922,200	153,910,900	153,910,900
Preventive Services	15,148,300	15,148,300	15,148,300
Independent Living Maintenance	4,362,900	0	0
<b>AGENCY TOTAL</b>	<b>982,961,200</b>	<b>1,025,627,700</b>	<b>1,023,025,700 <sup>14/</sup></b>
<b>FUND SOURCES</b>			
General Fund	375,494,500	387,893,000	387,893,000
<b>Other Appropriated Funds</b>			
Child Abuse Prevention Fund	449,400	1,459,300	1,459,300
Children and Family Services Training Program Fund	0	217,000	217,000
Federal Child Care and Development Fund Block Grant	31,646,800	35,400,000	35,400,000
Federal Temporary Assistance for Needy Families Block Grant	157,428,800	159,091,100	159,091,100
Risk Management Revolving Fund	0	2,602,000	0
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>189,525,000</b>	<b>198,769,400</b>	<b>196,167,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>565,019,500</b>	<b>586,662,400</b>	<b>584,060,400</b>

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	417,941,700	438,965,300	438,965,300
SUBTOTAL - Expenditure Authority Funds	417,941,700	438,965,300	438,965,300
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>982,961,200</b>	<b>1,025,627,700</b>	<b>1,023,025,700</b>
Other Non-Appropriated Funds	3,744,300	0	0
<b>TOTAL - ALL SOURCES</b>	<b>986,705,500</b>	<b>1,025,627,700</b>	<b>1,023,025,700</b>

**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 2022.
- 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 sixty days and for which services have not been authorized for at least sixty days and any case that has had an investigation, has been referred to another unit and has had no contact for at least sixty days.
  2. Includes any case for which the investigation has been open without any documentation or contact for at least sixty days, any case involving in-home services for which there has been no contact or services authorized for at least sixty 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 sixty 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, 2021, and on or before the last day of every calendar quarter through June 30, 2022, 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 fewer than 8,000 open reports. For out-of-home children, the department's benchmark is 13,964 children. If the department of child safety has not submitted the quarterly report within thirty 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 two percent 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 to 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 ten percent 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/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriation Act footnote)
- 10/ On or before December 1, 2021, the department of child safety shall submit a report to the joint legislative budget committee on the department's efforts to implement the family first prevention services act of 2018. The report shall quantify the department's efforts in at least the following areas, including any associated fiscal impacts: (1) Reducing the number of children placed for more than two weeks in congregate care settings, excluding qualified residential treatment programs, facilities for pregnant and parenting youth, supervised independent living and specialized programs for victims of sex trafficking. (2) Assisting congregate care providers in attaining status as qualified residential treatment programs. (3) Identifying alternative placements, including therapeutic foster homes, for children who would otherwise be placed in congregate care. (4) Expanding evidence-based, in-home parent skill-based programs and mental health and substance abuse prevention and treatment services. (General Appropriation Act footnote)
- 11/ 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)
- 12/ The amount appropriated for litigation expenses is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (FY 2021 General Appropriation Act footnote)
- 13/ The 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. The department shall provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent. The unlicensed kinship foster care parent is not required to file an application to receive the stipend. Before changing the 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)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$115,951,200 and 1,311.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$59,916,400
Federal TANF Block Grant	21,210,000
Child Safety Expenditure Authority	34,824,800

These amounts are unchanged from FY 2021.

**Additional Operating Resources**

**Attorney General Legal Services**

The Baseline includes \$25,522,800 and 276.2 FTE Positions in FY 2022 for Attorney General Legal Services. These amounts consist of:

General Fund	19,741,900
Child Safety Expenditure Authority	5,780,900

These amounts are unchanged from FY 2021.

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 \$107,927,300 and 1,406 FTE Positions in FY 2022 for caseworkers. These amounts consist of:

General Fund	44,202,100
Children and Family Services Training Program Fund	217,000
Federal TANF Block Grant	32,030,200
Child Safety Expenditure Authority	31,478,000

These amounts are unchanged from FY 2021.

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 the latest available data from September 2020, DCS had filled 1,351 of these positions, or 71 fewer filled positions than the funded amount.

<u>Direct Line Staff Type</u>	<u>Funded Positions</u>	<u>September 2020</u>	<u>Difference</u>
Case-Carrying Caseworkers	1,190	1,022	(168)
Caseworkers in Training	140	239	99
Hotline Staff	76	74	(2)
<b>Total</b>	<b>1,406</b>	<b>1,351</b>	<b>(71)</b>

**General Counsel**

The Baseline includes \$161,700 and 1 FTE Position from the General Fund in FY 2022 for General Counsel. These amounts are unchanged from FY 2021.

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 \$2,548,300 and 31 FTE Positions in FY 2022 for the Inspections Bureau. These amounts consist of:

General Fund	1,379,400
Federal TANF Block Grant	569,300
Child Safety Expenditure Authority	599,600

These amounts are unchanged from FY 2021.

*Background* – Monies in this line item fund the Inspections Bureau established in A.R.S. § 8-458, which is tasked with ensuring the department policies and procedures are being followed by all staff in accordance with federal and state law. The Bureau is required to monitor specific programs and services and shall continuously improve the practices of the department, which may include formal audits, inspections, program evaluation, other quality assurance activities, suggestions

for policy changes, and evaluation of best practices and programming.

**Litigation Expenses**

The Baseline includes no funding in FY 2022 for Litigation Expenses. FY 2022 adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(2,602,000) from the Risk Management Revolving Fund in FY 2022. These monies were appropriated in FY2021 to fund DCS' legal defense in *Tinsley et al. v McKay*.

*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. In April 2019, the federal 9<sup>th</sup> Circuit Court of Appeals certified the class-action status of the case. In August 2020, a settlement between those involved in the suit was submitted for approval to the court.

The settlement contains new policy, training and reporting requirements that cover health care, behavioral health, foster home availability and child placement, and reducing the utilization of congregate care. It also includes payment of plaintiff legal fees. The final approval hearing is set for February 12, 2021.

**New Case Aides**

The Baseline includes \$3,305,900 and 34 FTE Positions in FY 2022 for New Case Aides. These amounts consist of:

General Fund	1,455,000
Federal TANF Block Grant	1,377,200
Child Safety Expenditure Authority	473,700

These amounts are unchanged from FY 2021.

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 \$9,964,800 and 127 FTE Positions in FY 2022 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,762,200
Child Safety Expenditure Authority	202,600

These amounts are unchanged from FY 2021.

*Background* – A.R.S. § 8-471 establishes the Office of Child Welfare Investigations (OCWI) within the Department of Child Safety to investigate criminal conduct allegations, coordinate with law enforcement, and establish task forces for the investigation of criminal conduct in cases of child abuse and neglect. DCS reports that in FY 2020, 5,650 of the 45,175 reports of child abuse or neglect received by the Arizona Child Abuse Hotline included an allegation of criminal conduct.

**Overtime Pay**

The Baseline includes \$8,602,400 in FY 2022 for Overtime Pay. These amounts consist of:

General Fund	2,260,000
Federal TANF Block Grant	1,868,800
Child Safety Expenditure Authority	4,473,600

These amounts are unchanged from FY 2021.

Monies in this line fund overtime pay for DCS caseworkers.

**Records Retention Staff**

The Baseline includes \$600,000 and 5 FTE Positions in FY 2022 for Records Retention Staff. These amounts consist of:

General Fund	503,800
Child Safety Expenditure Authority	96,200

These amounts are unchanged from FY 2021.

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

**Training Resources**

The Baseline includes \$9,150,000 in FY 2022 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2021.

*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. The 2-year MSW scholarship value is about \$32,055 (\$4,239 stipend and \$27,816 tuition and 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 required to repay DCS the scholarship amount. DCS reports that 81 ASU/NAU social work students received scholarships in FY 2020, including 35 BSW students and 46 MSW students.

**Out-of-Home Placements**

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

**Table 2**

	Out-of-Home Placements <sup>1/</sup>		
	June 2018	June 2019	Sept 2020
Kinship Care <sup>2/</sup>	5,566	5,417	5,804
Foster Home	5,875	5,660	5,156
Congregate Care	2,232	2,334	2,244
Group Home	1,669	1,723	1,794
Emergency Shelter	112	90	52
Behavioral Health Placement	451	521	398
Independent Living	455	475	629
Other <sup>3/</sup>	361	319	315
<b>Total</b>	<b>14,489</b>	<b>14,205</b>	<b>14,148</b>

<sup>1/</sup> Includes out-of-home children up through age 17 as well as children 18-21 in Extended Foster Care.

<sup>2/</sup> Includes unlicensed relative and non-relative placements.

<sup>3/</sup> Includes runaways, missing children, children with no identified placement, and trial home visits.

### Congregate Group Care

The Baseline includes \$89,788,900 in FY 2022 for Congregate Group Care. This amount consists of:

General Fund	31,076,000
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	37,289,900

These amounts are unchanged from FY 2021.

*Caseload* – In FY 2020, DCS served a monthly average caseload of 2,001 in congregated care placements. At an average monthly cost of \$3,963 per placement, funding in this line is sufficient for an average monthly caseload of 1,888 placements in FY 2022. The estimated average cost is based on DCS' reported congregated care expenses following the implementation of a contracted rate increase effective April 1, 2019.

*Background* – This line item funds congregated care placements for foster children up through age 17, including shelter facilities for up to 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.

Children aged 18-21 in congregated care placements are funded in the Extended Foster Care line item (*please see the Extended Foster Care line item for additional information.*)

### Extended Foster Care

The Baseline includes \$14,437,200 in FY 2022 for Extended Foster Care. This amount consists of:

General Fund	8,283,300
Child Safety Expenditure Authority	6,153,900

These amounts are unchanged from FY 2021.

This line item was previously called the "Independent Living Maintenance" line item, as it included placement expenses for the foster care population aged 18-21 within independent living settings. The line item is renamed as "Extended Foster Care" to reflect the inclusion of all placement expenses for the foster care population aged 18-21, including group home and foster home settings.

*Caseload* – In FY 2020, a monthly average of 991 individuals age 18-21 remained voluntarily in DCS foster care. Based on the rate of placement in independent living settings, group homes, and foster homes, the average monthly cost per placement was approximately \$1,390. At \$1,390 per month, the funding in this line item is sufficient to fund 866 placements in FY 2022.

*Background* – A.R.S. § 8-521.02 authorizes DCS to establish an Extended Foster Care program for young adults aged 18-21 who turned age 18 while in DCS custody. Participating youth may continue to receive services and supports from the department on condition of enrolling in an education program, employment, participation in a program that promotes employment, or be unable to be a full-time student or work due to a documented medical condition.

DCS submitted a IV-E state plan amendment in September 2019 that allows the department to begin receiving Federal Funds for other out-of-home youth age 18 or older under the IV-E Extended Foster Care program. Based on a consultant's analysis, the department will receive an estimated \$6,600,000 in additional Federal IV-E Funds annually for the program, of which \$6,153,900 is accounted for in this line item.

The additional federal funding effectively represents a dollar-for-dollar General Fund savings for placements costs of foster youths age 18-21, as these placement costs were previously covered by either the General Fund or TANF (the latter being a General Fund offset) within the Congregate Group Care, Independent Living Maintenance, and Foster Home Placement line items. DCS intends to use the additional federal resources to increase the number of individuals and services offered to children in extended foster care.

### Foster Home Placement

The Baseline includes \$51,929,500 in FY 2022 for Foster Home Placement. This amount consists of:

General Fund	22,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	22,130,900

These amounts are unchanged from FY 2021.

*Caseload* – In FY 2020, a monthly average of 5,657 clients received licensed foster home services. At an average monthly cost of \$716, the funding in this line item is sufficient for 6,043 foster home placements in FY 2021.

*Background* – The Foster Home Placement line item provides funding for the placement of out-of-home children up through age 17 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.

Children in licensed foster home placements aged 18-21 are funded in the Extended Foster Care line item (*please see the Extended Foster Care line item for additional information.*)

**Foster Home Recruitment, Study and Supervision**

The Baseline includes \$32,753,600 in FY 2022 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,652,200
Child Safety Expenditure Authority	13,101,400

These amounts are unchanged from FY 2021.

*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.

**Kinship Care**

The Baseline includes \$5,000,000 in FY 2022 for Kinship Care. This amount consists of:

General Fund	4,500,000
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2021.

*Caseload* – In FY 2020, a monthly average of 5,847 children were placed in unlicensed kinship care. At an average monthly cost of \$58, this line item is sufficient to fund a monthly average of 7,183 kinship placements in FY 2021.

*Background* – This line item funds the Kinship Stipend, which provides a \$75 monthly stipend per child to unlicensed kinship caregivers. 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.

The Baseline continues a General Appropriation Act footnote that requires DCS to provide the stipend on

behalf of all children placed with an unlicensed kinship foster care parent and permits such caregivers to receive the stipend without filing an application.

**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.

**Table 3**

Permanent Placements			
	June <u>2018</u>	June <u>2019</u>	June <u>2020</u>
Adoption	29,500	31,382	32,688
Permanent Guardianship	<u>2,608</u>	<u>2,775</u>	<u>2,723</u>
<b>Total</b>	<b>32,108</b>	<b>34,157</b>	<b>35,411</b>

**Adoption Services**

The Baseline includes \$278,258,500 in FY 2022 for Adoption Services. This amount consists of:

General Fund	84,965,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	170,847,000

These amounts are unchanged from FY 2021.

*Caseload* – In FY 2020, a monthly average of 31,925 clients received adoption subsidies. At an average monthly cost of \$691, the funding in this line item is sufficient for 33,557 total placements in FY 2021.

*Background* – DCS is required to administer an ongoing program of subsidized adoption pursuant to A.R.S. § 8-142 for children with 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. Medical expenses are covered through AHCCCS.

**Permanent Guardianship Subsidy**

The Baseline includes \$12,516,900 in FY 2022 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 2021.

**Caseload** – In FY 2020, a monthly average of 2,532 clients received permanent guardianship subsidies. At an average monthly cost of \$407, the funding in this line item is sufficient to fund 2,562 total placements in FY 2021.

**Background** – Pursuant to A.R.S. § 8-871, the Juvenile Court may establish a permanent guardianship for children in out-of-home care: 1) who have been in the custody of the prospective permanent guardian for at least 9 months; 2) for whom reasonable efforts have been made to reunite the parent and child and further efforts would be unproductive; 3) for whom the likelihood of adoption is remote or termination of parental rights would not be in the child's best interest. A.R.S. § 8-814 requires DCS to administer a program to subsidize permanent guardianships subject to available funding from appropriations and other sources. The current base subsidy rate is \$12.95 per day (\$388.50 per month). Medical expenses for permanent guardianship placements are covered through AHCCCS.

### **Support Services**

DCS provides services to families involved in the child welfare system that are intended to facilitate the reunification of out-of-home children with their biological families and reduce the probability that high-risk families have children enter out-of-home care. These services may include instruction to parents (parent aide), visitation between out-of-home children and their families, transportation, substance abuse treatment, and in-home programs, among others. *Table 4* displays combined spending from FY 2020 for in-home mitigation and out-of-home support services by category.

#### **DCS Child Care Subsidy**

The Baseline includes \$56,559,400 in FY 2022 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	35,400,000
Child Safety Expenditure Authority	14,159,400

These amounts are unchanged from FY 2021.

**Caseload** – In FY 2020, a monthly average of 8,645 children received DCS child care. At \$589 monthly, the

funding in this line item is sufficient for an average monthly caseload of 8,003 children in FY 2022.

**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.)*

**Table 4**

#### **Support Services FY 2020 Actual Expenditures by Service Category <sup>1/</sup>**

<b>Services</b>	<b>Amount</b>
Child Care Subsidies	\$ 48,923,000
CMDP <sup>2/</sup>	46,692,900
Parent Aide	21,298,600
Supervised Visitation	20,040,200
Transportation	16,485,000
In-Home Services	18,105,000
Preventive Services	15,148,300
Allowances	9,246,800
Counseling and Psychological Services	5,945,300
Substance Use Disorder Treatment <sup>3/</sup>	6,747,000
Independent Living Support	5,837,100
Lab Services	5,733,200
Other	<u>4,261,800</u>
<b>Total</b>	<b>\$224,464,200</b>

<sup>1/</sup> From "Children Support Services Expenditures Based on Payment Month" of DCS' October 2020 Child Safety Monthly Program Report, except that child care subsidy expenditures are from the DES Child Care Administration and DCS preventive services expenditures are from the FY 2022 DCS budget request.

<sup>2/</sup> Acute care expenses for children in foster care. Excludes CMDP administrative costs, which are funded in the DCS Operating Budget.

<sup>3/</sup> DCS spending on the Arizona Families F.I.R.S.T. (AFF) substance use disorder treatment program. Does not include substance use disorder services spending for AFF recipients who are eligible for AHCCCS.

#### **In-Home Mitigation**

The Baseline includes \$28,988,100 and 1 FTE Position in FY 2022 for In-Home Mitigation. These amounts consist of:

General Fund	6,971,700
Child Abuse Prevention Fund	1,459,300

Federal TANF Block Grant	14,611,200
Child Safety Expenditure Authority	5,945,900

These amounts are unchanged from FY 2021.

*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 3,817 new referrals to the in-home services program in FY 2020.

**Out-of-Home Support Services**

The Baseline includes \$153,910,900 in FY 2022 for Out-of-Home Support Services. This amount consists of:

General Fund	48,512,100
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	71,259,200

These amounts are unchanged from FY 2021.

*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 2022 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 2021.

*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:

- FY 2021 Ex-Appropriation
- CHILDS Replacement Project
- CMDP Integration
- Family First Prevention Services Act
- Families First Coronavirus Response Act

**FY 2021 Ex-Appropriation**

The Baseline includes an ex-appropriation of \$(14,600,000) from the General Fund to account for lower-than-budgeted state expenses for adoption subsidies and out-of-home placements in FY 2021. The \$(14,600,000) estimated surplus is based on increased availability of federal IV-E funding for children receiving adoption subsidies or out-of-home placement expenses due to the temporary 6.2% IV-E federal match rate increase authorized by the Families First Coronavirus Response Act. The ex-appropriation would permit the Legislature to either return these monies to the General Fund or to redirect them into the child welfare system through other adjustments. *(Please see Families First Coronavirus Response Act section for additional information.)*

**CHILDS Replacement Project**

The Department of Child Safety was appropriated \$4,992,800 from the Automation Projects Fund in FY 2021 to complete its replacement of the department's child welfare information system with a new system called "Guardian." The department says they intend to implement Guardian in spring of 2022. *(Please see the Arizona Department of Administration - Automation Projects Fund narrative for additional information.)*

**CMDP Integration**

Children in foster care receive coverage for physical health and behavioral health care through the Comprehensive Medical & Dental Program (CMDP). Currently, DCS serves as the health plan for physical health, while behavioral health is covered separately through Regional Behavioral Health Authorities (RBHAs) contracted with AHCCCS.

Laws 2019, Chapter 305 transfers coverage of behavioral health services for foster children from the RBHAs to DCS conditional on authorization of state and federal funding by February 1, 2024. In its review of capitation funding for the CMDP program in April 2019, the Joint Legislative Budget Committee's review included a provision stating that it is the intent of the Legislature that DCS and AHCCCS request any funding changes associated with the creation of an integrated health plan as part of each agency's FY 2021 budget submittal. *(Please see below.)*

Integrating behavioral health services under DCS would likely increase DCS' CMDP administrative expenses. According to a February 2018 Mercer study, the department could incur administrative costs of up to \$21,600,000 Total Funds for administration of an integrated CMDP health plan, including the addition of 198 FTE Positions, if DCS administered all managed care health plan functions (e.g. medical management, network development, claims processing, etc.). By comparison, AHCCCS reports that existing administrative spending of the RBHAs is approximately \$13,300,000 or \$(8,300,000) below the estimate from the 2018 study.

The plan could also impact behavioral health utilization. DCS would gain responsibility for "clinical operations," such as prior authorization and care coordination for behavioral health, so if DCS authorizes more services than the RBHAs do under current practice, foster care behavioral health expenses could increase. The magnitude of such changes is unknown. DCS hopes to lower Mercer's cost estimate by contracting for certain administrative functions

The FY 2021 budget did not include any adjustments to the DCS budget to authorize integration of CMDP pursuant to Chapter 305. As a result, the DCS budget continues to only include approximately \$50,000,000 of Child Safety Expenditure Authority across the Operating Budget and Out-of-Home Support Services line items associated with the physical health component of the CMDP plan.

Effective April 1, 2021 AHCCCS proposes to increase DCS comprehensive health plan capitation rates by a total of \$4,323,300 total funds for administrative/management purposes. The Baseline does not fund these increases in the AHCCCS budget.

The Legislature will need to approve the transfer of the behavioral health component of the CMDP plan and its administration in the department's budget for FY 2021.

**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:

- Availability of 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. This provision may expand federal IV-E funding for DCS.

- Limitation of federal IV-E reimbursement for congregate care placements to 2 weeks, except for children with serious behavioral or emotional disorders that are placed in "Qualified Residential Treatment Programs" meeting certain criteria. This provision may reduce federal IV-E funding for DCS.
- Delays the full phase-out of income eligibility standards for children age 2 or under (previously, adoptive subsidies were only available to children demonstrating "special needs" as defined in federal law and that came from families with incomes at or below the TANF income eligibility level) in the IV-E adoption program until July 1, 2024. Prior federal legislation had originally scheduled a full phase-out by October 1, 2017. The delay in the phase-out of income eligibility criteria may reduce federal IV-E funding for DCS.

An FY 2020 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by January 2, 2021, including quantification of any fiscal impacts. DCS reported it has taken the following actions related to implementing the legislation:

1. Utilized a provision in the law that allows for delay implementation until October 1, 2021.
2. Efforts to decrease congregate care placements through foster home recruitment efforts including new training and support programs, placement systems, and revision of foster home recruitment contracts effective September 1, 2019 to allow for higher reimbursement based on the needs of the child.
3. Revised Congregate Care contracts effective April 1, 2019 to add incentive pay to providers that assist with transitioning and stabilizing an out-of-home child in a less restrictive setting, such as a kinship placement. Contracts were awarded to 87 providers.
4. Awarded \$1,500,000 in one-time grants to 6 providers to develop Qualified Residential Treatment Programs in September 2019, which are congregate care settings that will continue to be eligible for federal reimbursement after implementation of the law. As of November 15, 2020, 4 of the 6 providers are now accredited.
5. Standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System, including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity, and cross-system placements design with the Department of Juvenile Corrections and County Probation.
6. Integrated requirements for Qualified Residential Treatment Placements into substance abuse program standardization and a parent-skill based program that

- included program evaluations to obtain evidence-based ratings, planning to begin in February 2021.
7. Expanded and updated programming for Arizona Families First. Cost mitigation through agency partnerships and federal funding left a DCS cost of \$239,448.
  8. Ensured DCS' existing in-home programs meet standards for being "evidence-based," which is a requirement to receive federal funding for in-home programs once FFPSA is implemented.

The report did not attempt to quantify the total fiscal impact of DCS' implementation efforts.

**Families First Coronavirus Response Act**

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020 through the third quarter of FY 2021. This increase provides greater flexibility to adapt to needs between eligibility groups, to modify the amount, duration, and scope of coverage available, and to make changes to

applicable cost sharing and beneficiary liability. The match rate increase reduced General Fund expenditures for DCS in FY 2020 and will also reduce these expenditures in FY 2021.

The enacted budget did not adjust DCS' General Fund appropriation to account for the savings.

In FY 2020, match rate savings were realized through revertments to the General Fund. DCS reverted \$42,374,200 to the General Fund; how much of that revertment was associated with the federal match rate savings is unknown.

In FY 2021, the JLBC Staff estimates that the match rate increase will reduce DCS' General Fund expenditures by about \$(14,600,000) relative to the enacted budget. This estimate assumes that the 6.2% increase will be in effect through March 2021, consistent with the current federal emergency declaration. The Baseline assumes match rate savings would be realized via an ex-appropriation to DCS's FY 2021 General Fund appropriation. The JLBC Staff estimates also assumes that caseload changes would not have an offsetting impact on the magnitude of the match rate savings.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	449,400	1,459,300
<b>Year-End Fund Balance</b>	441,900	0
<b>Child Restraint Fund (CHA2192/A.R.S. § 28-907)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	88,000	0
<b>Year-End Fund Balance</b>	20,000	20,000
<b>Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
<b>Purpose of Fund:</b> To fund the Department of Child Safety.		
<b>Funds Expended</b>	417,941,700	438,965,300
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Children and Family Services Training Program Fund (CHA2173/A.R.S. § 8-503.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	217,000
<b>Year-End Fund Balance</b>	58,700	0
<b>Client Trust Fund (CHA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
<b>Purpose of Fund:</b> To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
<b>Funds Expended</b>	3,630,500	0
<b>Year-End Fund Balance</b>	6,424,200	6,929,100
<b>Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
<b>Funds Expended</b>	25,800	0
<b>Year-End Fund Balance</b>	21,300	69,000
<b>Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	31,646,800	35,400,000
<b>Year-End Fund Balance</b>	0	0
<b>Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	157,428,800	159,091,100
<b>Year-End Fund Balance</b>	0	0
<b>Risk Management Revolving Fund (CHA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
<b>Purpose of Fund:</b> To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
<b>Funds Expended</b>	0	2,602,000
<b>Year-End Fund Balance</b>	0	0

## State Board of Chiropractic Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	214,100	225,000	225,000
Employee Related Expenditures	81,700	86,600	86,600
Professional and Outside Services	28,700	35,000	35,000
Travel - In State	400	2,000	2,000
Travel - Out of State	2,200	15,000	15,000
Other Operating Expenditures	62,900	77,000	77,000
Equipment	0	10,000	10,000
<b>AGENCY TOTAL</b>	<b>390,000</b>	<b>450,600</b>	<b>450,600<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Chiropractic Examiners Fund	390,000	450,600	450,600
SUBTOTAL - Other Appropriated Funds	390,000	450,600	450,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>390,000</b>	<b>450,600</b>	<b>450,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>390,000</b>	<b>450,600</b>	<b>450,600</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$450,600 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate chiropractors, and for board administration.		
<b>Funds Expended</b>	390,000	450,600
<b>Year-End Fund Balance</b>	478,100	518,300

## Citizens Clean Elections Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	4,327,200	4,878,800	4,878,800
<b>TOTAL - ALL SOURCES</b>	<b>4,327,200</b>	<b>4,878,800</b>	<b>4,878,800</b>

**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

#### Clean Elections Fund Balance

Proposition 200 was approved in the 1998 General Election, creating the Clean Elections Fund. The fund, which helps finance participating candidate campaigns, receives revenue from a 10% surcharge on civil and criminal fines, qualifying contributions from participating candidates, and penalties paid by candidates. A maximum of 10% of the fund's revenues may be used to enforce the Citizens Clean Elections Act, and another 10% must be spent on voter education.

The Clean Elections Fund balance has continued to grow since the program's inception. In FY 2020, the fund had revenues of \$6,529,400 for total available funds of \$34,365,200. This compares to spending of \$4,327,200 in FY 2020. In FY 2021, the commission estimates annual fund revenue will remain at \$6,529,400, compared to \$4,878,800 in ongoing spending. Along with surpluses from prior years, the commission forecasts the fund will have a balance of \$31,688,600 at the end of FY 2021.

Proposition 105, also approved by voters in 1998, sets limits on the Legislature's ability to modify statutory language in voter-approved ballot measures. Since the Clean Elections Fund was established by a ballot measure, using a portion of the remaining \$31,688,600 fund balance would require a new ballot measure or a three-fourths vote of each Legislative chamber that furthers the purpose of Proposition 200.

For more detail regarding the fund's revenues and expenditures, please see *Table 1*.

Table 1

#### CCEC Available Revenues and Expenditures

	FY 2020 Actual	FY 2021 Estimate
<b>Funds Available</b>		
Balance Forward	\$27,835,800	\$30,038,000
<b>Revenue:</b>		
Civil Fine 10% Surcharge	\$ 6,488,400	6,488,400
Miscellaneous Receipts	40,600	40,600
Other Fines, Forfeitures, Penalties	400	400
<b>Total Revenue</b>	<b>\$ 6,529,400</b>	<b>\$ 6,529,400</b>
<b>Total Funds Available</b>	<b>\$34,365,200</b>	<b>\$36,567,400</b>
<b>Expenditures:</b>		
Personal Services	\$ 556,700	\$ 850,000
Employee Related Expenditures	192,700	300,000
Professional & Outside Services	2,322,800	3,165,300
Travel - In State	2,300	12,000
Travel - Out of State	0	4,000
Candidate Funding	694,100	15,000
Other Operating Expenses	552,100	451,500
Equipment	6,500	46,000
Transfers	0	35,000
<b>Total Funds Expended</b>	<b>\$ 4,327,200</b>	<b>\$ 4,878,800</b>
<b>Year-End Fund Balance</b>	<b>\$30,038,000</b>	<b>\$31,688,600</b>

#### Clean Elections Fund Transfers to the General Fund

Pursuant to the 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 collections exceed anticipated expenses, with the requirement that anticipated expenses are assumed to be at the commission's statutory expenditure limit. The CCEC determines this on an annual calendar year basis by projecting revenues over the next 4 years and designating

monies above the expenditure limit amount as “excess monies” to be transferred to the General Fund. To calculate the commission's expenditure limit, statute directs CCEC to multiply the number of tax filings from the previous year by a predetermined spending limit coefficient (\$7 in 2020). The board has historically excluded carry-forward monies in its revenue calculations.

The most recent transfer was in FY 2012, when \$10,000,000 was transferred to the General Fund. For a complete list of Citizens Clean Elections Fund transfers to the General Fund, please see *Table 2*.

<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>
<b>Total</b>	<b>\$74,952,700</b>

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,327,200	4,878,800
<b>Year-End Fund Balance</b>	30,038,000	31,688,600

## Arizona Commerce Authority

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Personal Services	4,925,200	5,460,500	5,460,500
Employee Related Expenditures	981,500	1,201,400	1,201,400
Professional and Outside Services	1,754,600	1,489,800	1,489,800
Travel - In State	56,500	87,600	87,600
Travel - Out of State	102,900	156,800	156,800
Other Operating Expenditures	2,106,600	1,548,100	1,548,100
Equipment	72,700	55,800	55,800
<b>OPERATING SUBTOTAL</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000<sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Applied Research Centers	2,250,000	0	0
Arizona Competes Fund Deposit	5,500,000	5,500,000	5,500,000 <sup>1/</sup>
Israel Trade Office	271,300	175,000	175,000
Mexico Trade Offices	327,500	500,000	500,000
Rural Broadband Grants	3,000,000	0	0
<b>AGENCY TOTAL</b>	<b>21,348,800</b>	<b>16,175,000</b>	<b>16,175,000</b>
<b>FUND SOURCES</b>			
General Fund	19,098,800	16,175,000	16,175,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	2,250,000	0	0
SUBTOTAL - Other Appropriated Funds	2,250,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>21,348,800</b>	<b>16,175,000</b>	<b>16,175,000</b>
Other Non-Appropriated Funds	15,058,700	20,318,900	15,639,300
Federal Funds	1,638,800	2,759,000	2,029,000
<b>TOTAL - ALL SOURCES</b>	<b>38,046,300</b>	<b>39,252,900</b>	<b>33,843,300</b>

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

### FOOTNOTES

1/ Pursuant to section 43-409, Arizona Revised Statutes, of the amounts listed above, \$15,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2020-2021 to the Arizona commerce authority, of which \$10,000,000 is credited to the Arizona commerce authority fund established by section 41-1506, Arizona Revised Statutes, and \$5,500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriation Act footnote)

#### Operating Budget Deposit

The Baseline includes \$10,000,000 from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

In FY 2020, ACA expended \$11,032,700 of its General Fund deposits. The expenditures were greater than the \$10,000,000 actuals shown in the table above because ACA spent non-lapsing deposits from prior years.

#### Applied Research Centers

The Baseline includes no funding from the State Web Portal Fund in FY 2022 for Applied Research Centers. As of September 2020, ACA plans to expend the remaining \$250,000 in FY 2021 on the Institute of Automated Mobility. Any of this money unspent as of June 30, 2023 will revert back to the State General Fund. ACA is required to report to the President of the Senate and the Speaker

of the House of Representatives by July 1 of both 2020 and 2021 if it has not distributed any of the \$2,500,000.

Private and public sector research centers applied for funding to perform research on blockchain technology, wearables, and automated mobility. The funds were distributed as follows:

- \$1,250,000 to applied research centers that specialize in blockchain technology.
- \$750,000 to applied research centers that specialize in wearable technology.
- \$500,000 to the Institute of Automated Mobility (IAM), which performs research on automated vehicle science issues related to safety and policy.

As of September 2020, \$2,250,000 of the monies have been distributed. The remaining \$250,000 for IAM is awaiting matching funds. *(For more information on the history of the Applied Research Centers program, please see the FY 2021 Appropriations Report.)*

#### Arizona Competes Fund Deposit

The Baseline includes \$5,500,000 from the General Fund in FY 2022 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2021.

Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 4-572. In total, the fund receives \$9,000,000 annually.

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 Arizona Competes Fund Grants and Expenditures by year.)*

#### Israel Trade Office

The Baseline includes \$175,000 from the General Fund in FY 2022 to operate a trade office in Israel. This amount is unchanged from FY 2021.

#### Mexico Trade Offices

The Baseline includes \$500,000 from the General Fund in FY 2022 to operate trade offices in Mexico. This amount is unchanged from FY 2021.

In FY 2015 through FY 2019, the Mexico Trade Office line item received an annual appropriation of \$300,000 which has been used to lease a 2-story building in central Mexico City that services as the Mexico City Trade Office and hire 4 contract workers to run the office. Additional offices in Guanajuato and Chihuahua opened in December 2019 and January 2020, respectively.

#### Other Issues

#### Arizona Competes Fund Grants and Expenditures

As of July 2020, ACA made \$96,500,000 in commitments and expended \$58,600,000 from the Competes Fund from FY 2012 through FY 2020. See *Table 1* for expenditures and commitments by fiscal year.

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 Competes Fund Commitments and Expenditures by Award Year**

<u>Award Year</u>	<u>Commitments</u>	<u>Expenditures</u>
FY 2012	\$ 7,097,000	\$ 6,445,500
FY 2013	7,953,000	7,638,400
FY 2014	10,029,200	7,942,700
FY 2015	10,180,100	7,406,700
FY 2016	6,350,000	4,721,400
FY 2017	13,551,500	7,750,200
FY 2018	17,300,000	11,272,500
FY 2019	12,250,000	1,349,800
FY 2020	<u>11,778,800</u>	<u>4,056,700</u>
<b>Total</b>	<b>\$96,489,500</b>	<b>\$58,583,900</b>

**COVID-Related Spending**

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020 the Executive's spending plan included a total of \$21,599,500 for ACA-related programs. Of this amount, \$8,599,500 is from the Arizona Coronavirus Relief Fund (CRF) for COVID-19 relief, \$2,000,000 from the federal CRF to assist Arizona business and economic development, and \$11,000,000 is from the Crisis

Contingency and Safety Net Fund (CCSNF) for economic assistance to small businesses and local chambers of commerce. Another \$1,000,000 from the CCSNF has been distributed to assist bars and restaurants in expanding their outdoor dining spaces. *(Please see the COVID-Related Spending Summary at the front of this book for more information.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Application Fees Fund (CAA3005/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
<i>Purpose of Fund:</i> To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax funds.		
<b>Funds Expended</b>	998,800	1,018,300
<b>Year-End Fund Balance</b>	3,124,700	3,132,900
<b>Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Leftover funds and residual revenue transferred from various funds belonging to the Arizona Department of Commerce.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	1,313,200	630,800
<b>Year-End Fund Balance</b>	426,000	100,700
<b>Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations.		
<i>Purpose of Fund:</i> To fund the operating costs of the Authority. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	503,600	503,600
<b>Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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 is reduced to \$5,500,000 in FY 2020 and thereafter.		
<i>Purpose of Fund:</i> 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. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	55,048,400	55,048,400
<b>Arizona Coronavirus Relief Fund (CAA3002/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Donations from individuals and organizations.		
<i>Purpose of Fund:</i> Fund established under the Governor's Arizona Together Initiative during the COVID-19 pandemic. Monies in the fund are distributed by the Governor to support COVID-19 relief efforts.		
<b>Funds Expended</b>	7,722,600	876,900
<b>Year-End Fund Balance</b>	782,000	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Funds in the form of loans from the U.S. Department of Treasury under the State Small Business Credit Initiative Act of 2010.		
<b>Purpose of Fund:</b> To provide loans to small businesses and foster business expansion, capital investment, and job creation in Arizona.		
<b>Funds Expended</b>	378,200	109,000
<b>Year-End Fund Balance</b>	18,852,500	18,837,100
<b>Arizona Job Training Fund (CAA1237/A.R.S. § 41-1544)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and interest earned on investments. The FY 2015 Revenue Budget Reconciliation Bill repealed the job training tax that had been previously deposited in the fund effective December 31, 2015. 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 20, 2022, when the fund expires. Any monies in the fund as of the repeal date shall be transferred to the General Fund.		
<b>Purpose of Fund:</b> 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 post-secondary 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.		
<b>Funds Expended</b>	3,098,900	12,650,000
<b>Year-End Fund Balance</b>	24,028,300	11,464,600
<b>Donations Fund (CAA3189/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and donations.		
<b>Purpose of Fund:</b> To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
<b>Funds Expended</b>	47,800	50,000
<b>Year-End Fund Balance</b>	47,000	15,000
<b>Federal Funds (CAA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for community development, job training, and home programs.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing federal grants.		
<b>Funds Expended</b>	1,260,600	2,650,000
<b>Year-End Fund Balance</b>	(261,900)	(284,400)
<b>Institute for Automated Mobility Fund (CAA4080/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations, grant proceeds, and support from other ACA funds		
<b>Purpose of Fund:</b> To account for the activities related to the Institute for Automated Mobility established by Executive Order 2018-09 to support the advancement of autonomous vehicles in Arizona		
<b>Funds Expended</b>	240,000	500,000
<b>Year-End Fund Balance</b>	90,000	260,000
<b>Israel Trade Office Fund (CAA1021/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund as well as donations from public and private entities.		
<b>Purpose of Fund:</b> The office will assist the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,700	3,600

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Mexico Trade Office Fund (CAA1020/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund, the City of Phoenix, the City of Tucson, Maricopa Association of Governments, and other public and private entities.		
<b>Purpose of Fund:</b> The office will assist Arizona companies in entering the Mexican market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	310,200	310,300
<b>RevAZ Fund (CAA9971/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
<b>Purpose of Fund:</b> To assist in manufacturing sector business development and management.		
<b>Funds Expended</b>	830,700	1,044,200
<b>Year-End Fund Balance</b>	166,300	262,100
<b>Rural Broadband Grants Fund (CAA1006/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To expand Internet access to rural households, schools, and libraries. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,000,000	0
<b>State Web Portal Fund (CAA2531/A.R.S. § 18-421)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, web portal usage fees, private grants or donations, or federal government funding.		
<b>Purpose of Fund:</b> To distribute to applied research centers and the Institute of Automated Mobility who specialize in blockchain, wearable technology or automated mobility research.		
<b>Funds Expended</b>	2,250,000	0
<b>Year-End Fund Balance</b>	250,000	0
<b>State Workforce Programs (CAA1025/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intrastate agreements between the ACA and the Governor's Office. Funding also comes from a portion of the state's allocation from the federal Workforce Innovation and Opportunity Act.		
<b>Purpose of Fund:</b> To carry out workforce-related projects on behalf of the Governor's Office.		
<b>Funds Expended</b>	806,700	3,548,700
<b>Year-End Fund Balance</b>	(73,100)	(20,100)

## Arizona Community Colleges

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Operating State Aid			
Cochise	4,623,500	4,690,700	4,373,500
Coconino	1,703,400	1,698,400	1,626,500
Gila	293,700	296,300	271,500
Graham	2,389,600	2,338,800	1,936,100
Mohave	1,175,300	1,138,900	1,205,500
Navajo	1,567,700	1,554,800	1,512,300
Pinal	1,452,000	1,128,300	1,356,500
Santa Cruz	0	0	17,100
Yavapai	601,400	585,800	590,500
Yuma/La Paz	2,399,500	2,384,800	2,391,900
<i>Subtotal - Operating State Aid</i>	16,206,100	15,816,800	15,281,400
STEM and Workforce Programs State Aid			
Cochise	996,200	1,014,500	928,400
Coconino	399,200	397,400	371,800
Gila	135,000	136,000	127,200
Graham	645,800	627,600	484,200
Maricopa	1,600,000	1,600,000	1,600,000 <sup>1/</sup>
Mohave	455,000	441,900	465,700
Navajo	339,500	334,800	319,700
Pima	400,000	400,000	400,000 <sup>1/</sup>
Pinal	96,500	96,500	96,500
Santa Cruz	26,900	23,700	29,800
Yavapai	703,100	697,500	699,200
Yuma/La Paz	1,030,200	1,024,900	1,027,400
<i>Subtotal - STEM and Workforce Programs State Aid</i>	6,827,400	6,794,800	6,549,900
Equalization Aid			
Cochise	6,389,500	7,227,100	7,925,300
Graham	16,506,200	17,469,100	18,193,200
Navajo	7,751,900	8,444,300	9,171,000
Yuma/La Paz	0	155,200	616,700
<i>Subtotal - Equalization Aid</i>	30,647,600	33,295,700	35,906,200
Rural Community College Aid			
Cochise	3,140,100	0	0
Coconino	1,003,100	0	0
Gila	343,200	0	0
Graham	1,568,100	0	0
Mohave	1,152,100	0	0
Navajo	889,200	0	0
Pinal	1,795,400	0	0
Santa Cruz	64,200	0	0
Yavapai	1,761,300	0	0
Yuma/La Paz	2,483,300	0	0
<i>Subtotal - Rural Community College Aid</i>	14,200,000	0	0
Rural County Allocation	3,420,800	3,658,200	3,658,200 <sup>2/</sup>
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 <sup>3/</sup>
Tribal Community Colleges	2,856,100	2,856,100	2,856,100 <sup>4/</sup>
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Dine College Remedial Education	1,000,000	1,000,000	1,000,000 <sup>5/</sup>
Maricopa Health Care Specialty Expansion	5,800,000	0	0

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
Pima Aviation Center Expansion	15,000,000	0	0
<b>AGENCY TOTAL</b>	<b>97,431,800</b>	<b>64,895,400</b>	<b>66,725,600 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	97,431,800	64,895,400	66,725,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>97,431,800</b>	<b>64,895,400</b>	<b>66,725,600</b>
Other Non-Appropriated Funds	23,219,000	23,873,200	23,873,200
<b>TOTAL - ALL SOURCES</b>	<b>120,650,800</b>	<b>88,768,600</b>	<b>90,598,800</b>

**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 Associates degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

**FOOTNOTES**

- 1/ The following amounts are appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the following Arizona community college districts for STEM and workforce development:
  1. Maricopa \$1,600,000
  2. Pima \$400,000 (FY 2020 General Appropriation Act footnote)
- 2/ 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 2022, that amount is estimated to be \$3,658,200. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ 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)
- 4/ 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.
- 5/ On or before October 15, 2021, the Diné college board of regents shall submit to the governor, the speaker of the house of representatives, the president of the senate, the secretary of state and the joint legislative budget committee a report that details the course completion rate for students who received remedial education during the 2020-2021 academic year. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

**Operating State Aid**

The Baseline includes \$15,281,400 from the General Fund in FY 2022 for Operating State Aid. FY 2022 adjustments are as follows:

**Enrollment Changes**

The Baseline includes a decrease of \$(535,400) from the General Fund in FY 2022 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (782), or (2.8)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (782) net FTSE decrease consists of a (1,034) FTSE

decrease in non-dual enrollment students and a 252 FTSE increase 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.

Unaudited enrollment figures indicate a decline in student enrollment in FY 2021 as a result of the COVID-19 pandemic. The number of students decreased by 15% across multiple districts. However, given that the Operating State Aid formula funds the current fiscal year based on enrollment changes from 2 years prior, enrollment declines would not affect operating state aid until FY 2023.

**Table 1**

**Community College Enrollment**

	<u>FY 2019</u> <u>FTSE</u>	<u>FY 2020</u> <u>FTSE</u>	<u>Percentage</u> <u>Change</u>
<u>Rural Districts</u>			
Cochise	6,376	5,829	(8.6)%
Coconino	1,986	1,877	(5.5)%
Gila	683	655	(4.1)%
Graham	3,033	2,348	(22.6)%
Mohave	2,228	2,370	6.4%
Navajo	1,742	1,648	(5.4)%
Pinal	3,033	3,432	13.2%
Santa Cruz	113	142	25.7%
Yavapai	3,472	3,520	1.4%
Yuma/La Paz	<u>4,942</u>	<u>5,005</u>	<u>1.3%</u>
<i>Subtotal</i>	<i>27,608</i>	<i>26,826</i>	<i>(2.8)%</i>
<u>Urban Districts</u>			
Maricopa	67,498	67,472	0%
Pima	<u>14,058</u>	<u>13,874</u>	<u>(1.3)%</u>
<b>Total</b>	<b>109,164</b>	<b>108,172</b>	<b>(0.9)%</b>

*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 2022, the last actual FTSE data was from FY 2020.)

Maricopa and Pima County are also statutory recipients of Operating State Aid. However, a session law provision suspends the formula.

The full formula funding for Maricopa and Pima County cannot effectively be calculated for FY 2022. 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 \$6,549,900 from the General Fund in FY 2022 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. FY 2022 adjustments are as follows:

**Enrollment Changes**

The Baseline includes a decrease of \$(244,900) from the General Fund in FY 2022 to fund decreased formula costs for STEM and Workforce Programs State Aid. This

reduction is the result of a net decline in rural district enrollment 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 and \$160 per FTSE for districts with greater than 5,000 FTSE.

The FY 2020 and FY 2021 Higher Education BRBs suspended this formula and funded districts as specified in the FY 2020 and FY 2021 General Appropriation Acts. The FY 2022 Baseline continues these adjustments:

- 1) All rural districts except Pinal receive funding in the same amount as the full formula.
- 2) Pinal receives \$96,500. Full funding for Pinal would cost an additional \$618,100.
- 3) Maricopa and Pima were appropriated \$1,600,000 and \$400,000, respectively, for FY 2020, FY 2021 and FY 2022 in the FY 2020 General Appropriation Act. Because this funding was advance appropriated, it will not appear in the FY 2022 General Appropriation Act. Fully funding Maricopa and Pima according to the formula would cost an additional \$8,723,000 for Maricopa and \$1,771,700 for Pima.

**Equalization Aid**

The Baseline includes \$35,906,200 from the General Fund in FY 2022 for Equalization Aid. FY 2022 adjustments are as follows:

**Property Value Changes**

The Baseline includes an increase of \$2,610,500 from the General Fund in FY 2022 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 2022 Equalization Funding Changes**

<u>District</u>	<u>FY 2020</u>	<u>Year-over-</u> <u>Year Change</u>	<u>FY 2021</u>
Cochise	\$ 7,227,100	\$ 698,200	\$ 7,925,300
Graham	17,469,100	724,100	18,193,200
Navajo	8,444,300	726,700	9,171,000
Yuma/La Paz	<u>155,200</u>	<u>461,500</u>	<u>616,700</u>
<b>Total</b>	<b>\$33,295,700</b>	<b>\$2,610,500</b>	<b>\$35,906,200</b>

*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, according to the most recent decennial census data. Actual assessed valuation for rural districts was 5.6% higher in TY 2020 than in the preceding year. Therefore, for the FY 2022 Equalization Aid formula calculation, the minimum assessed valuation increased 5.6% to approximately \$1.6 billion. (See Table 3 for the calculation of the growth rate.)

**Table 3**

**Equalization Growth Factor  
for Tax Years (TY) 2019-2020**

District	TY 2019	TY 2020	TY 2019- 2020 % Growth
	Primary AV	Primary AV	
Cochise*	\$ 941,485,600	\$ 973,084,500	3.4 %
Graham*	193,896,000	223,604,200	15.3 %
Navajo*	852,640,200	882,158,100	3.5 %
Yuma/LaPaz*	1,457,683,800	1,506,557,400	3.4 %
Coconino	1,831,089,300	1,929,724,100	5.4 %
Mohave	1,908,201,500	2,010,693,400	5.4 %
Pinal	2,521,252,100	2,689,422,200	6.7 %
Yavapai	<u>2,765,677,100</u>	<u>2,957,724,700</u>	<u>6.9 %</u>
<b>Total</b>	<b>\$12,471,925,600</b>	<b>\$13,172,968,600</b>	<b>5.6 %</b>
<b>Minimum AV</b>	<b>\$1,469,014,000</b>	<b>\$1,551,572,600</b>	<b>5.6 %</b>

\* These districts qualify to receive Equalization Aid under the state funding formula in FY 2022.

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 value increased by 5.6% in TY 2020. In comparison, Cochise increased by 3.4%, Navajo increased by 3.5%, and Yuma/La Paz increased by 3.4%. Because their primary assessed value increased by less than the average rural district, Cochise, Navajo, and Yuma/La Paz qualify for more aid. While Graham increased by 15.3%, more than the average rural district, its assessed value remains below the minimum assessed value. In TY 2019, the Yuma/La Paz assessed value dropped below the minimum assessed value, making it eligible for equalization aid in FY 2021. The last time Yuma/La Paz received equalization aid was FY 2012.

In any one year a district’s equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.55 billion in FY 2022), 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 \$3,658,200 from the General Fund in FY 2022 for Rural County Allocation. This amount is unchanged from FY 2021.

*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 2020, the JLBC Staff reported the amount to be \$3,658,200 for FY 2021.

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 2022 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2021.

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 Baseline continues a General Appropriation Act footnote that allocates \$699,300 to Apache and \$574,500 to Greenlee.

### **Tribal Community Colleges**

The Baseline includes \$2,856,100 from the General Fund in FY 2022 for Tribal Community Colleges. This amount is unchanged from FY 2021.

The Baseline includes 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 includes \$231,100 for the Tohono O'odham Community College in FY 2022 based on a projection of 10% of the collected TPT revenues from the reservation. These amounts continue the assumed funding levels in FY 2021.

*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 2021 will depend on FY 2021 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act. (Please see the FY 2020 Appropriations Report for more information.)

### **Additional Gila Workforce Development Aid**

The Baseline includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2022. This amount is unchanged from FY 2021.

*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).

### **Diné College Remedial Education**

The Baseline includes \$1,000,000 from the General Fund in FY 2022 for Diné College Remedial Education. This amount is unchanged from FY 2021.

This line item provides additional funding to Diné College to provide remedial education to help students prepare

for college-level courses such as reading, writing and mathematics. In addition, the Baseline continues a General Appropriations Act footnote that requires the Diné college board of regents to submit a report that details the course completion rate for students who received remedial education during the 2020-2021 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2021.

### **Other Issues**

### **Statutory Changes**

The Baseline would:

- As session law, continue to suspend the Operating State Aid funding formula in FY 2022 for Maricopa and Pima Counties.
- As session law, continue to suspend Maricopa, Pima, and Pinal's Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2022. The Pinal funding of \$96,500 continues to be specified in the General Appropriation Act. Since the FY 2020 budget already appropriated \$1,600,000 for Maricopa County and \$400,000 for Pima County STEM and Workforce Funding for each of FY 2020, FY 2021, and FY 2022, the funding for FY 2022 for these 2 districts would not be specified in the General Appropriation Act.

### **Long-Term Budget Impacts**

Beyond FY 2022 Baseline changes, the JLBC Staff estimates that Community College statutory caseload changes will require an additional \$2,207,900 in FY 2023 above FY 2022 spending and an additional \$2,307,000 in FY 2024 above FY 2023 spending.

These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2023 and FY 2024).
- A reduction of \$(2,000,000) in FY 2023 below FY 2022 to remove Maricopa and Pima STEM and Workforce Programs funding appropriated in the FY 2020 budget for each of FY 2020, FY 2021, and FY 2022.
- An increase of \$2,207,900 for Equalization Aid in FY 2023 above FY 2022 and \$2,307,000 in FY 2024 above FY 2023. These estimates assume total Net Assessed Value (NAV) growth of 4.5% in FY 2023 and FY 2024 based on the statewide average. The counties receiving aid would see an average of 3.3% NAV increase. This would cause NAV in those districts to grow farther from the statewide NAV average for

Table 4

## Total Estimated Community College Revenues – FY 2021

District	State Aid <sup>1/</sup>	Tuition/Fees	Property Taxes	Grants	Other <sup>2/</sup>	FY 2021 Total <sup>3/</sup>	FY 2020 Total <sup>4/</sup>	% Change from FY 2020
Cochise	\$11,917,800	\$9,915,900	23,373,500	10,475,700	\$1,272,000	\$56,954,900	\$55,341,500	2.9%
Coconino	1,698,400	7,177,300	8,664,500	5,792,000	799,100	24,131,300	24,823,100	(2.8)%
Gila <sup>5/</sup>	296,300	0	5,267,500	511,000	35,000	6,109,800	5,783,400	5.6%
Graham	19,807,900	7,560,800	6,988,800	11,926,000	10,505,000	56,788,500	55,220,000	2.8%
Maricopa	0	225,492,600	588,718,500	210,012,100	38,745,000	1,062,968,200	1,047,634,500	1.5%
Mohave	1,138,900	8,150,000	25,903,800	8,393,200	620,000	44,205,900	44,574,200	(0.8)%
Navajo	9,999,100	2,600,000	15,726,200	6,000,000	2,734,800	37,060,100	38,269,100	(3.2)%
Pima	0	48,354,000	122,107,000	47,836,000	7,999,100	226,296,100	248,578,000	(9.0)%
Pinal	1,128,300	11,449,000	48,141,300	17,832,000	1,883,000	80,433,600	87,110,100	(7.7)%
Santa Cruz <sup>5/</sup>	0	20,000	1,704,200	45,000	11,700	1,780,900	1,738,900	2.4%
Yavapai	585,800	11,647,000	49,749,700	14,851,000	3,678,100	80,511,600	80,988,800	(0.6)%
Yuma/La Paz	<u>2,540,000</u>	<u>14,000,100</u>	<u>38,529,500</u>	<u>28,500,000</u>	<u>8,323,600</u>	<u>91,893,200</u>	<u>87,848,600</u>	<u>4.6%</u>
<b>Total <sup>6/</sup></b>	<b>\$49,112,500</b>	<b>\$346,366,700</b>	<b>\$934,874,500</b>	<b>\$362,174,100</b>	<b>\$76,606,300</b>	<b>\$1,769,134,100</b>	<b>\$1,777,910,200</b>	<b>(0.5)%</b>

1/ State Aid revenue includes Operating State Aid and Equalization Aid.

2/ Includes auxiliary programs, interest income, workforce development funds, and transfers. Federal coronavirus-related funds are not included.

3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,057,042,500 for FY 2021.

4/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,775,406,200 for FY 2020.

5/ 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.

6/ Columns may not add to total due to rounding.

rural counties in both years, entitling them to more Equalization Aid.

## 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 2.0% of their revenues (excluding bond proceeds) from state aid.

For FY 2021, base operating revenues from all sources are estimated to be \$1,769,134,100, which would be a decrease of (0.5)% from FY 2020. (See Table 4 for a summary of FY 2021 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 52.8% 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 2021 property tax rates.)

Table 5

## Community College Tax Rates – TY 2020

District	Primary Rate	Secondary Rate	Combined Rate	% Change from TY 2019
Cochise	\$2.40	\$0.00	\$2.40	(2.0)%
Coconino	0.45	0.00	0.45	(2.2)%
Gila	0.96	0.00	0.96	0.0%
Graham	3.12	0.00	3.12	(6.9)%
Maricopa	1.13	0.16	1.29	(3.0)%
Mohave	1.29	0.00	1.29	(3.0)%
Navajo	1.78	0.00	1.78	(2.2)%
Pima	1.34	0.00	1.34	(2.9)%
Pinal	2.02	0.28	2.30	4.1%
Santa Cruz	0.47	0.00	0.47	(2.1)%
Yavapai	1.61	0.08	1.69	(8.2)%
Yuma/La Paz	2.19	0.36	2.56	(0.4)%

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 19.6% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2021 weighted

Table 6

## Community College Resident Tuition and Fees – FY 2021

District	Average Cost Per Credit Hour	Annual Cost <sup>1/</sup>	% Change from FY 2020
Cochise	\$91	\$2,730	3.4%
Coconino	113	3,390	1.8%
Gila	90	2,700	12.5%
Graham	90	2,700	0.0%
Maricopa	68	2,040	(20.0)%
Mohave	81	2,430	0.0%
Navajo	79	2,370	2.6%
Pima	87	2,610	3.0%
Pinal	86	2,580	0.0%
Santa Cruz	85	2,535	0.0%
Yavapai	76	2,280	4.4%
Yuma/La Paz	88	2,640	2.3%
<b>Weighted Average</b>	<b>\$75</b>	<b>\$2,259</b>	<b>(11.6)%</b>

<sup>1/</sup> Annual cost is for 30 hours a year, or 15 hours per semester.

average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,259 if a full-time student attends for 30 hours a year. The FY 2021 amount represents a decrease of (11.6)% from FY 2020. (See Table 6 for FY 2021 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 24.8% of community college revenues.

Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

### Total Community College Expenditures

Table 7 shows total budgeted FY 2021 community college expenditures. In FY 2021, total budgeted expenditures are \$1,950,911,900. As mentioned previously, base operating revenues for FY 2021 are \$1,769,134,100; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,057,042,500. Of the total \$1,950,911,900 in budgeted expenditures, \$1,662,757,700, or 85.2%, of these expenditures are from the community colleges' General and Restricted Funds. This includes about \$494,367,800, or 25.3%, for instruction and \$343,481,400, or 17.6%, for institutional support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$73,883,000, or 3.8% of the total. Plant Fund expenditures, which

Table 7

## Community Colleges - FY 2021 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
Instruction	\$494,367,800	25.3%
Public Service	\$30,846,000	1.6%
Academic Support	\$140,987,200	7.2%
Student Services	\$173,035,600	8.9%
Institutional Support	\$343,481,400	17.6%
Operation & Maintenance	\$119,547,600	6.1%
Scholarships/Grants	\$307,430,500	15.8%
Contingency	\$53,061,500	2.7%
<b>Subtotal <sup>1/</sup></b>	<b>\$1,662,757,700</b>	<b>85.2%</b>
Auxiliary Enterprises Fund	\$73,883,000	3.8%
Plant Fund	\$213,199,200	10.9%
Debt Service	\$1,072,000	0.1%
<b>Total <sup>1/</sup></b>	<b>\$1,950,911,900</b>	<b>100%</b>

<sup>1/</sup> May not add to subtotal and total due to rounding.

generally include capital costs, are \$213,199,200, or 10.9% of the total. The remaining \$1,072,000 is for debt service.

### Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Higher Education Emergency Relief Fund (HEERF). There are 3 components of this funding available for institutions of higher education (IHEs).

Section 18004(a)(1) of the CARES Act distributes HEERF monies to IHEs based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. Low-income students who are enrolled in degree-granting programs may be eligible for Pell Grants. The CARES Act requires that 50% of monies received under this section be distributed to students as emergency financial aid grants.

Section 18004(a)(2) of the CARES Act requires additional monies be distributed according to the above formula to Historically Black Colleges and Universities, American Indian Tribally Controlled Colleges and Universities, Minority Servings Institutions, and Strengthening Institutions Program participants.

Section 18004(a)(3) of the CARES Act allocates funding to ensure all nonprofit IHEs receive at least \$500,000 in HEERF monies.

Arizona community colleges have received a total of \$82,286,855 in HEERF monies. Of this amount, at least

\$36,356,337 must be distributed to students as emergency financial aid grants. Please see *Table 8* for distributions by community college.

Of this amount, 15.0% will be divided equally among each district, 0.5% divided equally among each provisional district, and 84.5% divided among the districts according to enrollment. Please see *Table 9* for distributions by community college district.

**Proposition 207 – Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are used by state agencies for administrative costs of the initiative, the community college districts and provisional community college districts will receive a distribution of 33% from the fund. In the third year of recreational marijuana sales, community colleges are estimated to receive a distribution of \$53,241,200. (Please see the Department of Health Services - Other Issues Section for more information.)

**Table 9**  
**Prop 207 Community College Distributions**

<u>District</u>	<u>Distribution</u>
Cochise	\$3,222,900
Coconino	1,579,300
Gila*	405,500
Graham	1,775,100
Maricopa	28,860,300
Mohave	1,784,300
Navajo	1,484,000
Pima	6,568,800
Pinal	2,226,000
Santa Cruz*	192,200
Yavapai	2,262,600
Yuma/La Paz	<u>2,880,200</u>
<b>Total</b>	<b>\$53,241,200</b>

\* indicates provisional community college district

**Table 8**

**HEERF Allocations: Community Colleges**

	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>18004(a)(3)</u>	<u>Total</u>
*Chandler-Gilbert	4,350,989			4,350,989
Cochise	3,163,235	211,918		3,375,153
Coconino	1,104,730	137,894		1,242,624
Diné	1,346,931	4,844,910		6,191,841
East Valley Institute of Technology	236,123		263,877	500,000
Graham	2,222,272	111,481		2,333,753
*Estrella Mountain	4,856,585	307,658		5,164,243
*GateWay	2,707,626	156,881		2,864,507
*Glendale	8,301,836	533,479		8,835,315
*Mesa	7,352,103	478,185		7,830,288
Mohave	1,933,935	94,646		2,028,581
Navajo	643,137	83,277		726,414
*Paradise Valley	2,586,404			2,586,404
*Phoenix	4,772,192	304,728		5,076,920
Pima	9,989,049	640,229		10,629,278
Pinal	3,010,509	189,817		3,200,326
*Rio Salado	2,531,870			2,531,870
*Scottsdale	2,386,925			2,386,925
*South Mountain	2,098,614	132,246		2,230,860
Tohono O'odham	199,279	798,595		997,874
Yavapai	2,389,592			2,389,592
Yuma/La Paz	<u>4,528,738</u>	<u>284,360</u>		<u>4,813,098</u>
<b>Total</b>	<b>72,712,674</b>	<b>9,310,304</b>	<b>263,877</b>	<b>82,286,855</b>

\* indicates institutions in the Maricopa County Community College District.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
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<b>Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)</b>	<b>Non-Appropriated</b>	
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**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.

<b>Funds Expended</b>	1,049,800	1,097,100
<b>Year-End Fund Balance</b>	0	0

<b>Workforce Development Accounts (varies by account/A.R.S. § 15-1472)</b>	<b>Non-Appropriated</b>	
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**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.

<b>Funds Expended</b>	22,169,200	22,776,100
<b>Year-End Fund Balance</b>	0	0

**Constable Ethics Standards and Training Board**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	351,000	583,300	583,300
<b>TOTAL - ALL SOURCES</b>	<b>351,000</b>	<b>583,300</b>	<b>583,300</b>

**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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-138)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected for every writ served on behalf of a Justice of the Peace.		
<b>Purpose of Fund:</b> 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
<b>Funds Expended</b>	351,000	583,300
<b>Year-End Fund Balance</b>	670,600	540,000

## Registrar of Contractors

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	5,715,700	5,936,600	5,936,600
Employee Related Expenditures	2,224,000	2,506,100	2,506,100
Professional and Outside Services	133,200	405,300	405,300
Travel - In State	227,800	301,000	301,000
Travel - Out of State	10,100	11,800	11,800
Other Operating Expenditures	1,833,600	1,994,600	1,994,600
Equipment	90,000	517,000	517,000
<b>OPERATING SUBTOTAL</b>	<b>10,234,400</b>	<b>11,672,400</b>	<b>11,672,400</b>
<b>SPECIAL LINE ITEMS</b>			
Office of Administrative Hearings Costs	292,000	1,017,600	1,017,600
<b>AGENCY TOTAL</b>	<b>10,526,400</b>	<b>12,690,000</b>	<b>12,690,000</b> <sup>1/</sup>

### FUND SOURCES

#### Other Appropriated Funds

Registrar of Contractors Fund	10,526,400	12,690,000	12,690,000
SUBTOTAL - Other Appropriated Funds	10,526,400	12,690,000	12,690,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>10,526,400</b>	<b>12,690,000</b>	<b>12,690,000</b>
Other Non-Appropriated Funds	3,784,300	4,666,800	4,666,800
<b>TOTAL - ALL SOURCES</b>	<b>14,310,700</b>	<b>17,356,800</b>	<b>17,356,800</b>

**AGENCY DESCRIPTION** — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### **Operating Budget**

The Baseline includes \$11,672,400 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### **Office of Administrative Hearings Costs**

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2022 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2021.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate contractors, and for board administration.		
<b>Funds Expended</b>	10,526,400	12,690,000
<b>Year-End Fund Balance</b>	5,327,300	632,300
<b>Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,784,300	4,666,800
<b>Year-End Fund Balance</b>	17,392,200	17,763,600

## Corporation Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	300.9	300.9	300.9 <sup>1/</sup>
Personal Services	14,794,000	16,315,200	16,315,200
Employee Related Expenditures	5,778,800	6,361,000	6,361,000
Professional and Outside Services	531,600	412,100	412,100
Travel - In State	159,500	192,700	192,700
Travel - Out of State	81,800	122,500	122,500
Other Operating Expenditures	4,934,500	4,190,600	4,190,600
Equipment	282,600	248,300	248,300
<b>OPERATING SUBTOTAL</b>	<b>26,562,800</b>	<b>27,842,400</b>	<b>27,842,400</b>
<b>SPECIAL LINE ITEMS</b>			
Corporation Filings, Same-Day Service	402,000	417,700	417,700 <sup>D/</sup>
Utilities Audits, Studies, Investigations & Hearings	440,500	380,000	380,000 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>27,405,300</b>	<b>28,640,100</b>	<b>28,640,100 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	620,800	647,100	647,100
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	50,700	52,600	52,600
Investment Management Regulatory and Enforcement Fund	713,100	745,500	745,500
Public Access Fund	6,533,900	6,976,200	6,976,200
Securities Regulatory and Enforcement Fund	5,053,500	5,286,100	5,286,100
Utility Regulation Revolving Fund	14,433,300	14,932,600	14,932,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>26,784,500</b>	<b>27,993,000</b>	<b>27,993,000</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>27,405,300</b>	<b>28,640,100</b>	<b>28,640,100</b>
Other Non-Appropriated Funds	228,600	0	0
Federal Funds	(46,800)	2,341,400	2,341,400
<b>TOTAL - ALL SOURCES</b>	<b>27,587,100</b>	<b>30,981,500</b>	<b>30,981,500</b>

**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

<sup>1/</sup> Includes 2 OF FTE Positions funded from Special Line Items in FY 2022.

<sup>D/</sup> ~~The \$417,700 appropriated from the public access fund for the corporation filings, same-day service line item reverts to the public access fund established by section 10-122.01, Arizona Revised Statutes, at the end of fiscal year 2020-2021 if the commission has not established a same-day service pursuant to section 10-122, Arizona Revised Statutes. (General Appropriation Act footnote, as adjusted for statewide allocations).~~ The Corporation Commission established same-day service in FY 2021.

<sup>2/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act Footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$27,842,400 and 298.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$647,100
Arizona Arts Trust Fund	52,600
Investment Management Regulatory and Enforcement Fund	745,500
Public Access Fund	6,558,500
Securities Regulatory and Enforcement Fund	5,286,100
Utility Regulation Revolving Fund	14,552,600

These amounts are unchanged from FY 2021.

**Corporation Filings, Same-Day Service**

The Baseline includes \$417,700 and 2 FTE Positions from the Public Access Fund in FY 2022 for Corporation Filings, Same-Day Service. These amounts are unchanged from FY 2021.

The Baseline removes a longstanding footnote in the General Appropriation Act that specified 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 commission established the fee for services in November 2019 and the same-day and next-day filing services began in April 2020. The

monies in this line item are used to staff the newly-established service.

**Utilities Audits, Studies, Investigations & Hearings**

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2022 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2021.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

**Other Issues**

**COVID-Related Spending**

The Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Corporation Commission was reimbursed for \$147,100 in non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration. *(Please see the COVID-Related Spending Summary at the front of this book for more information).*

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> One-third of the filing fees for the annual report of domestic and foreign corporations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	50,700	52,600
<b>Year-End Fund Balance</b>	104,000	1,107,100
<b>Coronavirus Relief Fund (CCA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	147,100	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Federal Funds (CCA2000/A.R.S. § 40-441)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> U.S. Department of Transportation grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	(193,900)	2,341,400
<b>Year-End Fund Balance</b>	6,348,500	5,048,100
<b>IGA and ISA Fund (CCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments. Transfers related to Automation Projects Fund are also displayed in this fund.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	184,200	0
<b>Year-End Fund Balance</b>	6,400	6,400
<b>Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
<b>Purpose of Fund:</b> For education, regulatory, investigative and enforcement operations in the Securities Division.		
<b>Funds Expended</b>	713,100	745,500
<b>Year-End Fund Balance</b>	1,777,600	1,777,200
<b>Public Access Fund (CCA2333/A.R.S. § 10-122.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for expedited service for the filing of articles of incorporation and other documents.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,533,900	6,976,200
<b>Year-End Fund Balance</b>	652,900	200,000
<b>Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
<b>Purpose of Fund:</b> For education, regulatory, investigative, and enforcement operations in the Securities Division.		
<b>Funds Expended</b>	5,053,500	5,286,100
<b>Year-End Fund Balance</b>	14,020,200	15,171,900
<b>Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
<b>Purpose of Fund:</b> For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
<b>Funds Expended</b>	14,433,300	14,932,600
<b>Year-End Fund Balance</b>	16,109,500	21,058,000
<b>Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
<b>Purpose of Fund:</b> For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
<b>Funds Expended</b>	44,400	0
<b>Year-End Fund Balance</b>	900	16,000

## State Department of Corrections

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9,556.0	9,566.0	9,566.0 <sup>1/</sup>
Correctional Officer Personal Services	200,236,200	349,906,700	349,858,100
Health Care Personal Services	2,232,100	3,658,600	3,658,600
All Other Personal Services	46,295,300	69,100,600	69,100,600
<b>Personal Services Subtotal</b>	<b>248,763,600</b>	<b>422,665,900</b>	<b>422,617,300</b>
<b>Employee Related Expenditures</b>	<b>146,671,400</b>	<b>270,775,800</b>	<b>270,333,600</b>
<b>Personal Services and Employee Related Expenditures for Overtime/Compensatory Time</b>	<b>59,877,800</b>	<b>15,540,500</b>	<b>15,540,500</b>
<b>Other Operating Expenditures</b>			
Professional and Outside Services	7,912,900	9,188,000	9,201,800
Travel - In State	174,200	329,500	329,500
Travel - Out of State	87,100	104,000	104,000
Food	40,619,100	40,914,600	40,914,600
Other Operating Expenditures	101,864,500	109,161,700	108,283,700
Equipment	2,579,200	2,081,200	2,081,200
<b>Other Operating Expenditures Subtotal</b>	<b>153,237,000</b>	<b>161,779,000</b>	<b>160,914,800</b>
<b>OPERATING SUBTOTAL</b>	<b>608,549,800 <sup>2/</sup></b>	<b>870,761,200</b>	<b>869,406,200 <sup>3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Community Corrections	14,685,400 <sup>2/</sup>	21,774,600	23,129,600
Private Prison Per Diem	162,484,100 <sup>2/</sup>	171,493,300	171,493,300 <sup>4/</sup>
Inmate Health Care Contracted Services	127,697,000 <sup>2/</sup>	194,711,700	194,711,700 <sup>5/</sup>
Named Claimants	101,300	0	0
<b>AGENCY TOTAL</b>	<b>913,517,600</b>	<b>1,258,740,800</b>	<b>1,258,740,800 <sup>6/-13/</sup></b>
<b>FUND SOURCES</b>			
General Fund	873,034,700 <sup>2/</sup>	1,205,396,200	1,205,396,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	274,100	555,500	555,500
Corrections Fund	30,312,200	30,312,300	30,312,300
Inmate Store Proceeds Fund	926,600	1,341,300	1,341,300
Penitentiary Land Fund	2,487,500	2,804,000	2,804,000 <sup>13/</sup>
Prison Construction and Operations Fund	2,499,800	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,500	2,661,800	2,661,800 <sup>14/</sup>
State Education Fund for Correctional Education	729,000	769,600	769,600 <sup>15/</sup>
Transition Program Fund	592,200	2,400,100	2,400,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>40,482,900</b>	<b>53,344,600</b>	<b>53,344,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>913,517,600</b>	<b>1,258,740,800</b>	<b>1,258,740,800</b>
Other Non-Appropriated Funds	56,164,000	69,225,300	49,915,500
Federal Funds	298,512,300	10,630,400	10,576,700
<b>TOTAL - ALL SOURCES</b>	<b>1,268,193,900</b>	<b>1,338,596,500</b>	<b>1,319,233,000</b>

**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 2022.
- 2/ FY 2020 actual expenditures were partially offset by federal Coronavirus Relief Fund monies.
- 3/ Of the amount appropriated in the operating lump sum, \$422,617,300 is designated for personal services and \$270,333,600 is designated for employee-related expenditures. The department shall submit an expenditure plan to the joint legislative budget committee for review before spending these monies other than for personal services or employee-related expenditures. (General Appropriation Act footnote)
- 4/ Of the amount appropriated for the private prison per diem line item, \$17,468,300 shall be used to make a debt service payment on the financing agreement authorized by Laws 2016, chapter 119, section 24. (General Appropriation Act footnote)
- 5/ Before implementing any changes in contracted 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)
- 6/ On or before August 1, 2021 and February 1, 2022, the state department of corrections shall submit a report to the joint legislative budget committee on the status of the performance measures tracked by the department as required by the *Parson v. Ryan* stipulation agreement, a copy of any court-ordered compliance reports filed by the department or a contracted provider during the reporting period and a copy of any report produced by a court-appointed monitor regarding the delivery of health services during each reporting period. The report shall include the number of performance measures in total and by facility with which the department is not in substantial compliance, an explanation for why the department is not in substantial compliance and the department's plans to comply with the measures. The report shall also list the measures the department is no longer required to track as a result of compliance with the stipulation. (General Appropriation Act footnote)
- 7/ 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)
- 8/ 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 thirtieth 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. The report shall include the number of filled and vacant correctional officer and medical staff positions departmentwide and by prison complex. (General Appropriation Act footnote)
- 9/ On or before August 1, 2021, 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, 2020 and June 30, 2021 and the projected capacity for June 30, 2022, 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 eliminating any permanent beds rather than reducing the level of temporary beds. THE REPORT SHALL ALSO INCLUDE ANY PLANS TO VACATE BEDS BUT NOT PERMANENTLY REMOVE THEM FROM THE BED COUNT. 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 department 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)
- 10/ On or before August 1, 2021, the state department of corrections shall transfer to the public safety personnel retirement system via the department of administration its estimated required annual contribution to the corrections officer retirement plan for fiscal year 2021-2022. (General Appropriation Act footnote)
- 11/ On or before August 31, 2021, and on or before the last day of November, February and May in fiscal year 2021-2022, the state department of corrections shall present a report for review by the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. The report due on August 31, 2021 shall include the department's recommended benchmarks through June 30, 2022 and how the department plans to reach those benchmarks. Each quarterly report shall include the number of filled correctional officer positions, the number of vacant correctional officer positions, the number of people in training, the number of separations and the number of hours of overtime worked during the quarter. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)

- ~~12/ Any monies used to replace the adult inmate management system are subject to review by The Arizona strategic enterprise technology office and the information technology authorization committee pursuant to section 18-121, Arizona Revised Statutes. SHALL REPORT ANY PROJECT EXPENDITURES TO REPLACE THE ARIZONA INMATE MANAGEMENT SYSTEM OR MODIFY ITS REPLACEMENT SYSTEM TO THE JOINT LEGISLATIVE BUDGET COMMITTEE BY NOVEMBER 1 FOR THE PRIOR FISCAL YEAR. (General Appropriation Act footnote) (See Other Issues section for discussion of the footnote changes.)~~
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 14/ 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 to support state penal institutions. (General Appropriation Act footnote)
- 15/ 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 to support state penal institutions. (General Appropriation Act footnote)
- 16/ Before spending any state education fund for correctional education monies in excess of \$769,600, 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 includes no change to the Arizona Department of Corrections (ADC)'s total General Fund spending in FY 2022.

### Operating Budget

The Baseline includes \$869,406,200 and 9,382 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$859,641,200
Alcohol Abuse Treatment Fund	250,000
Corrections Fund	3,000,800
Inmate Store Proceeds Fund	1,341,300
Penitentiary Land Fund	741,500
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,161,800
State Education Fund for Correctional Education	769,600

FY 2022 adjustments are as follows:

#### Community Corrections Funding Shift

The Baseline includes a decrease of \$(1,355,000) from the General Fund in FY 2022 for the operating budget. The Baseline would shift this funding to the Community Corrections Special Line Item to align appropriations with expenditures.

A General Appropriation Act footnote states that of the amount appropriated in the operating lump sum, \$422,617,300 is designated for Personal Services and \$270,333,600 is designated for Employee Related

Expenditures. The department is required to submit an expenditure plan to the Joint Legislative Budget Committee for review before spending these monies other than for Personal Services or Employee Related Expenditures.

### Community Corrections

The Baseline includes \$23,129,600 and 184 FTE Positions in FY 2021 for Community Corrections. These amounts consist of:

General Fund	20,424,000
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,100

FY 2022 adjustments are as follows:

#### Community Corrections Funding Shift

The Baseline includes an increase of \$1,355,000 from the General Fund in FY 2022 for Community Corrections. The Baseline would shift this funding from the operating budget to align appropriations with expenditures.

*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 \$23,129,600 in FY 2022 appropriated funds, ADC projects that they will utilize an additional \$5,672,300 in non-appropriated funds for these activities in FY 2022.

As of December 18, 2020, ADC has responsibility for 5,045 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, whose services are provided by a contracted vendor. 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), which provide beds for inmates and an intensive treatment program. At the Pima facility, ADC also houses homeless offenders that do not have a secure placement. ADC reported FY 2020 expenditures of \$1,988,900 for the Maricopa Reentry Center and \$3,135,200 for the Pima Reentry Center.

**Table 1**

**FY 2020 Community Corrections Program Expenditures**

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$9,475,600	\$10,331,200	\$19,806,800
Transition	663,500	0	663,500
Pima Reentry	2,350,300	784,900	3,135,200
Maricopa Reentry	1,183,600	805,300	1,988,900
Other/Overhead	<u>1,012,300</u>	<u>1,100</u>	<u>1,013,400</u>
<b>Total</b>	<b>\$14,685,300</b>	<b>\$11,922,500</b>	<b>\$26,607,800</b>

**Private Prison Per Diem**

The Baseline includes \$171,493,300 in FY 2022 for Private Prison Per Diem. This amount consists of:

General Fund	142,119,300
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

These amounts are unchanged from FY 2021.

*Background* – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 8,562 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 \$17,468,300 FY 2022 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 \$194,711,700 in FY 2022 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	183,211,700
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 2021.

*Background* – The contract is based on a fixed inmate population of 33,777 and guarantees the vendor approximately \$205,000,000 per year. In addition to the appropriated funds, ADC also receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2020, the department received \$13,690,200 in Medicaid reimbursement, a higher-than-anticipated amount due to COVID-19-related expenditures and a temporarily higher federal match rate tied to the pandemic. The Baseline assumes ADC will receive \$10,000,000 in Medicaid reimbursement in FY 2022.

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 General Appropriation Act 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.

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**Other Issues**

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This section includes information on the following topics:

- Statutory Changes
- Transition Program
- Bed Capacity Issues
  - Inmate Growth Rate
  - Bed Capacity
  - Bed Surplus/Shortfall
- Correctional Officer Staffing
- Lewis/Yuma Lock, HVAC and Fire Safety Project
- COVID-Related Spending
- Auditor General Report
- Florence Prison
- AIMS Replacement

**Statutory Changes**

The Baseline would, as session law, continue to require the department to report actual FY 2021, estimated FY 2022, and requested FY 2023 expenditures as delineated in the prior year when the department submits its FY 2023 budget request pursuant to A.R.S. § 35-113.

**Transition Program**

The Transition Program allows inmates meeting the conditions outlined in statute and by the department the opportunity to be released from prison 90 days prior to their release date. Transition Program participants are generally lower risk, sentenced for non-violent crimes, and classified to lower levels than the overall ADC population.

A.R.S. § 31-254 requires that 5% of non-Driving Under the Influence 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 2020, the program saved a total of 65,917 bed days.

In that same year, the Transition Program Fund received revenue of about \$3,700,800. According to AOC, the vendor costs to run the program in FY 2020 were on average \$10 per inmate per day. This cost to ADC has decreased compared to previous years due to a contract amendment with the vendor which requires them to first seek Medicaid/AHCCCS coverage prior to billing ADC.

No legislation to extend the Transition Program beyond its scheduled sunset date at the end of FY 2020 was passed in the 2020 Legislative Session. However, the Governor issued an Executive Order on July 1, 2020 authorizing the continuation of the program until March 31, 2021, or until action is taken by the Legislature to extend or terminate the program.

**Bed Capacity Issues**

Inmate Growth Rate

On June 30, 2020, the total inmate population was 40,151. This was a decrease of (2,161) inmates since the June 30, 2019 population of 42,312. The population was 42,272 on February 28, 2020. *Table 2* shows the year-end populations from FY 2016 to FY 2021.

**Table 2**

**Year-End Population, FY 2016 - FY 2021**

<u>Year</u>	<u>Population</u>
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021 (as of December 18, 2020)	37,883

The decline in the ADC population in FY 2020 and FY 2021 appears to be primarily due to the effects of the coronavirus. As a result of social distancing recommendations, Superior Courts suspended or delayed trials and seating juries beginning in March. Additionally, some counties may have temporarily suspended the transfer of inmates to state prisons after sentencing to inhibit the spread of the virus. As a result, the ADC population may increase once courts reopen and social distancing recommendations are relaxed.

The Baseline assumes the population will return to the February 28, 2020 pre-coronavirus levels of 42,272 in FY 2022. Actual population changes will depend on how soon courts resume normal operations and are able to address backlogged cases.

### 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 38,972 public and private beds on June 30, 2020, an increase of 100 from the 38,872 on June 30, 2019.
- 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 2020, the department increased its total operating capacity by 100 beds, from 45,091 to 45,191.

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 1,837 as of June 30, 2020, the same number in use on June 30, 2019.

*(Please see the April 2020 JLBC meeting agenda for more information on ADC's bed capacity.)*

### Bed Surplus/Shortfall

At the end of FY 2020, the department had a total rated bed shortfall of (1,179). After adjusting for the 6,219 temporary beds in the overall ADC system, the rated bed shortfall became a 5,040-bed surplus. Male beds make up 4,566, or 91% of the surplus as shown in *Table 3*.

<u>Custody</u>	<u>FY 2020</u>
Minimum	2,415
Medium	828
Close	946
Maximum	234
Reception	<u>143</u>
<b>Total</b>	<b>4,566</b>

If the current bed capacity remains unchanged through FY 2022, and the inmate population returns to pre-coronavirus levels (February 28, 2020) by the end of FY 2022, the rated bed shortfall would be (3,300) and the operating capacity surplus would be 2,919 in FY 2022 as shown in *Table 6*. The department may be able to use temporary beds or reallocate beds to meet unanticipated growth.

### Correctional Officer Staffing

The FY 2020 budget included an increase to ADC of \$35,479,300 for staff salary increases. Of that amount, about \$33,482,600 was for correctional officers (COs). In addition to that amount, ADC planned to utilize \$12,999,900 in existing vacancy savings for a total of \$46,482,500 in salary increases for COs. This amount was estimated to provide a 10% salary increase for all COs, including vacant positions, and increase the average base salary from \$39,300 to \$43,200 per year, excluding overtime.

The FY 2021 budget required ADC to set a benchmark for hiring CO positions. By June 2021, ADC is seeking to hire 364 new CO positions above their June 2020 staff level. Through October 2020, ADC had added a net of 107 COs relative to June 2020.

In order to maintain staffing levels in prisons, ADC utilizes overtime for existing officers. In May 2019, ADC raised the overtime cap from 24 hours to 32 hours per week to allow for additional overtime. ADC reported that the change resulted in a roughly 30% increase in average overtime worked per employee. On average, COs earned \$10,000 in overtime in FY 2020. ADC projects average overtime earnings in FY 2021 will be \$9,200 per CO.

As discussed above, the Baseline includes \$15,540,500 for overtime costs, consistent with past budgets. However, ADC regularly exceeds this amount. In FY 2020, ADC reported \$59,877,800 in actual overtime expenditures.

### Lewis/Yuma Lock, HVAC and Fire Safety Project

In April 2019 ADC identified locks, HVAC systems and fire alarm and suppression systems in the Lewis and Yuma prison complexes that need replacement.

ADC began work in May 2019 using non-appropriated monies. In June 2019, ADC initially estimated the total cost of the project would be \$45,869,500 over several years. By September 2019, ADC had revised the expenditure plan to \$51,400,000 due to higher-than-anticipated locking system and labor costs, sales taxes and insurance. Since September 2019, ADC has made several changes to the original project scope. The changes are as follows:

- New Locking Solution - ADC originally planned to install a 4-point rack and pinion system but has since opted for a simpler and less expensive detention-grade deadbolt for savings. However, prior to switching locks ADC had already received some of the original locking components, which reduced the

**Table 4**

**Lewis and Yuma Project Costs**

	<u>Sept. 2019 Plan</u>	<u>July 2020 Plan</u>	<u>Difference</u>
Locks and Fire Systems <sup>1/</sup>	\$35,090,000	\$15,926,100	\$(19,163,900)
HVAC	16,310,000	18,522,400	2,212,400
New Facility Upgrades	0	7,817,500	7,817,500
Contingency	<u>0</u>	<u>4,000,000</u>	<u>4,000,000</u>
<b>Total Project Costs</b>	<b>\$51,400,000</b>	<b>\$46,266,000</b>	<b>\$(5,134,000)</b>

<sup>1/</sup> The expenditure plan includes \$6,533,300 for previously purchased locks that will be repurposed.

savings. ADC plans to repurpose these locks for non-cell doors. The net impact of these changes reduced project costs by \$(19,163,900) compared to the September expenditure plan.

- Air Conditioning - ADC now plans to install air conditioning rather than evaporative cooling. ADC initially estimated this change would result in significant cost increases. But ADC now estimates the switch to air conditioning will cost \$2,212,400 above the September 2019 plan.
- New Facility Upgrades - ADC plans to upgrade the existing cell toilets at Lewis and Yuma to stainless steel toilet/sink combination units and to upgrade the light fixtures to ones that are less prone to tampering. ADC estimates these upgrades will cost an additional \$7,817,500.
- Contingency - With the savings from lower-than-expected air conditioning costs, ADC set aside \$4,000,000 for project contingencies.

As of July 2020, ADC's expenditure plan has decreased by \$(5,134,000) compared to their September 2019 plan for a total budget of \$46,266,000. (See *Table 4* for a cost comparison by project component.)

ADC has so far identified a total of \$24,000,000 in funding from non-appropriated sources for the project. The FY 2021 budget appropriated an additional \$30,000,000 (\$11,000,000 from the General Fund and \$19,000,000 from other funds) for total project funding of \$54,000,000. With current projects costs of \$46,266,000 the project has an estimated \$7,734,000 in surplus funding. The project is currently expected to run through August 2022.

**COVID-Related Spending**

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, ADC was reimbursed for a total of \$281,140,100 in expenditures. Of this amount, \$265,928,200 was for General Fund spending. This reduced spending increased the agency's General Fund

revertment beyond what it would have otherwise been. The remaining \$15,211,900 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration. The projected FY 2021 ending fund balance for the Prison Construction and Operations Fund is less than the federal reimbursement, so the state may not be able to transfer all of these reimbursements to the General Fund.

ADC offset state funds in both the operating budget and special line items (see *Table 5* for detail).

**Table 5**

**ADC CRF Expenditures by Line Item (FY 2020)**

	<u>Amount</u>
Correctional Officer Personal Services	\$116,864,200
Health Care Personal Services	1,000,800
All Other Personal Services	25,494,900
Employee Related Expenditures	72,526,300
Other Operating Expenditures	<u>3,455,600</u>
<i>Operating Budget Subtotal</i>	<i>\$219,341,800</i>
Community Corrections	4,951,500
Private Prison Per Diem	722,100
Inmate Health Care Contracted Services	56,124,700
<b>Total</b>	<b><u>\$281,140,100</u></b>

(Please see the COVID-Related Spending Summary at the front of this book for more information).

**Auditor General Report**

In October 2020 the Auditor General published an ADC performance audit including findings regarding the department's capital funding and finances.

The report provided a history of ADC's capital funding requests and how those requests are changed before being presented to the Legislature. As a result, the report

estimated that the department has \$125,000,000 in deferred maintenance costs.

The report also identified inconsistencies with the department's reconciling of inmate accounts and bank statement balances. ADC reports that the inconsistencies are the result of data issues with the new inmate management system implemented in November 2019.

The Auditor General recommended ADC:

- Continue to resolve data issues and complete inmate account reconciliation.
- Develop and implement a strategy and timeframe to resolve the outstanding unreconciled items.
- Retain all historical supporting documentation for each monthly reconciliation.

ADC agreed to the audit recommendations and plans to implement changes by December 2020.

For more information, see the Auditor General's [full report](#).

### **Florence Prison**

The Executive's FY 2021 budget proposal released in January 2020 included a plan to close the Florence prison beginning in FY 2021. However, the enacted FY 2021 budget did not include funding to close Florence. The Florence prison has a total operating capacity of 3,981.

However, in response to the population decline during the pandemic, ADC deactivated the Florence North Unit at the beginning of FY 2021. The North Unit is a male minimum security unit with an operating capacity of 996 beds.

ADC has also reported it plans to vacate the Florence Central Unit. The Florence Central Unit is a close-custody unit with an operating capacity of 804 beds (of which 97 are death row beds).

The Florence prison has a total operating capacity of 3,981. With the deactivation of the North and Central Units, the Florence operating capacity would be reduced by (54.8)% to 2,181.

The Florence Central Unit also houses the execution facilities for the state. The Executive has not provided a plan for these facilities or for the future of the rest of the Florence Prison.

ADC plans to move the inmates currently in the Florence Central Unit to the Lewis Morey Unit which is currently

being renovated as part of the lock, HVAC and fire system project. The Lewis Morey Unit is also a close-custody unit with an operating capacity of 800 beds and is scheduled for completion in January 2021.

### **AIMS Replacement**

The legislature appropriated a total of \$24,000,000 between FY 2014 - FY 2017 for the replacement of the Arizona Inmate Management System (AIMS). AIMS 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 included the off-the-shelf software, configuration, training, and equipment.

ADC went live with the AIMS replacement, the Arizona Corrections Information System (ACIS), on November 29, 2019.

ADC reported the final cost of ACIS was \$30,877,200. ADC utilized funding from their operating budget and the non-appropriated Indirect Cost Recovery Fund to cover the budget overruns.

At the May 2020 Information Technology Authorization Committee (ITAC) meeting, the department reported that the development of the project is complete, and they would move into a maintenance and operations contract with the vendor. The contract includes 10,000 hours annually for further development and maintenance as well as 10,000 hours one-time in FY 2021 to resolve outstanding issues. The committee requested that the department submit an informational report in spring 2021 to update the committee on the status of the project's implementation in the first year and resolutions of outstanding system issues with the vendor, as well as provide a road map for the system

In July 2020 ADOA reported that the AIMS project was complete. However, ADOA continued to label the project as "off-track" because the system still has critical bugs that require manual workarounds.

Due to the ongoing system bugs, the Baseline would amend an existing footnote to require the Arizona Strategic Enterprise Technology Office to report all expenditures for the prior fiscal year for system modifications to the Joint Legislative Budget Committee by November 1 of each year.

Table 6

State	Fiscal Year-End Operating Capacity								
	FY 2020 Actual			FY 2021 Estimate			FY 2022 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	343	2,248	1,905	343	2,248	1,905	343	2,248
Eyman	3,984	1,793	5,777	3,984	1,793	5,777	3,984	1,793	5,777
Florence	3,284	697	3,981	3,284	697	3,981	3,284	697	3,981
Perryville	4,214	141	4,355	4,214	141	4,355	4,214	141	4,355
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	416	1,869	1,453	416	1,869	1,453	416	1,869
Tucson	4,600	493	5,093	4,600	493	5,093	4,600	493	5,093
Winslow	1,626	216	1,842	1,626	216	1,842	1,626	216	1,842
Yuma	4,350	420	4,770	4,350	420	4,770	4,350	420	4,770
<b>Subtotal</b>	<b>31,072</b>	<b>5,557</b>	<b>36,629</b>	<b>31,072</b>	<b>5,557</b>	<b>36,629</b>	<b>31,072</b>	<b>5,557</b>	<b>36,629</b>
<b>Private (Per Diem)</b>									
Kingman (\$41.78)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$51.00)	400	100	500	400	100	500	400	100	500
Marana (\$49.10)	500	-	500	500	-	500	500	-	500
Florence West (\$46.55 - 57.74)	600	150	750	600	150	750	600	150	750
Florence II (\$69.57)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$68.20)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
<b>Subtotal <sup>1/</sup></b>	<b>7,900</b>	<b>662</b>	<b>8,562</b>	<b>7,900</b>	<b>662</b>	<b>8,562</b>	<b>7,900</b>	<b>662</b>	<b>8,562</b>
<b>Total - All beds <sup>2/</sup></b>	<b>38,972</b>	<b>6,219</b>	<b>45,191</b>	<b>38,972</b>	<b>6,219</b>	<b>45,191</b>	<b>38,972</b>	<b>6,219</b>	<b>45,191</b>
<b>State Prison Population</b>									
Female	4,006		4,006	4,392		4,392	4,392		4,392
Male	28,532		28,532	29,628		29,628	29,628		29,628
<b>Subtotal</b>	<b>32,538</b>		<b>32,538</b>	<b>34,020</b>		<b>34,020</b>	<b>34,020</b>		<b>34,020</b>
<b>Private Prison Population</b>									
Male	7,613		7,613	8,252		8,252	8,252		8,252
<b>Total Population <sup>3/4/</sup></b>	<b>40,151</b>		<b>40,151</b>	<b>42,272</b>		<b>42,272</b>	<b>42,272</b>		<b>42,272</b>
<b>Bed Surplus/(Shortfall)</b>									
	(1,179)		5,040	(3,300)		2,919	(3,300)		2,919
Male	(1,532)		4,546	(3,267)		2,811	(3,267)		2,811
Female	353		494	(33)		108	(33)		108
<b>Bed Surplus/(Shortfall) (% of Beds)</b>	<b>-3%</b>		<b>11%</b>	<b>-8%</b>		<b>6%</b>	<b>-8%</b>		<b>6%</b>

<sup>1/</sup> 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.

<sup>2/</sup> Excludes special use beds totaling 1,837 as of June 30, 2020.

<sup>3/</sup> The chart excludes prisoners awaiting transfer from county jail.

<sup>4/</sup> The chart assumes the inmate population in FY 2022 and FY 2023 returns to pre-COVID pandemic levels of February 28, 2020.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.		
<b>Purpose of Fund:</b> To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
<b>Funds Expended</b>	274,100	555,500
<b>Year-End Fund Balance</b>	1,232,100	1,083,100
<b>Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
<b>Purpose of Fund:</b> 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 amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
<b>Funds Expended</b>	44,364,700	32,459,000
<b>Year-End Fund Balance</b>	12,965,800	6,706,800
<b>Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. Laws 2012, Chapter 208 permits the department to implement a fee for participation in a drug testing program; the department has not yet implemented the fee.		
<b>Purpose of Fund:</b> To pay for costs related to community corrections.		
<b>Funds Expended</b>	375,100	405,000
<b>Year-End Fund Balance</b>	464,000	473,100
<b>Coronavirus Relief Fund (DCA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	281,140,100	0
<b>Year-End Fund Balance</b>	0	0
<b>Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private grants and monies received from the disposal of donated properties.		
<b>Purpose of Fund:</b> To be used as specified by the particular donation.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,100	6,100
<b>Corrections Fund (DCA2088/A.R.S. § 41-1641)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	30,312,200	30,312,300
<b>Year-End Fund Balance</b>	7,940,700	2,558,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. Expenditures from this fund are reported in the Capital section.		
<b>Purpose of Fund:</b> For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,320,200	778,400
<b>Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Law enforcement related federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	17,372,200	10,630,400
<b>Year-End Fund Balance</b>	(572,800)	28,100
<b>Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	1,236,800	275,900
<b>Year-End Fund Balance</b>	3,093,500	3,510,800
<b>Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Profit resulting from the privatization of inmate stores.		
<b>Purpose of Fund:</b> To fund inmate education. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	926,600	1,341,300
<b>Year-End Fund Balance</b>	6,931,700	6,610,100
<b>Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Profit resulting from the privatization of inmate stores.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	8,971,100	3,411,900
<b>Year-End Fund Balance</b>	6,931,700	6,610,100
<b>Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental agreements between ADC and other state and local entities.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	(15,358,900)	19,346,700
<b>Year-End Fund Balance</b>	19,308,300	1,400
<b>Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,487,500	2,804,000
<b>Year-End Fund Balance</b>	3,359,500	1,112,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
<b>Purpose of Fund:</b> To pay for any costs related to prison overcrowding and department support and maintenance.		
<b>Funds Expended</b>	2,499,800	12,500,000
<b>Year-End Fund Balance</b>	10,673,900	8,173,900
<b>Special Services Fund (DCA3187/A.R.S. § 41-1604.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
<b>Purpose of Fund:</b> 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. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
<b>Funds Expended</b>	12,444,700	10,233,100
<b>Year-End Fund Balance</b>	7,278,800	6,101,500
<b>State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide a continuous source of monies for the benefit and support of state penal institutions.		
<b>Funds Expended</b>	2,661,500	2,661,800
<b>Year-End Fund Balance</b>	3,147,000	1,009,900
<b>State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
<b>Purpose of Fund:</b> To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
<b>Funds Expended</b>	4,021,700	2,983,700
<b>Year-End Fund Balance</b>	1,853,200	2,724,300
<b>State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> "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.		
<b>Purpose of Fund:</b> To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
<b>Funds Expended</b>	729,000	769,600
<b>Year-End Fund Balance</b>	608,900	325,100
<b>Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
<b>Funds Expended</b>	108,800	110,000
<b>Year-End Fund Balance</b>	78,400	88,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)</b>		<b>Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> To pay for costs related to the administration of the Transition Program and for transition program services.</p>		
<b>Funds Expended</b>	592,200	2,400,100
<b>Year-End Fund Balance</b>	6,088,000	6,155,500

## Board of Cosmetology

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	774,200	864,900	864,900
Employee Related Expenditures	369,100	431,300	431,300
Professional and Outside Services	158,600	147,000	147,000
Travel - In State	12,200	30,000	30,000
Travel - Out of State	3,200	5,500	5,500
Other Operating Expenditures	457,300	410,700	410,700
Equipment	1,600	8,000	8,000
<b>OPERATING SUBTOTAL</b>	<b>1,776,200</b>	<b>1,897,400</b>	<b>1,897,400</b>
<b>SPECIAL LINE ITEMS</b>			
Annual Leave Payout	0 <sup>1/</sup>	0	0
<b>AGENCY TOTAL</b>	<b>1,776,200</b>	<b>1,897,400</b>	<b>1,897,400 <sup>2/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Cosmetology Fund	1,776,200	1,897,400	1,897,400
SUBTOTAL - Other Appropriated Funds	1,776,200	1,897,400	1,897,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,776,200</b>	<b>1,897,400</b>	<b>1,897,400</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,776,200</b>	<b>1,897,400</b>	<b>1,897,400</b>

**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/ 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 the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (FY 2019 General Appropriation Act footnote, as amended by FY 2020 General Appropriation Act)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,897,400 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

### Other Issues

### Large Fund Balances

The JLBC Staff has identified several regulatory agencies as having a large fund balance above \$5,000,000. The Board of Cosmetology Fund had an ending fund balance of \$12,944,400 at the end of FY 2020, or 728.8% of their

total FY 2020 expenditures of \$1,776,200. Ongoing FY 2021 revenues are projected to be \$3,337,400 in comparison to an FY 2021 appropriation of \$1,897,400. Therefore, the fund balance will likely continue to rise.

The Legislature may consider the following options to address the board's fund balance: 1) allow the agency to retain the current balance; 2) increase the agency's spending authority to spend down a portion of the balance; 3) require the agency to adopt a fee holiday to limit revenue collections for a period of time; and/or 4) transfer a portion of the fund balance to the General Fund.

In FY 2021, the board requested \$2,468,300 and 3 FTE Positions from the Board of Cosmetology Fund for a replacement of the board's database, 2 additional

inspectors, 1 additional customer service representative, and salary increases. The FY 2021 Executive Budget did not include additional funding for these requests. In FY 2022, the board is requesting \$336,800 and 3 FTE Positions. This proposal would not significantly reduce the fund balance.

Additionally, Executive Order 2020-17 instructed regulatory agencies to waive licensing fees at their discretion due to the impacts of COVID-19. This executive

order is up for review every two weeks and is currently still in effect. The board implemented a fee moratorium which affected all first time and renewal licenses. This moratorium occurred from April 4, 2020 to October 4, 2020 and resulted in lost revenue of \$(1,574,600). The lost revenue is taken into account in the fund predictions for FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
<b>Funds Expended</b>	1,776,200	1,897,400
<b>Year-End Fund Balance</b>	12,944,400	12,703,700

**County Funding**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>SPECIAL LINE ITEMS</b>			
County Sheriff Reentry Planning	500,000	500,000	0
Elected Officials Retirement Plan Offset	3,000,000	3,000,000	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
<b>AGENCY TOTAL</b>	<b>11,150,700</b>	<b>11,150,700</b>	<b>10,150,700</b>
<b>FUND SOURCES</b>			
General Fund	10,650,700	10,650,700	10,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	500,000	0 <sup>1/2/</sup>
SUBTOTAL - Other Appropriated Funds	500,000	500,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,150,700</b>	<b>11,150,700</b>	<b>10,650,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>11,150,700</b>	<b>11,150,700</b>	<b>10,650,700</b>

**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 no funding from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2022 for County Sheriff Reentry Planning. FY 2022 adjustments are as follows:

**Remove County Sheriff Reentry Planning Funding**

The Baseline includes a decrease of \$(500,000) from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2022 for the elimination of County Sheriff Reentry Planning funding.

Laws 2018, Chapter 342 appropriated \$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) according to the 2010 Decennial Census. *(Please see the Other Issues – Decennial Census section below for more information.)*

**Elected Officials Retirement Plan Offset**

The Baseline includes \$3,000,000 from the General Fund in FY 2022 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2021.

This amount is allocated equally among counties with a population of less than 300,000 according to the 2010 Decennial Census. Each of the 12 smallest counties receives \$250,000. *(Please see the Other Issues – Decennial Census section below for more information.)*

**Small County Assistance**

The Baseline includes \$7,650,650 from the General Fund in FY 2022 for assistance to small counties. This amount is unchanged from FY 2021.

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. (Please see the Other Issues – Decennial Census section below for more information.)

<u>County</u>	<u>Ongoing Distribution</u>	<u>2010 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
<b>Total</b>	<b>\$7,650,650</b>	<b>6,392,017</b>

**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 2022, up to \$1,250,000 of county revenue for each county. The bill also requires 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, 2021. (Please see the Other Issues – Decennial Census section below for more information.)

**County Flexible Revenue Report**

The FY 2021 Revenue Budget Reconciliation Bill (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 2021. Counties using the authority under the FY 2021 Revenue BRB were required to report

to the Director of the JLBC on the intended amount and sources of funds by October 1, 2020.

Of the 12 eligible counties, 6 reported using the flexibility in FY 2021:

- Coconino County: 1,250,000 from the Jail District to the General Fund to pay down the Public Safety Personnel Retirement System (PSPRS) debt and pay for information technology needs for the Sheriff's Department.
- La Paz County: \$600,000 from the Vehicle License Tax to the General Fund to pay down PSPRS debt and pay for general operating expenses.
- Mohave County: \$1,000,000 from the Landfill Fund to the General Fund for capital facilities.
- Navajo County: \$830,000 from the Flood Control District and Library District to the General Fund for operating expenses.
- Yavapai County: \$1,250,000 from the Flood Control District to the General Fund for operating expenses.
- Yuma County: \$500,000 from the Flood Control District to the Jail District to supplement operating revenue due to projected shortfall related to the COVID-19 pandemic. The transfer will only be made if needed.

The following 5 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, and Santa Cruz. Apache County did not respond.

Table 2 shows the utilization of the county flexibility language since FY 2015.

**Decennial Census**

Both appropriations for County Funding use the 2010 Decennial Census as the basis for allocating monies to qualifying counties. In addition, the BRB provision permitting certain counties under a certain population flexibility in using county revenue to meet fiscal obligations also uses the 2010 Decennial Census. The Baseline continues the use of the 2010 Decennial Census for these items. The 2020 Decennial Census data providing county population totals is estimated to be available between February and April 2021. While the appropriations and BRB provision would still work using the 2010 Decennial Census as their reference point, the Legislature may choose to update the reference to the 2020 Decennial Census, which could result in different allocations or appropriations.

**Proposition 207 – Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which is used by state agencies to

carry out certain requirements of the initiative. Before any distributions are made from the fund, the counties receive a self-determined amount from the fund for county health departments. The counties have estimated annual spending of \$564,000 to fulfill the initiative's requirements. *(Please see the Department of Health Services - Other Issues Section for more information.)*

**Table 2**

**County Flexibility Language Utilization FY 2015 - FY 2021\***

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>Total</u>
Apache	\$ 500,000	\$ 400,000	\$1,200,000	\$1,250,000	\$1,250,000	\$1,250,000	NR	\$ 5,850,000
Cochise	36,700	23,000				NR		59,700
Coconino		10,634,800	493,700	1,250,000		1,250,000	\$1,250,000	14,878,500
Gila								-
Graham								-
Greenlee								-
La Paz	5,012,500	992,500	596,500			1,250,000	600,000	8,451,500
Maricopa								-
Mohave				500,000			1,000,000	1,500,000
Navajo	1,430,300	1,200,000	1,200,000		1,250,000	1,040,000	830,000	6,950,300
Pima								-
Pinal		1,000,000						1,000,000
Santa Cruz								-
Yavapai							1,250,000	1,250,000
Yuma	29,700	10,200	51,000	27,100		NR	500,000	618,000
<b>Total</b>	<b>\$7,009,200</b>	<b>\$14,260,500</b>	<b>\$3,541,200</b>	<b>\$3,027,100</b>	<b>\$2,500,000</b>	<b>\$4,790,000</b>	<b>\$5,430,000</b>	<b>\$40,558,000</b>

\*Reporting to JLBC began in FY 2009.

NR = County did not respond to the request for information.

## Arizona Criminal Justice Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	450,500	534,900	534,900
Employee Related Expenditures	160,200	218,000	218,000
Professional and Outside Services	247,500	349,800	349,800
Travel - In State	3,800	1,000	1,000
Travel - Out of State	6,900	3,000	3,000
Other Operating Expenditures	143,000	186,000	186,000
Equipment	28,200	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,040,100</b>	<b>1,292,700</b>	<b>1,292,700</b>
<b>SPECIAL LINE ITEMS</b>			
Criminal History Repository Upgrade	89,800	600,000 <sup>1/</sup>	0
Felony Pretrial Intervention Programs	750,000	0	0
State Aid to County Attorneys	716,300	973,700	973,700
Victim Compensation and Assistance	3,978,700	4,229,900	4,229,900
<b>AGENCY TOTAL</b>	<b>6,574,900</b>	<b>7,096,300</b>	<b>6,496,300 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	439,700	668,500	668,500
Drug and Gang Prevention Resource Center Fund	600,400	624,200	624,200
Fingerprint Clearance Card Fund	89,800	600,000	0
State Aid to County Attorneys Fund	716,300	973,700	973,700 <sup>3/</sup>
Transition Program Fund	750,000	0	0
Victim Compensation and Assistance Fund	3,978,700	4,229,900	4,229,900 <sup>4/</sup>
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>6,574,900</b>	<b>7,096,300</b>	<b>6,496,300</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,574,900</b>	<b>7,096,300</b>	<b>6,496,300</b>
Other Non-Appropriated Funds	5,328,100	5,160,100	5,160,100
Federal Funds	7,622,300	18,405,000	18,405,000
<b>TOTAL - ALL SOURCES</b>	<b>19,525,300</b>	<b>30,661,400</b>	<b>30,061,400</b>

**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.

### FOOTNOTES

- <sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>3/</sup> All monies received by the Arizona criminal justice commission in excess of \$973,700 in fiscal year 2021-2022 from the state aid to county attorneys fund established by section 11-539, Arizona Revised Statutes, are appropriated to the state aid to county attorneys program. Before spending any state aid to county attorneys fund monies in excess of \$973,700 in fiscal year 2021-2022, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- <sup>4/</sup> All victim compensation and assistance fund monies received by the Arizona criminal justice commission in excess of \$4,229,900 in fiscal year 2021-2022 are appropriated to the crime victims program. Before spending any victim compensation and assistance fund monies in excess of \$4,229,900 in fiscal year 2021-2022, 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 \$1,292,700 and 11 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
CJEF	\$668,500
Drug and Gang Prevention Resource Center Fund	624,200

These amounts are unchanged from FY 2021.

**Criminal History Repository Upgrade**

The Baseline includes no funding from the Fingerprint Clearance Card Fund in FY 2022 for a Criminal History Repository Upgrade. FY 2022 adjustments are as follows:

**Remove Criminal History Repository Funding**

The Baseline includes a decrease of \$(600,000) from the Fingerprint Clearance Card Fund to remove a 3-year appropriation.

The FY 2019 General Appropriation Act appropriates \$600,000 from the Fingerprint Clearance Card Fund for this purpose in FY 2019, FY 2020, and FY 2021 for a total of \$1,800,000 over 3 years. This amount is non-lapsing. ACJC spent a total of \$101,000 in FY 2019 and FY 2020 combined, leaving \$1,699,000 in available funding. ACJC reports that project expenditures have been slow due to a delay in design phase of the project. ACJC estimates spending the remaining \$1,699,000 in FY 2021.

This line item provided 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.

**State Aid to County Attorneys**

The Baseline includes \$973,700 from the State Aid to County Attorneys Fund in FY 2022 for State Aid to County Attorneys. This amount is unchanged from FY 2021.

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 \$4,229,900 from the Victim Compensation and Assistance Fund in FY 2022 for Victim Compensation and Assistance. This amount is unchanged from FY 2021.

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**

**Criminal Justice Enhancement Fund**

The Criminal Justice Enhancement Fund receives revenues from penalties on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Laws 2018, Chapter 237 reduced the CJEF surcharge from 47.0% to 42.0% in A.R.S. § 41-2401 and removed the Victims' Rights Fund and Victim Compensation and Assistance Fund as recipients of the surcharge. Instead, these 2 funds receive revenues from a new \$9 penalty on criminal and civil violations.

CJEF monies are distributed on a percentage basis to various state entities. *Table 1* shows the current distribution percentages and the appropriation status of the funds and programs receiving CJEF monies. (See *individual agency pages for detailed information on each recipient.*)

Table 1

**Criminal Justice Enhancement Fund (CJEF)**

<b>Funds Transferred <sup>1/</sup></b>	<b>FY 2020 <sup>2/</sup></b>	<b>% of CJEF</b>	<b>Approp.</b>
<u>Attorney General</u>			
AZ Prosecuting Attorneys Advisory Council (4)	\$ 931,300	3.45	no
County Attorneys (7)	2,877,000	10.66	no
Victim Rights Implementation	2,734,300	<sup>3/</sup>	yes
<u>Arizona Criminal Justice Commission</u>			
Operation Costs (10)	483,100	1.79	yes
Crime Victims Compensation	224,700	<sup>3/</sup>	yes
<u>Department of Public Safety</u>			
Crime Lab Assessment Fund (11)	-	2.62	yes
Forensics Fund (1)	5,922,600	19.09	yes
Peace Officers' Training Fund (3)	5,119,800	18.97	no
State/Local Grants (6)	2,237,600	8.29	<sup>4/</sup>
<u>Department of Juvenile Corrections (2)</u>			
	496,400	1.84	yes
<u>State Treasurer</u>			
County Sheriffs (9)	3,546,800	13.34	no
<u>Supreme Court</u>			
Case Processing (8)	1,851,600	6.86	yes
Juvenile Crime (5)	2,877,000	10.66	yes
Community Punishment Program (12)	592,500	2.43	yes
<b>Total Funds Distributed <sup>5/</sup></b>	<b>\$29,894,500</b>		

<sup>1/</sup> The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.  
<sup>2/</sup> The FY 2020 figures reflect amounts as reported by individual agencies to ACJC and may not correspond directly with agencies' statutory allocation. Financial information provided by agencies reflect when revenues from CJEF were recognized by the agency, not when the Treasurer's Office indicated the revenues were available to those agencies.  
<sup>3/</sup> Laws 2018, Chapter 237 reduced the CJEF surcharge from 47.0% to 42.0% in A.R.S. § 41-2401 and removed the Victims' Rights Fund and Victim Compensation and Assistance Fund as recipients of the surcharge. Instead, these 2 funds receive revenues from a new \$9 penalty on criminal and civil violations.  
<sup>4/</sup> Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.  
<sup>5/</sup> Total does not sum due to rounding.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 1.79% allocation of the Criminal Justice Enhancement Fund (CJEF) for operating costs. 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. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Purpose of Fund:</b> For operating costs of ACJC.		
<b>Funds Expended</b>	439,700	668,500
<b>Year-End Fund Balance</b>	473,100	357,800
<b>Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 1.79% allocation of CJEF and a portion of "Fill the Gap" funds pursuant to A.R.S. § 41-2124. 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. Please see the Appropriated portion of the fund for additional information.		
<b>Purpose of Fund:</b> For operating costs of ACJC.		
<b>Funds Expended</b>	707,500	507,500
<b>Year-End Fund Balance</b>	473,100	357,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Drug and Gang Enforcement Fund (JCA2516/A.R.S. § 41-2402)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,511,800	4,524,500
<b>Year-End Fund Balance</b>	2,873,700	2,951,600
<b>Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	600,400	624,200
<b>Year-End Fund Balance</b>	353,700	449,000
<b>Federal Grants (JCA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue from federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	7,622,300	18,405,000
<b>Year-End Fund Balance</b>	15,912,900	13,493,600
<b>Fingerprint Clearance Card Fund (JCA2433/A.R.S. § 41-1758.06)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<b>Purpose of Fund:</b> To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
<b>Funds Expended</b>	89,800	600,000
<b>Year-End Fund Balance</b>	1,098,900	0
<b>IGA and ISA Fund (JCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	108,800	128,100
<b>Year-End Fund Balance</b>	77,800	48,200
<b>State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	716,300	973,700
<b>Year-End Fund Balance</b>	66,900	66,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Transition Program Fund (JCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 Department of Corrections Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
<b>Purpose of Fund:</b> To fund felony pretrial intervention programs.		
<b>Funds Expended</b>	750,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To establish, maintain and support programs that compensate and assist victims of crime.		
<b>Funds Expended</b>	3,978,700	4,229,900
<b>Year-End Fund Balance</b>	2,061,900	1,104,300

## Arizona State Schools for the Deaf and the Blind

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>PROGRAM BUDGET</b>			
Administration/Statewide	8,050,500	7,946,600	7,946,600
Phoenix Day School for the Deaf	10,770,500	10,714,800	11,047,200
Preschool/Outreach Programs	5,969,900	6,333,500	6,538,800
Regional Cooperatives	12,300	0	0
Tucson Campus	12,081,500	12,258,900	12,649,600
<b>AGENCY TOTAL</b>	<b>36,884,700</b>	<b>37,253,800</b>	<b>38,182,200</b>
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	562.2	562.2	562.2
Personal Services	19,480,200	20,221,500	20,221,500
Employee Related Expenditures	8,340,300	8,453,600	8,453,600
Professional and Outside Services	2,786,100	2,210,800	2,210,800
Travel - In State	84,600	131,400	131,400
Travel - Out of State	37,300	0	0
Other Operating Expenditures	4,315,200	4,801,100	5,729,500
Equipment	1,490,000	1,066,400	1,066,400
<b>OPERATING SUBTOTAL</b>	<b>36,533,700</b>	<b>36,884,800</b>	<b>37,813,200</b>
<b>SPECIAL LINE ITEMS</b>			
School Bus/Agency Vehicle Replacement	351,000	369,000	369,000
<b>AGENCY TOTAL</b>	<b>36,884,700</b>	<b>37,253,800</b>	<b>38,182,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	23,255,200	23,865,500	23,865,500
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	13,629,500	13,388,300	14,316,700 <sup>2/</sup>
SUBTOTAL - Other Appropriated Funds	13,629,500	13,388,300	14,316,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>36,884,700</b>	<b>37,253,800</b>	<b>38,182,200</b>
Other Non-Appropriated Funds	18,593,400	18,563,500	18,563,500 <sup>3/</sup>
Federal Funds	2,116,400	3,380,200	3,380,200
<b>TOTAL - ALL SOURCES</b>	<b>57,594,500</b>	<b>59,197,500</b>	<b>60,125,900</b>

**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 October 2020, ASDB served approximately 2,060 children: 369 students in the K-12 programs (112 in Tucson and 257 in Phoenix), 96 children in preschools, 520 infant/toddlers in regional areas, and 1,075 children through the 5 existing regional cooperatives.

### FOOTNOTES

- <sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- <sup>2/</sup> Before spending any schools for the deaf and the blind fund monies in excess of \$14,316,700 in fiscal year 2021-2022, 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)
- <sup>3/</sup> **NEW** Before spending any cooperative services fund monies in excess of \$17,914,500 in fiscal year 2021-2022, 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 \$37,813,200 and 562.2 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$23,496,500
Schools for the Deaf and the Blind Fund	14,316,700

FY 2022 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 2022 due to flat enrollment. ASDB's FY 2021 appropriation assumed an enrollment of 496 students. Based on fall 2020 monthly data, the FY 2021 student enrollment is projected to be 465 students, or (31) less than the budgeted number. The fall enrollment figures, however, are preliminary. As a result, the Baseline assumes that final FY 2021 enrollment will meet the budgeted enrollment projection of 496 and that FY 2022 caseloads will remain unchanged in comparison to FY 2021. The Baseline therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2022. These estimates do not reflect any potential enrollment declines associated with the COVID-19 pandemic. *(Please see Other Issues for additional enrollment information.)*

ASDB receives funding from the Arizona Department of Education (ADE), as its students qualify for K-12 formula funding. These monies are deposited into the ASDB Fund and the non-appropriated Regional Cooperatives Fund.

If enrollment is higher than anticipated, ADE will distribute additional funding to ASDB. These monies can be spent without a new appropriation, as ASDB is provided budget flexibility through an ongoing General Appropriation Act footnote.

### Base Adjustment

The Baseline includes an increase of \$666,600 from the ASDB Fund in FY 2022 for a base adjustment to reflect anticipated growth in revenues in comparison to the enacted budget. In FY 2021, revenues of \$13,388,300 were appropriated into the ASDB Fund from special education vouchers and state land trust endowment earnings. However, ASDB estimates that actual revenues into the ASDB Fund in FY 2021 will be \$14,054,900, or \$666,600 higher than the appropriated amount.

### Formula Funding Increase

The Baseline includes an increase of \$261,800 from the ASDB Fund in FY 2022 for estimated formula funding

increases to the ASDB Fund in FY 2022. The funding formula increase includes:

- \$240,000 for an increase to the "Base Level" component of the K-12 Basic State Aid (BSA) formula. BSA base level increases for inflation also increase ASDB's voucher funding. The Baseline increases the BSA base level for inflation and teacher pay raises in FY 2022, which will increase special education voucher funding into the ASDB Fund by an estimated \$240,000 in FY 2022.
- In addition to the increases related to inflation and teacher pay raises, interest associated with state land trust endowment revenues will generate an estimated \$21,800 in FY 2022.

The inflation (\$240,000) and land trust endowment earnings (\$21,800) adjustments total to \$261,800. When added to the revised FY 2021 base of \$14,054,900, total revenues into the ASDB Fund are forecasted to reach \$14,316,700 in FY 2022. This amount exceeds the FY 2021 appropriation of \$13,388,300 by \$928,400. As a result, the Baseline increases the ASDB Fund appropriation in FY 2022 by \$928,400 to match forecasted revenues.

The Baseline also continues a footnote that permits ASDB to spend monies in excess of the appropriated amount in FY 2022 after reporting to the JLBC the intended use of the monies.

*Background* – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from ADE for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula.

### Assistive Technology Devices

The Baseline includes no change in funding from the General Fund in FY 2022 for assistive technology devices. The Baseline includes a total of \$253,100 from the General Fund in FY 2022 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 2022 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

## School Bus/Agency Vehicle Replacement

The Baseline includes \$369,000 from the General Fund in FY 2022 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2022.

Monies in this line item are used for the purchase of new school buses and agency vehicles. 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 \$57,000,000 over 10 years to fund eligible mitigation activities. ASDB was included as one of the state beneficiaries and received \$900,000 from the Volkswagen settlement. Of that amount, ASDB received \$700,000 in FY 2019 and received the remaining \$200,000 in FY 2020.

Because the agency was able to use monies from the Volkswagen settlement for school bus replacements in FY 2019, it shifted \$369,000 from the School Bus Replacement line item to its operating budget for FY 2019 to purchase 15 new general-fleet vehicles in FY 2019. In FY 2020, the agency spent \$738,000 to purchase 23 general-fleet vehicles. In FY 2021, the agency plans to use the monies in this Special Line Item to purchase 12 general-fleet vehicles.

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included \$1,000,000 from the Governor's Emergency Education Relief Fund (GEERF) for the purchase of vehicles at ASDB. The agency used the monies to purchase 16 general-fleet vehicles and 3 school buses. *(Please see the COVID-Related Spending Summary at the front of this book for more information).*

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### Other Issues

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## Statutory Changes

The Baseline would:

- As permanent law, establish the Cooperative Services Fund. Authorize the fund to receive special education voucher monies paid to ASDB by ADE pursuant to A.R.S. § 15-1202 on behalf of students enrolled in one

of ASDB's 5 regional cooperatives, tuition payments from school districts, and district membership fees. Make monies in the fund appropriated and non-lapsing.

- As permanent law, repeal the requirement in A.R.S. § 15-1304 that special education vouchers for enrollees in a regional cooperative be continuously appropriated.

Regional Cooperatives provide services for deaf and blind students who are being served in a variety of settings in their home school district instead of an ASDB site-based program. The services offered by cooperative programs include full or partial inclusion in general education classrooms, resource rooms, and self-contained special education classes. Enrollment in ASDB's regional cooperatives as of October 2020 was 1,075, in comparison to 112 students enrolled in the Tucson residential program, 257 in the Phoenix day school, and 96 in preschool programs.

The regional cooperatives, like ASDB's site-based programs, are funded by Special Education Vouchers paid by the Arizona Department of Education pursuant to A.R.S. § 15-1202. In FY 2021, ASDB estimates that of the \$26,705,500 in total Special Education voucher revenue it anticipates receiving in FY 2021, an estimated \$13,316,000 will be associated with students enrolled in a regional cooperative, versus \$13,389,500 for site-based program enrollees.

A.R.S. § 15-1304 stipulates, however, that only the \$13,389,500 in vouchers for site-based programs is appropriated via the Schools for the Deaf and the Blind Fund. The remaining \$13,316,000 for regional cooperative students is therefore non-appropriated, but there is no separate fund established in permanent law that is the designated recipient of vouchers for regional cooperative students. As a result, ASDB's historical practice has been to account for regional cooperative vouchers in a separate "Regional Cooperatives Fund" established by the agency. ASDB uses the same fund to account for other cooperative program revenues, including tuition monies paid by participating districts (the district pays tuition for services offered when the district receives the voucher instead of ASDB) as well as district membership fees. The agency anticipates that total revenues to the Regional Cooperatives Fund will reach \$17,598,800 in FY 2021.

To establish clearer statutory guidance in terms of the treatment of revenues for regional cooperative programs, the Baseline would establish a Cooperative Services Fund in permanent law, which would be the recipient of all revenues for the Regional Cooperatives Program

(vouchers, tuition payments, and district membership fees). To make the treatment of regional cooperative program revenues comparable to ASDB's site-based programs, the Baseline would establish the Cooperative Services Fund as an appropriated fund, make monies in the fund non-lapsing, and establish a new General Appropriation Act footnote allowing ASDB to spend monies in excess of its original appropriation after reporting to JLBC and OSPB if available revenues for the fund exceed the appropriation.

The General Appropriation Act would include a new Cooperative Services line item to more clearly distinguish between Cooperative Services program spending from ASDB's site-based programs given the distinct nature of cooperative services. This would not affect the funding level of ASDB's operating budget because ASDB does not currently allocate any appropriated funding in its operating budget to Regional Cooperative services.

**Proposition 208 – Education Funding**

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative

established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are used by state agencies for administrative costs of the initiative, ASDB will receive a distribution of monies from the fund based on its weighted student count in the same manner as school districts and charter schools. *(Please see the Department of Education - Other Issues Section for more information.)*

**Enrollment Projections**

Table 1 shows fall enrollment data for ASDB's Tucson, Phoenix, and Preschool campuses since FY 2018. The Baseline assumes that FY 2022 enrollment levels for ASDB will be unchanged from FY 2021.

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Tucson	130	134	120	112
Phoenix	270	259	257	257
Preschool	<u>89</u>	<u>103</u>	<u>119</u>	<u>96</u>
<b>Total</b>	<b>489</b>	<b>496</b>	<b>496</b>	<b>465</b>

**SUMMARY OF FUNDS**

**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%).

<b>Funds Expended</b>	1,004,000	1,297,700
<b>Year-End Fund Balance</b>	2,783,700	3,996,500

**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).

<b>Funds Expended</b>	30,500	18,600
<b>Year-End Fund Balance</b>	409,200	449,000

**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.

<b>Funds Expended</b>	2,116,400	3,380,200
<b>Year-End Fund Balance</b>	978,300	1,713,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>IGA and ISA Fund (SDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGAs) and Intergovernmental Service Agreements (ISAs).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,800	1,800
<b>Regional Cooperatives Fund (SDA4221/A.R.S. § 15-1304)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,506,200	16,509,100
<b>Year-End Fund Balance</b>	3,085,300	4,133,500
<b>Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> "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.		
<b>Purpose of Fund:</b> To cover the cost of educating students receiving special education services at ASDB.		
<b>Funds Expended</b>	13,629,500	13,388,300
<b>Year-End Fund Balance</b>	2,881,700	3,506,500
<b>State Grants (SDA2011/A.R.S. § 15-1303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
<b>Purpose of Fund:</b> To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
<b>Funds Expended</b>	1,967,800	603,000
<b>Year-End Fund Balance</b>	152,800	1,611,000
<b>Telecommunication Fund for the Deaf (SDA2047/A.R.S. § 36-1947)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
<b>Purpose of Fund:</b> To supplement funding to ASDB's Early Childhood and Family Education Program.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	564,200	564,200
<b>Trust Fund (SDA3148/A.R.S. § 15-1303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
<b>Purpose of Fund:</b> Spent at the discretion of ASDB.		
<b>Funds Expended</b>	84,900	135,100
<b>Year-End Fund Balance</b>	166,700	161,800

## Commission for the Deaf and the Hard of Hearing

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	1,066,900	1,141,500	1,141,500
Employee Related Expenditures	398,400	456,600	456,600
Professional and Outside Services	664,000	675,100	675,100
Travel - In State	8,100	1,000	1,000
Travel - Out of State	10,400	0	0
Other Operating Expenditures	1,768,800	1,649,700	1,649,700
Equipment	60,100	570,000	570,000
<b>OPERATING SUBTOTAL</b>	<b>3,976,700</b>	<b>4,493,900</b>	<b>4,493,900</b>
<b>SPECIAL LINE ITEMS</b>			
Support Services for the Deaf-Blind	7,700	192,000	192,000
<b>AGENCY TOTAL</b>	<b>3,984,400</b>	<b>4,685,900</b>	<b>4,685,900 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,984,400	4,685,900	4,685,900
SUBTOTAL - Other Appropriated Funds	3,984,400	4,685,900	4,685,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,984,400</b>	<b>4,685,900</b>	<b>4,685,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>3,984,400</b>	<b>4,685,900</b>	<b>4,685,900</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### **Operating Budget**

The Baseline includes \$4,493,900 and 17 FTE Positions from the Telecommunication Fund for the Deaf in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### **Support Services for the Deaf-Blind**

The Baseline includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2022 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2021.

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.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Private Grants (DFA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue received from grants and donations from non-governmental agencies such as foundation and private donors.		
<b>Purpose of Fund:</b> Monies used to pay for conferences, program, or other activities that are sponsored by donor organizations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	13,000	19,500
<b>Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,984,400	4,685,900
<b>Year-End Fund Balance</b>	9,409,100	10,503,500

## State Board of Dental Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	548,000	573,000	573,000
Employee Related Expenditures	245,900	206,400	206,400
Professional and Outside Services	133,800	211,400	211,400
Travel - In State	1,600	3,200	3,200
Travel - Out of State	4,200	5,500	5,500
Other Operating Expenditures	184,700	238,000	238,000
Equipment	24,600	23,700	23,700
<b>AGENCY TOTAL</b>	<b>1,142,800</b>	<b>1,261,200</b>	<b>1,261,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,142,800	1,261,200	1,261,200
SUBTOTAL - Other Appropriated Funds	1,142,800	1,261,200	1,261,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,142,800</b>	<b>1,261,200</b>	<b>1,261,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,142,800</b>	<b>1,261,200</b>	<b>1,261,200</b>

**AGENCY DESCRIPTION** - The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,261,200 and 11 FTE Positions from the Dental Board Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Dental Board Fund (DXA2020/A.R.S. § 32-1212)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
<b>Funds Expended</b>	1,142,800	1,261,200
<b>Year-End Fund Balance</b>	4,497,800	3,707,700

## Arizona Early Childhood Development and Health Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	140,258,500	149,864,100	149,864,100
Federal Funds	3,582,800	1,827,500	1,827,500
<b>TOTAL - ALL SOURCES</b>	<b>143,841,300</b>	<b>151,691,600</b>	<b>151,691,600</b>

**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 2020, ECDHB’s largest expenditure was **Child Care Scholarships** at \$69.7 million, as displayed in *Table 1*, serving an average of 5,167 children monthly, down from 6,088 in FY 2020.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB. (For more information, please see the [Child Care Program Summary on the JLBC website.](#))

**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 124 filled FTE positions from the \$15,293,800 program budget. **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.

**Table 1**

**FY 2020 ECDH Fund Expenditures by Category<sup>1/</sup>**  
(in Millions)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent</u>
Child Care Scholarships	\$69.7	49%
Family Support	31.9	22%
Health	16.1	11%
Administration	10.2	7%
Professional Development	5.4	4%
Community Awareness	2.7	2%
Research & Evaluation	3.5	2%
System Coordination	1.1	1%
Other Funds (Grants, Gifts, etc.)	2.2	2%
<b>Total</b>	<b>\$142.8</b>	<b>100%</b>

### Other Issues

#### Large Fund Balances

The Early Childhood Development and Health Fund had an ending fund balance of \$343,618,300 in FY 2020, compared to their total FY 2020 expenditures of \$140,258,500.

In 2009, the Arizona Supreme Court ruled that a proposed ECDHF transfer to the General Fund in the FY 2009 budget violated Proposition 105, which mandates that the Legislature may not appropriate or divert funds created by a voter initiative unless the appropriation or diversion is approved by a three-fourths vote and furthers the purpose of the initiative. During the 2010 General Election, voters defeated a proposal to end the agency and transfer its monies to the General Fund.

The agency reports that based on current projections, its annual expenditures can remain steady through FY 2027. The Early Childhood Development and Health Board expects their tax revenue source to decline in the future and plans to maintain a balance to ensure they can continue their efforts. In FY 2022, the board expects to spend \$27,103,400 more than it receives.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 4¢ tax per cigarette as well as various increases on other tobacco products.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Available</b>		
Balance Forward	354,805,000	343,618,300
Revenue:		
Administrative Costs Account	12,848,500	12,500,000
Program Account	115,637,100	112,500,000
Other (Donations/Grants)	<u>586,200</u>	<u>175,000</u>
<b>Total Funds Available</b>	<b>483,876,800</b>	<b>468,793,300</b>
Expenditures:		
Administrative Expenditures	13,866,300	15,293,800
Programmatic Expenditures	<u>126,392,200</u>	<u>134,570,300</u>
<b>Total Funds Expended</b>	<b>140,258,500</b>	<b>149,864,100</b>
<b>Year-End Fund Balance</b>	<b>343,618,300</b>	<b>318,929,200</b>
<b>Federal Grants (CDA2000/A.R.S. § 8-1182)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Funds.		
<b>Purpose of Fund:</b> To fund early comprehensive childhood systems.		
<b>Funds Expended</b>	3,582,800	1,827,500
<b>Year-End Fund Balance</b>	(47,300)	307,200

## Office of Economic Opportunity

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	294,000	320,300	320,300
Employee Related Expenditures	111,700	113,400	113,400
Professional and Outside Services	4,600	1,400	1,400
Travel - In State	0	1,100	1,100
Travel - Out of State	1,800	2,600	2,600
Other Operating Expenditures	55,700	43,700	43,700
Equipment	500	3,000	3,000
<b>OPERATING SUBTOTAL</b>	<b>468,300</b>	<b>485,500</b>	<b>485,500</b>
<b>SPECIAL LINE ITEMS</b>			
Small Drinking Water Systems Fund Deposit	500,000 <sup>1/</sup>	0	0
<b>AGENCY TOTAL</b>	<b>968,300</b>	<b>485,500</b>	<b>485,500 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	968,300	485,500	485,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>968,300</b>	<b>485,500</b>	<b>485,500</b>
Other Non-Appropriated Funds	129,629,200	77,583,100	76,083,100
Federal Funds	41,054,900	38,307,000	38,307,000
<b>TOTAL - ALL SOURCES</b>	<b>171,652,400</b>	<b>116,375,600</b>	<b>114,875,600</b>

**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

- <sup>1/</sup> The Water Infrastructure Finance Authority of Arizona shall report to the Joint Legislative Budget Committee on or before December 31, 2019, December 31, 2020, and December 31, 2021 on the annual amount of expenditures from the Small Drinking Water Systems Fund established by A.R.S § 49-355 for grants to interim operators, interim managers, or owners of small drinking water systems during the prior fiscal year. (FY 2020 General Appropriation Act Footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

#### Operating Budget

The Baseline includes \$485,500 and 5 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Small Drinking Water Systems Fund Deposit

The Baseline includes no funding in FY 2022 for the Small Drinking Water Systems Fund. This amount is unchanged from FY 2021.

The FY 2020 budget required that the Water Infrastructure Finance Authority, which is housed in the Office of Economic Opportunity, report on annual expenditures from the fund to the Joint Legislative Budget Committee by December 31 in 2019, 2020, and 2021. According to the December 2019 report, \$491,200 had been granted to 7 recipients since the inception of the program in FY 2017.

**Other Issues**

**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. (Please see the FY 2020 Appropriations Report for more details.)

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.

AFA

AFA houses the functions of the Water Infrastructure Finance Authority (WIFA), the Greater Arizona Development Authority (GADA), and administers the state's Private Activity Bond (PAB) authorization. AFA is expected to oversee \$103,780,500 in expenditures in FY 2022.

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.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Finance Authority Operations Fund (FAA5352/A.R.S. § 41-5352)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, unrestricted and available monies of WIFA and GADA, proceeds from the bond issuances of AIDA, donations, loans, or gifts to the Authority.		
<b>Purpose of Fund:</b> To fund the operations of AFA. Oversees the state's private activity bond authorization and the operations of WIFA and GADA.		
<b>Funds Expended</b>	300	500
<b>Year-End Fund Balance</b>	539,200	726,700
<b>Arizona Industrial Development Authority Fund (FAA9973/A.R.S. § 41-5356)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Filing and application fees related to the issuance of private activity bonds and investment income.		
<b>Purpose of Fund:</b> 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 and the Department of Housing's Housing Trust Fund. This fund is not held in a state account, so its expenditures and fund balances are not displayed.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Clean Water Annual Debt Service Interest Fund (FAA4313/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest from issued loans.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Funds Expended</b>	9,468,100	5,268,100
<b>Year-End Fund Balance</b>	2,654,800	2,213,700
<b>Clean Water Annual Debt Services Principal Fund (FAA4312/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Repayment on the principal of issued loans.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Funds Expended</b>	22,187,000	25,316,800
<b>Year-End Fund Balance</b>	70,148,700	70,648,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Clean Water Debt Service Reserve - Clean Water Fund (FAA4315/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Upfront payment from loan recipients with lower credit scores.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,720,800	3,706,400
<b>Clean Water Federal Loan Fund (FAA4310/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Funds Expended</b>	21,174,200	12,515,700
<b>Year-End Fund Balance</b>	0	0
<b>Clean Water Fee Program Income Fund (FAA4309/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fee from the issuance of a loan.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Funds Expended</b>	443,200	443,200
<b>Year-End Fund Balance</b>	9,075,900	8,825,600
<b>Clean Water Fees Non Program Income Fund (FAA4317/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Funds Expended</b>	106,100	96,700
<b>Year-End Fund Balance</b>	20,415,400	20,858,300
<b>Clean Water Financial Assistance Fund (FAA4319/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To generate the state match required by the Clean Water Act, provide financial assistance to political subdivisions, Indian tribes and eligible drinking water facilities for constructing, acquiring or improving wastewater treatment facilities, and drinking water facilities.		
<b>Funds Expended</b>	3,428,800	3,428,800
<b>Year-End Fund Balance</b>	84,659,000	86,994,500
<b>Clean Water State Loan Fund (FAA4311/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from bond sales.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Drinking Water Annual Debt Service Interest Fund (FAA4333/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest from issued loans.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	4,068,900	3,379,800
<b>Year-End Fund Balance</b>	10,722,800	11,465,600

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Drinking Water Annual Debt Services Principal Fund (FAA4332/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Repayment on the principal of issued loans.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	8,080,900	10,433,200
<b>Year-End Fund Balance</b>	20,075,300	34,275,800
<b>Drinking Water Debt Service Reserve Fund (FAA4320/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Upfront payment from loan recipients with lower credit scores.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,485,800	2,243,400
<b>Drinking Water Federal Loan Fund (FAA4335/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	17,717,600	22,873,400
<b>Year-End Fund Balance</b>	0	0
<b>Drinking Water Fees Non Program Fund (FAA4322/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	380,600	380,600
<b>Year-End Fund Balance</b>	4,438,600	5,910,600
<b>Drinking Water Fees Program Income Fund (FAA4336/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fee from the issuance of a loan.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	9,000,400	4,237,400
<b>Year-End Fund Balance</b>	2,781,000	1,544,400
<b>Drinking Water Financial Assistance Fund (FAA4324/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	70,235,000	15,000,000
<b>Year-End Fund Balance</b>	22,567,300	14,023,900
<b>Drinking Water State Loan Fund (FAA4331/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from bond sales.		
<b>Purpose of Fund:</b> To make loans for 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Economic Development Fund (EOA3337/A.R.S. § 41-5302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund projects as determined by the director of OEO.		
<b>Funds Expended</b>	0	5,485,100
<b>Year-End Fund Balance</b>	9,017,100	6,032,000
<b>Federal Grants (EOA2000/A.R.S. § 49-1203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants related to water supply management, employment and population statistical analysis, Workforce Innovation and Opportunity Act (WIOA) monies, and other programs.		
<b>Purpose of Fund:</b> To be used as specified by federal law.		
<b>Funds Expended</b>	2,163,100	2,536,400
<b>Year-End Fund Balance</b>	(109,600)	411,700
<b>Greater Arizona Development Authority Revolving Fund (FAA2311/A.R.S. § 41-2254)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	24,800	24,800
<b>Year-End Fund Balance</b>	12,567,200	12,564,300
<b>IGA and ISA Fund (EOA2500/A.R.S. § 41-5303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	440,300	127,100
<b>Year-End Fund Balance</b>	136,000	1,560,300
<b>Office of Economic Opportunity Operations Fund (EOA9903/A.R.S. § 41-5302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the operational costs of the office.		
<b>Funds Expended</b>	1,764,800	3,961,000
<b>Year-End Fund Balance</b>	2,322,900	434,500
<b>Small and Disadvantaged Communities Drinking Water Assistance Fund (FAA2230/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To assist small and disadvantaged communities to comply with the Safe Water Drinking Act (SDWA).		
<b>Funds Expended</b>	0	381,500
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Small Drinking Water Systems Fund (FAA2225/A.R.S. § 49-355)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and interest. The FY 2020 budget included a one-time deposit of \$500,000 from the General Fund.		
<b>Purpose of Fund:</b> 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. These expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	281,800	145,400

## Department of Economic Security

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,377.8	4,377.8	4,381.8 <sup>1/</sup>
Personal Services	73,458,000	76,026,400	76,107,000
Employee Related Expenditures	32,580,900	32,557,700	32,585,100
Professional and Outside Services	15,444,200	24,392,100	24,392,100
Travel - In State	755,700	403,600	403,600
Travel - Out of State	65,200	56,900	56,900
Other Operating Expenditures	22,195,400	25,792,900	25,803,400
Equipment	3,356,700	3,881,500	3,881,500
<b>OPERATING SUBTOTAL</b>	<b>147,856,100</b>	<b>163,111,100</b>	<b>163,229,600</b> <sup>2/3/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
Attorney General Legal Services	10,047,600	11,458,100	11,540,100
<b>Aging and Adult Services</b>			
Adult Services	8,731,900	8,731,900	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	13,074,700	14,003,700	14,003,700 <sup>4/5/</sup>
Family Caregiver Grant Fund Deposit	1,000,000	0	0
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Coordinated Hunger Services	1,754,600	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
<b>Child Support Enforcement</b>			
County Participation	4,215,000	8,740,200	8,539,700
<b>Developmental Disabilities</b> <sup>6/-11/</sup>			
DDD Administration	39,445,700	104,474,400	117,046,900
DDD Premium Tax Payment	40,619,200	43,472,900	50,055,200
Case Management - Medicaid	68,516,300	86,955,500	87,972,500
Home and Community Based Services - Medicaid	1,240,019,700	1,527,962,600	1,771,159,600
Institutional Services - Medicaid	37,994,600	45,973,200	34,881,700
Physical and Behavioral Health Services - Medicaid	349,498,000	393,043,700	465,349,400
Medicare Clawback Payments	4,517,800	4,388,900	4,661,200
Targeted Case Management - Medicaid	8,004,700	11,415,500	13,191,900
Case Management - State-Only	6,194,600	6,311,900	6,311,900
Cost Effectiveness Study Client Services	1,220,000	1,220,000	1,220,000
Home and Community Based Services - State-Only	13,589,000	13,589,000	13,589,000
Arizona Early Intervention Program	6,319,000	6,319,000	6,319,000
State-Funded Long Term Care Services	35,151,600	35,413,600	36,476,000
<b>Employment and Rehabilitative Services</b>			
Child Care Subsidy	146,796,600	169,095,000	185,414,000 <sup>12/13/</sup>
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Investment Act Services	68,154,600	53,654,600	53,654,600 <sup>14/</sup>
<b>AGENCY TOTAL</b>	<b>2,305,928,700</b>	<b>2,764,296,800</b>	<b>3,108,309,900</b> <sup>15/-18/</sup>
<b>FUND SOURCES</b>			
General Fund	749,708,200	812,054,300	901,142,500
<u>Other Appropriated Funds</u>			

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
Child Support Enforcement Administration Fund	8,880,900	17,531,300	17,531,300
Domestic Violence Services Fund	3,071,000	4,000,000	4,000,000
Federal CCDF Block Grant	158,952,900	181,557,800	197,876,800
Federal TANF Block Grant	65,395,900	65,839,800	65,839,800
Long Term Care System Fund (Non-Federal Matched)	26,559,600	26,563,800	27,360,700
Public Assistance Collections Fund	0	423,600	423,600
Special Administration Fund	4,511,200	4,550,000	4,550,000
Spinal and Head Injuries Trust Fund	2,326,800	2,340,200	2,340,200
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	72,176,200	56,085,500	56,085,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>341,874,500</b>	<b>359,892,000</b>	<b>377,007,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,091,582,700</b>	<b>1,171,946,300</b>	<b>1,278,150,400</b>
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	33,466,600	43,192,400	43,192,400
Health Care Investment Fund	0	0	26,863,200
Long Term Care System Fund (Federal Match)	1,180,879,400	1,549,158,100	1,760,103,900
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>1,214,346,000</b>	<b>1,592,350,500</b>	<b>1,830,159,500</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>2,305,928,700</b>	<b>2,764,296,800</b>	<b>3,108,309,900</b>
Other Non-Appropriated Funds	740,023,800	1,761,348,800	470,998,900
Federal Funds	1,840,554,700	2,167,607,300	2,167,607,300
<b>TOTAL - ALL SOURCES</b>	<b>4,886,507,200</b>	<b>6,693,252,900</b>	<b>5,746,916,100</b>

**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 294.2 GF, 144.6 OF, and 1,972.6 EA FTE Positions funded from Special Line Items in FY 2022.
- 2/ The operating lump sum appropriation may be spent 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 \$17,531,300 received by the division of child support enforcement are appropriated for operating expenditures. The division may authorize new FTE positions with an increase in funding. Before spending 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)~~  
Before the department may spend any monies to replace the child support information technology system, the Arizona strategic enterprise technology office shall submit, on behalf of the department of economic security, an expenditure plan to the joint legislative budget committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriation from the automation projects fund pursuant to section 41-714, Arizona Revised Statutes. (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 spending these increased monies, the department shall report the intended use of monies in excess of \$4,000,000 to the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ On or before December 15, 2021, the department of economic security shall report to the joint legislative budget committee the amount of state and federal monies available statewide for domestic violence funding. 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 two percent. 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 impact 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/ On or before September 1, 2022, the department of economic security 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 fiscal year 2021-2022 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. On or before September 1, 2022, 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 fiscal year 2021-2022. (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/ On or before August 1, 2021 the department shall report to the joint legislative budget committee the number of filled positions for case managers and non-case managers in the division of developmental disabilities as of June 30, 2021. 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, 2021 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 shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 12/ The legislature intends that the combined number of children in child care assistance authorized pursuant to section 46-803, subsections D and F, Arizona Revised Statutes, be maintained throughout the year at a minimum of 8,500 children. The department of economic security shall prioritize child care assistance for families that qualify for assistance pursuant to section 46-803, subsection F, Arizona Revised Statutes, on the waiting lists established pursuant to section 46-803, subsection J, Arizona Revised Statutes. (General Appropriation Act footnote)
- 13/ Before the department of economic security changes child care reimbursement rates, the department shall submit the proposed changes for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 14/ All workforce investment act grant monies that are received by this state in excess of \$56,085,500 are appropriated to the workforce investment act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$56,085,500 to the joint legislative budget committee. (General Appropriation Act footnote)
- 15/ On or after April 1, 2022, the department of economic security may use up to \$25,000,000 from the budget stabilization fund established by section 35-144, Arizona Revised Statutes, for the purpose of providing funding for reimbursement grants. Before using the monies from the budget stabilization fund, the department shall notify the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. Notwithstanding any other law, this appropriation must be fully reimbursed on or before September 1, 2022 and must be reimbursed in full as part of the closing process for fiscal year 2021-2022. THE DEPARTMENT SHALL NOTIFY THE JOINT LEGISLATIVE BUDGET COMMITTEE OF REIMBURSEMENT ON OR BEFORE SEPTEMBER 1, 2022. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 16/ The above appropriations are in addition to monies granted to this 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 section 42-5029, Arizona Revised Statutes. (General Appropriation Act footnote)
- 17/ 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 thirtieth 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)

18/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Summary**

The Department of Economic Security’s (DES) FY 2022 General Fund spending increases by \$89,088,200, or 11.0% above the FY 2021 appropriation. This amount includes:

- \$90,040,800 for DDD formula adjustments.
- \$(952,600) for the suspension of the Health Insurer Fee.

**Operating Budget**

The Baseline includes \$163,229,600 and 1,970.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$81,297,500
Child Support Enforcement Administration Fund	13,797,400
Child Support Enforcement Administration Fund (EA)	28,357,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,905,000
Federal Child Care and Development Fund (CCDF) Block Grant	12,444,900
Public Assistance Collections Fund	332,500
Special Administration Fund	2,114,000
Spinal and Head Injuries Trust Fund	560,300
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,420,700

FY 2022 adjustments are as follows:

**Gila County Child Support Enforcement**

The Baseline includes an increase of \$118,500 and 3 FTE from the Child Support Enforcement Administration Fund (EA) in FY 2022 for the transfer of the Gila County child support enforcement function back to the state. *(Please see the County Participation narrative below for more details.)*

**Administration**

**Attorney General Legal Services**

The Baseline includes \$11,540,100 and 157.9 FTE Positions in FY 2022 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,275,200
Child Support Enforcement Administration Fund	2,654,800
Child Support Enforcement Administration Fund (EA)	7,374,500
Federal TANF Block Grant	109,500
Federal CCDF Block Grant	17,900
Public Assistance Collections Fund	91,100
Special Administration Fund	5,100
Spinal and Head Injuries Trust Fund	1,800
Workforce Investment Act Grant	10,200

FY 2022 adjustments are as follows:

**Gila County Child Support Enforcement**

The Baseline includes an increase of \$82,000 and 1 FTE from the Child Support Enforcement Administration Fund (EA) in FY 2022 for the transfer of the Gila County child support enforcement function back to the state. *(Please see the County Participation narrative below for more details.)*

**Aging and Adult Services**

**Adult Services**

The Baseline includes \$8,731,900 from the General Fund in FY 2022 for Adult Services. This amount is unchanged from FY 2021.

This line item provides an array of independent living support to elderly persons, as shown in *Table 1*.

**Table 1**

<b>Independent Living Support</b>	
<b>Services</b>	<b>FY 2022</b>
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
<b>Total</b>	<b>\$8,731,900 <sup>1/</sup></b>

<sup>1/</sup> 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 2022 for Community and Emergency Services. This amount is unchanged from FY 2021.

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 2020, this line item provided short-term crisis services to 1,119 households and energy assistance to 39,094 households.

**Coordinated Homeless Services**

The Baseline includes \$2,522,600 in FY 2022 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 2021.

In FY 2020, this line item provided emergency shelter services to 10,374 individuals, rapid re-housing services to 1,456 individuals, and homeless prevention services to 342 individuals.

**Domestic Violence Prevention**

The Baseline includes \$14,003,700 in FY 2022 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 2021.

In FY 2020, this line item, along with non-appropriated funds, served approximately 4,428 adults and children in emergency shelters, 1,025 adults and children in transitional housing, and 15,741 victims with legal and lay legal advocacy.

**Family Caregiver Grant Fund Deposit**

The Baseline includes no funding from the General Fund in FY 2022 for deposit into the Family Caregiver Grant Fund. This amount is unchanged from FY 2021.

Beginning January 1, 2020, monies in this line item provide grants of up to \$1,000 for expenses that relate directly to caring for or supporting a family member requiring assistance with activities of daily living.

**Benefits and Medical Eligibility**

**TANF Cash Benefits**

The Baseline includes \$22,736,400 from the Federal TANF Block Grant in FY 2022 for TANF Cash Benefits. This amount is unchanged from FY 2021.

As of August 2020, the latest month for which data is available, DES served a regular TANF Cash Benefits caseload of 16,960 individual recipients. Caseloads have increased 26.1% compared to August 2019. The COVID-19 pandemic has reversed the long-term decline in the TANF Cash Benefits caseload. Prior to the COVID-19 pandemic, the TANF Cash Benefits caseload reached a low of 12,107 in March 2020. The average cost per person is projected to be \$93. 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 August 2020 Diversion caseload was 250, a (64.8)% decrease from August 2019. The average diversion payment per person is projected to be \$801.

The FY 2021 budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month and 423 Diversion clients at \$755 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.

The Baseline would continue a provision allowing DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs.

Laws 2020, Chapter 53, Section 4 waives state time limits and work requirements for TANF benefits during the state emergency declaration for Coronavirus. The Baseline does not need to re-enact this waiver because Chapter 53 is effective until the emergency declaration ends. This provision may lead to higher caseloads. *(Please see [Federal TANF Block Grant in Other Issues](#) for further details on TANF expenditures and a table of expenditure detail by agency.)*

### Coordinated Hunger Services

The Baseline includes \$1,754,600 in FY 2022 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 2021.

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 2020, this funding assisted in the distribution of 190.1 million pounds of food.

### Tribal Pass-Through Funding

The Baseline includes \$4,680,300 from the General Fund in FY 2022 for Tribal Pass-Through Funding. This amount is unchanged from FY 2021.

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.

The Baseline deletes a footnote stating that all state shares of retained earnings, fees and federal incentives in excess of \$17,531,300 received by the DCSE are appropriated for operating expenditures. Deletion of this footnote will require DES to request any funds above the appropriated amount through the legislative process.

At its December 2020 JLBC meeting, the Committee gave a favorable review to DES' FY 2021 expenditure plan for replacement of the Arizona Tracking and Locate Automated System (ATLAS). The FY 2021 expenditure plan consists of \$14,282,300 of Federal Funds and \$7,357,600 of Other Appropriated Funds. Total costs for the 5-year project are estimated at \$58,738,400.

Table 2

### CSEA Fund Sources and Uses

Sources	FY 2022
State Share of Retained Earnings	\$ 2,336,000
Federal Incentive Payments	5,589,700
Fees	2,585,700
Excess Appropriation Authority <sup>1/</sup>	7,019,900
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$20,646,900</b>
<b>Uses</b>	
DCSE Administration (DES Operating)	\$13,797,400
Attorney General Legal Services	2,654,800
County Participation	1,079,100
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$20,646,900</b>

<sup>1/</sup> This line is the difference between appropriation authority and expected revenues.

## County Participation

The Baseline includes \$8,539,700 in FY 2022 for County Participation. This amount consists of:

CSEA Fund	1,079,100
CSEA Fund (EA)	7,460,600

FY 2022 adjustments are as follows:

### Gila County Child Support Enforcement

The Baseline includes a decrease of \$(200,500) from the Child Support Enforcement Administration Fund (EA) in FY 2022 for the transfer of the Gila County child support enforcement function back to the state.

The division contracted with Gila County to provide their own child support program. As of November 15, 2020, Gila County transferred this function back to the state. There are no remaining counties that provide their own child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match. The JLBC Staff is reviewing whether this line item is still necessary.

## 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 (DDD) but does not appropriate any specific non-appropriated fund.

As of June 2020, the Division of Developmental Disabilities served 44,187 clients, which includes 35,657 clients in the LTC program, 5,048 in Targeted Case Management, and 3,482 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 3*.

Table 3

### Primary Disability of Clients Served

Disability	Number	Percentage
Intellectual Disability	16,267	36.8%
At Risk	9,671	21.9%
Autism	12,901	29.2%
Cerebral Palsy	3,505	7.9%
Epilepsy	1,843	4.2%
<b>Total</b>	<b>44,187</b>	

### Overall DDD Formula Adjustments

The Baseline includes an increase of \$90,040,800 from the General Fund in FY 2022 for DDD formula changes. Changes are described in further detail below. *(Please see the Other Issues section for further details on FY 2023 and FY 2024 formula changes and COVID-19-related adjustments.)*

### Caseload Growth

The Baseline includes an increase of \$33,308,800 from the General Fund in FY 2022 for DD caseload changes.

Compared to June 2020, LTC caseloads are expected to grow by 5% to 37,466 members by June 2021 (this amount excludes state-only clients). The 5% caseload growth is based on recent growth (estimated 4.5% in FY 2021, 5.0% in FY 2020, and 5.4% in FY 2019) within the program. LTC caseloads are not COVID-driven, but year-to-year growth has been lower in FY 2020 and FY 2021 than in the recent past.

*Table 4* shows the number of clients by placement setting for DDD enrollees in June 2020, and the estimated growth in FY 2021 and FY 2022. Approximately 86.4% of clients are currently at home, and 13.3% 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.

Table 4

### DDD June Caseloads and Placement Settings

Placement	FY 20	FY 21 Est	FY 22 Est
Home	30,909	32,371	33,989
Group Home	3,210	3,361	3,529
Developmental Home	1,542	1,614	1,696
Institution	113	120	125
<b>Total</b>	<b>35,774</b>	<b>37,466</b>	<b>39,339</b>

### Capitation Rate Adjustments

The Baseline includes an increase of \$56,459,700 from the General Fund in FY 2022 for a 3.0% net capitation rate increase beginning October 1, 2021. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. The 3.0% capitation rate is based on the historic growth 3% in FY 2020 and 3.5% in

FY 2019) in the DDD capitation rate. The FY 2021 capitation rate increase of 9.4% was higher than budgeted, even accounting for COVID-related adjustments (2.6% of total adjustments). In comparison to the enacted FY 2021 budget, the JLBC Staff estimates the DD rates will generate General Fund costs that exceed the budgeted inflation adjustment by approximately \$31,000,000. *(Please see the FY 2021 HCIF Supplemental narrative for more information.)*

Table 5 shows how the capitation adjustment is allocated by service category.

The capitation adjustment does not include a dedicated provider rate adjustment. *(Please see Other Issues for additional information.)*

Table 5

**DDD ALTCS Capitation Growth**

	<b>FY 2021 Capitation Rate <sup>1/</sup></b>	<b>Assumed Growth Rate</b>	<b>FY 2022 Capitation Rate</b>
Administration	248.31	3.0%	255.76
Premium Tax	106.19	3.0%	109.38
Case Management	186.63	3.0%	192.23
HCBS <sup>2/</sup>	3,708.03	3.0%	3,819.27
Institutional Care <sup>3/</sup>	74.00	3.0%	76.22
Acute Care <sup>4/</sup>	1,022.88	3.0%	1,053.57
<b>Total</b>	<b>5,346.04</b>	<b>3.0%</b>	<b>5,506.43</b>

<sup>1/</sup> Revised rate effective January 1, 2021.

<sup>2/</sup> HCBS line includes PMPM rates for HCBS and Risk Contingency.

<sup>3/</sup> Institutional Care rate is net of client's share of cost.

<sup>4/</sup> Acute care rate includes \$86.04 for reinsurance. Does not include behavioral health expenses.

**FMAP Adjustments**

The Baseline includes no change to the General Fund in FY 2022 associated with 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 2022, the blended Medicaid FMAP is projected to remain at 70.01%. The 6.2% enhanced Medicaid match from the Families First Coronavirus Response Act is not included in this figure. *(Please see the Other Issues section for further details on COVID-19-related adjustments.)*

**Medicare Clawback**

The Baseline includes an increase of \$272,300 from the General Fund in FY 2022 for adjustments associated with Medicare Clawback Payments.

**DDD Administration**

The Baseline includes \$117,046,900 and 294.3 FTE Positions in FY 2022 for DDD Administration. These amounts consist of:

General Fund	35,092,000
Long Term Care System Fund	81,954,900

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$12,572,500 in FY 2022 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	3,908,300
Long Term Care System Fund	8,664,200

*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 \$50,055,200 in FY 2022 for the DDD Premium Tax Payment. This amount consists of:

General Fund	15,007,100
Long Term Care System Fund	35,048,100

FY 2022 adjustments are as follows:

**Premium Tax Growth**

The Baseline includes an increase of \$6,582,300 in FY 2022 for growth in the premium tax. This amount consists of:

General Fund	1,972,700
Long Term Care System Fund	4,609,600

*Background* – DES pays a 2% premium tax to the Department of Insurance on capitation payments received from AHCCCS.

**Case Management - Medicaid**

The Baseline includes \$87,972,500 and 1,237 FTE Positions in FY 2022 for Case Management - Medicaid. These amounts consist of:

General Fund	26,375,200
Long Term Care System Fund	61,597,300

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$1,017,000 in FY 2022 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	253,200
Long Term Care System Fund	763,800

*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 \$1,771,159,600 and 94.5 FTE Positions in FY 2022 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	527,789,300
Long Term Care System Fund	1,232,625,000
Health Care Investment Fund	10,745,300

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$243,197,000 in FY 2022 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	69,664,000
Long Term Care System Fund	162,787,700
Health Care Investment Fund	10,745,300

*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. This line item also funds staff in state-operated group homes.

**Table 6**

**FY 2020 Developmental Disabilities Home and Community-Based Services Expenditures for Top 10 Most Used Services**

Service	Expenditures (\$ in M)
Group Homes	\$237.7
Attendant Care	108.9
Day Programs	94.0
Habilitation- Support - Hourly	87.3
Respite	79.8
Adult Development Homes	34.4
Nurses (In-Home)	31.9
Speech Therapy	28.2
Habilitation- Support - Daily	19.8
Habilitation Services – Nursing Supported Group Home	19.7

**Institutional Services - Medicaid**

The Baseline includes \$34,881,700 and 457.7 FTE Positions in FY 2022 for Medicaid Institutional Services. These amounts consist of:

General Fund	10,457,900
Long Term Care System Fund	24,423,800

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes a decrease of \$(11,091,500) in FY 2022 for formula adjustments. The formula adjustments include decreased capitation rates for institutional care in FY 2021, projected FY 2022 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	(3,324,400)
Long Term Care System Fund	(7,767,100)

*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 ATP-C. DES reports that ATP-C had November 2020 enrollment of 71, a decrease of 1 from November 2019.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. In November 2019, 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 15 residents at the facility. The department reports all 15 residents have opted to stay at the ATP-C facility. In November 2020, DES reported that it still planned to close the SOGHs. As of December 2020, the SOGHs are still

open due to delays related to COVID-19. The department anticipates closing the SOGHs in 2021. The Baseline continues this footnote in FY 2022. (Please see the December 2019 JLBC Agenda Book for more information about DES' plans for ATP-C.)

**Physical and Behavioral Health Services - Medicaid**

The Baseline includes \$465,349,400 and 35.4 FTE Positions in FY 2022 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	134,013,700
Long Term Care System Fund	315,217,800
Health Care Investment Fund	16,117,900

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$73,258,300 in FY 2022 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	16,520,300
Long Term Care System Fund	40,620,100
Health Care Investment Fund	16,117,900

**Suspension of Health Insurer Fee**

The Baseline includes a decrease of \$(952,600) from the General Fund in FY 2022 for the Health Insurer Fee. The Health Insurer Fee is a federal tax on the acute behavioral health component of the DES capitation rate to cover Medicaid Expansion that was previously suspended in FY 2020. Beginning FY 2022, the Health Insurer Fee will again be suspended.

*Background* – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, CRS, and behavioral health services for DD clients in the ALTCS program.

**Medicare Clawback Payments**

The Baseline includes \$4,661,200 from the General Fund in FY 2022 for Medicare Clawback Payments. FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$272,300 from the General Fund in FY 2022 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.

Medicare Clawback payment is based on the population of individual dually enrolled in DDD and AHCCCS programs.

**Targeted Case Management - Medicaid**

The Baseline includes \$13,191,900 and 76.8 FTE Positions in FY 2022 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,954,900
Long Term Care System Fund	9,237,000

FY 2022 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$1,776,400 in FY 2022 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	508,900
Long Term Care System Fund	1,267,500

*Background* – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not meet the functional disability requirements to qualify for ALTCS. The program is funded via capitation from AHCCCS. A monthly average of 4,582 clients received TCM services in FY 2020.

**Case Management - State-Only**

The Baseline includes \$6,311,900 and 55.8 FTE Positions from the General Fund in FY 2021 for Case Management - State-Only. These amounts are unchanged from FY 2021.

*Background* – This line item funds case management services to clients in the state-only DD program who meet the functional disability requirements but are not financially eligible for the Targeted Case Management program. A monthly average of 3,752 DD state-only clients received case management state-only services in FY 2020.

### Cost-Effectiveness Study - Client Services

The Baseline includes \$1,220,000 from the Special Administration Fund in FY 2022 for Cost-Effectiveness Study (CES) - Client Services. This amount is unchanged from FY 2021.

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 \$216,100 to \$469,400 depending on what the appropriate institutional placement would be for the client in the absence of home and community-based services. This program funds the cost above this CES rate, thereby allowing clients to remain in a home and community based setting. *(For more information, please see the FY 2020 Appropriations Report.)*

### Home and Community Based Services - State-Only

The Baseline includes \$13,589,000 from the General Fund in FY 2022 for State-Only Home and Community Based Services. This amount is unchanged from FY 2021.

*Background* – This line item funds residential programs, day programs, and support services for DD clients that do not financially qualify for ALTCS.

### Arizona Early Intervention Program

The Baseline includes \$6,319,000 from the General Fund in FY 2022 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2021.

*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 \$9,823,200 for AzEIP services in FY 2021. As a result, the total AzEIP funding available is \$16,142,200 in FY 2021. DES reports that there were 16,009 new referrals to AzEIP in FY 2020 and 5,378 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 5,031

DD-eligible children enrolled in the AzEIP program in FY 2020.

### State-Funded Long Term Care Services

The Baseline includes \$36,476,000 and 2 FTE Positions in FY 2022 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,115,300
Long Term Care System Fund	27,360,700

FY 2022 adjustments are as follows:

#### Formula Adjustments

The Baseline includes an increase of \$1,062,400 from the General Fund in FY 2022 for 3% caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

General Fund	265,500
Long Term Care System Fund	796,900

*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

### Child Care Subsidy

The Baseline includes \$185,414,000 from the Federal CCDF Block Grant in FY 2022 for child care subsidies. FY 2022 adjustments are as follows:

#### Additional CCDF Funding

The Baseline includes an increase of \$16,319,000 from the Child Care and Development Fund Block Grant in FY 2022 for continued suspension of the child care waitlist and a continued increase in paid absences allowed.

This increase includes \$9,000,000 for continued suspension of the child care waitlist and \$7,319,000 to continue the number of allowable paid absences. See *Table 7* for additional details.

DES estimates the CCDF ending balance to be \$43,846,000 in FY 2021 and \$12,841,900 in FY 2022.

These balances include additional one-time CCDF monies appropriated to the state in spring 2020. The Coronavirus Aid, Relief and Economic Security Act (CARES Act)

Table 7

**CCDF Expenditures  
As Reported by Executive**

	FY 2020	FY 2021	FY 2022
Base Appropriation	194,235,500	217,869,300	217,869,300
COVID Half-Day at Full Cost	16,000,000	-	-
COVID Arizona Enrichment Center Program (CARES Act)	11,826,100	-	-
FY 2021 Supplemental - COVID Half-Day at Full Cost	-	12,000,000	-
FY 2021 Supplemental - Other COVID Issues (CARES Act)	-	76,179,700	-
FY 2021 Supplemental - Additional Authority	-	4,991,200	-
FY 2022 - Continued Waitlist Suspension	-	-	9,000,000
FY 2022 - Continued Increase of Paid Absences	-	-	7,319,000
<b>Total Funding</b>	<b>\$260,107,000</b>	<b>\$311,040,200</b>	<b>\$234,188,300</b>

provided Arizona an additional \$88,005,800 in CCDF monies. These funds must be appropriated by September 30, 2022 and may be used on any current allowable CCDF uses and to aid child care providers impacted by the Coronavirus emergency. The Executive began using these funds in August 2020.

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized additional COVID-related spending for child care. This would provide an additional \$10,000,000,000 nationwide for child care. If distributed proportionately as the CARES Act monies were, this would provide about \$250,000,000 to Arizona. These funds allow for continued spending flexibilities given to states during the COVID pandemic. As of this writing, these monies have not yet been allocated.

The Baseline includes a supplemental of \$93,170,900 for child care issues. The FY 2021 supplemental would include funding of \$90,870,900 to DES and \$2,300,000 to DCS. (Please see FY 2021 Child Care Supplemental in Other Issues for further details.)

- \$12,000,000 for continuing full day payments to child care providers. DES enacted an emergency payment initiative in April 2020 to assist child care providers with operational costs. This amount would be used to reimburse child care providers at the level of service provided in January 2020.
- \$76,179,700 in CCDF monies provided through the CARES Act for COVID-related programs established in spring 2020. This amount includes \$11,679,600 for expansion of the Arizona Enrichment Center Program (AECPP) and subsidy. The AECPP program provides child care and scholarships for healthcare workers, first responders, and essential government employees meeting certain qualifications. This amount also includes \$47,167,500 for the Child Care COVID-19 Grant Program in FY 2020. The Grant Program is available to all 2,800 Department of Health Services and DES child care providers and covers expenses such as salaries, benefits, fees, tuition, and

mortgage/utilities. The \$47,167,500 includes \$43,367,500 toward grant awards for providers and \$3,800,000 for incentives given to providers meeting certain qualifications. Additionally, this amount includes \$7,319,000 to increase paid absences from 3 to 5 per month. DES currently pays for up to 2 absences per month. Lastly, this amount includes \$10,013,600 for reserves.

- \$4,991,200 in additional expenditure authority.

*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. (For more information on state funded child care, please refer to the [Child Care Program Summary on the JLBC website.](#))

*Subsidy Rates* – Effective June 1, 2019, DES increased maximum provider rates for child care subsidies from the 75<sup>th</sup> percentile of the 2000 market survey rates to the 25<sup>th</sup> percentile of the 2018 market survey rates. DES estimates this will increase the average monthly reimbursement rate from \$360 to \$444, a 23.3% increase.

*Caseloads* – According to the department, the estimated number of children receiving child care services in June 2021 is projected to be 35,600 (see Table 8) excluding ECDHB- and DCS-related child care.

Table 8

**Child Care June Monthly Caseloads**

<u>Category</u>	<u>FY 21</u>	<u>FY 21 est</u>	<u>FY 22 est</u>
TANF	1,900	2,300	1,500
Low-Income Working	17,300	28,300	18,700
Transitional Child Care	4,700	5,000	3,600
<b>Total Served</b>	<b>23,900</b>	<b>35,600</b>	<b>23,800</b>

**Independent Living Rehabilitation Services**

The Baseline includes \$1,289,400 in FY 2022 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 2021.

*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 480 clients in FY 2021 at an average Total Funds cost per client of \$4,300. In addition to these clients, the division is also expected to serve 150 Independent Living clients at an average annual cost of \$2,940 per client using federal Social Services Block Grant monies.

**JOBS**

The Baseline includes \$11,005,600 in FY 2022 for JOBS. This amount consists of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2021.

*Background* – 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 9* highlights total estimated expenditures for the JOBS line item.

**Table 9**

**Estimated FY 2021 JOBS Expenditures**

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 6,956,500
Job Training	1,613,200
FLSA Supplement	31,700
Work-Related Transportation	2,104,200
Job Search Stipends	<u>300,000</u>
<b>Total</b>	<b>\$11,005,600</b>

**Rehabilitation Services**

The Baseline includes \$7,249,100 in FY 2022 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 2021.

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 8,600 clients in FY 2021 at an average Total Funds cost of \$12,220 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.

**Workforce Investment Act Services**

The Baseline includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2022 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2021.

*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 2022 is shown in *Table 10*.

**Table 10****FY 2022 WIA Grant Allocations**

<u>Category</u>	<u>Amount</u>
WIA Line Item	\$53,654,600
Operating Budget	2,420,700
AG Legal Services	10,200
<b>Total</b>	<b>\$56,085,500</b>

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**Other Issues**


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This section includes information on the following topics:

- FY 2021 Child Care Supplemental
- FY 2021 HCIF Supplemental
- FY 2021 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts
- COVID-19-Related FMAP Adjustments
- Federal TANF Block Grant
- COVID-19 Funding

**FY 2021 Child Care Supplemental**

The Baseline includes a one-time supplemental of \$93,170,900 from the Child Care and Development Fund Block Grant. The FY 2021 supplemental includes the following allocations:

- \$12,000,000 in CCDF to provide reimbursements to child care providers using full-day child care rates for all children based on January 2020 service levels, regardless of full-day or half-day enrollment.
- \$76,179,700 in CCDF provided from the CARES Act for services outlined in the Executive's CARES Act summary in the Child Care Subsidy narrative.
- \$4,991,200 in additional CCDF authority.

**FY 2021 HCIF Supplemental**

The Baseline includes a one-time supplemental of \$20,147,300 expenditure authority from the Health Care Investment Fund (HCIF) for physician rate increases.

Laws 2020, Chapter 46 establishes a new hospital assessment effective October 1, 2020. Monies from this assessment are to be deposited into the Health Care Investment Fund and used to make directed payments to hospitals as well as increase base reimbursement rates for services reimbursed under the dental and physician fee schedules. Within DES, Health Care Investment Fund monies will be used for the Physical and Behavioral Health Services and Home and Community Based Services line items.

The Baseline includes an increase of \$26,863,200 expenditure authority from the HCIF in FY 2022 to continue funding for these physician rate increases.

**FY 2021 Ex-Appropriation**

The Baseline includes a one-time ex-appropriation of \$(79,000,000) from the General Fund for savings associated with the enhanced FMAP. The summary table at the beginning of this narrative has not been updated to reflect the ex-appropriation.

*(Please see the COVID-19-Related FMAP Adjustments narrative for more information.)*

**Statutory Changes**

The Baseline would:

- 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 suspicion the recipient uses illegal drugs.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$62,323,700 in FY 2023 above FY 2022 and \$67,399,700 in FY 2024 above FY 2023.

**COVID-19-Related FMAP Adjustments**

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is effective through the third quarter of FY 2021. The match rate increase reduces General Fund expenditures for AHCCCS, DCS and DES in FY 2020 and FY 2021. The enacted budget did not adjust DES's General Fund appropriation to account for the savings. FY 2020 match rate savings have been realized through adjustments to the General Fund in FY 2021. The magnitude of DES's level of FY 2020 savings is \$(45,000,000). These FY 2020 savings are reflected as a reduction in the FY 2021 estimate of administrative adjustments.

In FY 2021, the JLBC Staff estimates that the match rate increase will reduce DES's General Fund expenditures by approximately \$(79,000,000) relative to the enacted

budget. This estimate assumes that the 6.2% increase will be in effect through March 2021, consistent with the current federal emergency declaration. The match rate savings will be realized via an ex-appropriation to DES's FY 2021 General Fund appropriation.

*(Please see the FY 2021 Ex-Appropriation narrative for more information.)*

### **Federal TANF Block Grant**

The Baseline appropriates \$224,930,900 of the state's Federal TANF Block Grant monies in FY 2022. *Table 11* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

### **COVID-19 Funding**

*Federal COVID Relief* - Federal funds have been distributed to Arizona through multiple COVID relief bills passed at the federal level. The Families First Coronavirus Response Act provided \$1,000,000,000 in emergency grants to states for unemployment insurance administration. Arizona received an initial grant of \$10,000,000. Additionally, DES received \$2,000,000 for administration of the Arizona Shared Work program that allows employees working reduced hours to receive pro-rated UI benefits. DES also received \$1,000,000 for Dislocated Worker Grants to provide disaster-relief cleanup, humanitarian assistance and employment and training activities.

COVID relief was also provided to the Emergency Food Assistance Program (TEFAP). TEFAP provides emergency food and nutrition assistance. In total, DES received \$6,000,000 for administration of the program and an additional \$14,000,000 for commodities.

DES received \$23,400,000 in funding for services associated with the Older Americans Act. Services include congregate and home-delivered meals, supportive services, supportive services for family caregivers, protection of Vulnerable Older Americans activities, and other discretionary projects.

DES received \$8,000,000 in Community Services Block Grants for programs related to poverty. Local entities will receive 90% of these monies.

Supplemental Nutrition Assistance Program (SNAP) emergency allotments were also provided through COVID relief bills. SNAP benefits are 100% federally-funded. Emergency allotments to individuals total \$289,000,000. Pandemic Electronic Benefit Transfer (P-EBT) availability was also authorized during the COVID pandemic totaling

\$201,000,000. Both of these benefit programs are housed within DES but are 100% federally funded. *(Please see the Federal and State COVID Programs section at the front of this book for more information on federal COVID funding allocations.)*

*Executive Discretionary Funds* - Laws 2020, Chapter 56 appropriated \$50,000,000 from the General Fund to the non-appropriated Crisis Contingency and Safety Net Fund (CCSN). The CCSN Fund is administered by the Governor and monies may only be spent following a state of emergency declaration by the Governor.

The Governor has allocated a total of \$1,000,000 to the Double-Up Food Bucks Program in DES. The Double Up Food Bucks Program allows individuals in Arizona who receive assistance from the Supplemental Nutrition Assistance Program (SNAP) to get a \$1 match from the state for every \$1 they spend on fruits and vegetables grown in Arizona. In addition to the \$1,000,000 provided from the CCSN Fund, private-sector partners will contribute \$500,000.

Additionally, the Governor allocated \$250,000 for the Arizona Produce Purchasing Program. This program provides individuals with fresh produce, dairy, and protein items from local producers through a partnership between the Arizona Food Bank Network, DES, and the Department of Agriculture.

The Governor has also allocated \$250,000 to the Special Olympics to provide virtual programming during the COVID pandemic.

*(Please see the Federal and State COVID Programs section at the front of this book for more information on the CCSN Fund and AZ CRF.)*

Table 11

## TANF Block Grant Spending

	Actual FY 2020	Estimate FY 2021	Estimate FY 2022
<b>Revenues</b>			
Beginning Balance	\$ 8,331,100	\$ 8,404,500	\$ 6,532,900
TANF Base Revenues	<u>222,898,100</u>	<u>223,059,300</u>	<u>223,059,300</u>
<b>Total TANF Available</b>	<b>\$ 231,229,200</b>	<b>\$ 231,463,800</b>	<b>\$ 229,592,200</b>
<b>Expenditures</b>			
Department of Child Safety	\$ 157,428,800	\$ 159,091,100	\$ 159,091,100
<b>Department of Economic Security</b>			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	42,659,500	43,103,400	43,103,400
<b>TOTAL - DEPARTMENT OF ECONOMIC SECURITY</b>	<b>\$ 65,395,900</b>	<b>\$ 65,839,800</b>	<b>\$ 65,839,800</b>
<b>TOTAL - STATEWIDE</b>	<b>\$ 222,824,700</b>	<b>\$ 224,930,900</b>	<b>\$ 224,930,900</b>
Ending Balance	\$ 8,404,500	\$ 6,532,900	\$ 4,661,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> State Share of Retained Earnings from child support collections, federal incentives, and fees. In addition, this fund includes Title IV-D funds received from the U.S. Department of Health and Human Services.		
<b>Purpose of Fund:</b> To fund the statewide Child Support Enforcement program. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	33,466,600	43,192,400
<b>Year-End Fund Balance</b>	0	0
<b>Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State Share of Retained Earnings from child support collections, federal incentives, and fees.		
<b>Purpose of Fund:</b> To fund the statewide Child Support Enforcement program. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	8,880,900	17,531,300
<b>Year-End Fund Balance</b>	17,422,600	23,599,400
<b>Client Trust Fund (DEA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
<b>Purpose of Fund:</b> To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,000	4,000
<b>Coronavirus Relief Fund (DEA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	151,800	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Crisis Contingency and Safety Net Fund (DEA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,331,800	0
<b>Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of client monies, such as Social Security, earnings, etc.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	9,000	14,900
<b>Year-End Fund Balance</b>	1,580,600	1,599,400
<b>Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
<b>Funds Expended</b>	21,200	16,400
<b>Year-End Fund Balance</b>	44,100	28,500
<b>Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund grants to qualified shelters for victims of domestic violence.		
<b>Funds Expended</b>	3,071,000	4,000,000
<b>Year-End Fund Balance</b>	2,345,000	922,600
<b>Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	27,300	7,200
<b>Year-End Fund Balance</b>	88,600	45,100
<b>Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
<b>Purpose of Fund:</b> To be used by the department for buildings, equipment, and other capital investments.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	486,200	536,100

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Employee Recognition Fund (DEA2449/A.R.S § 38-613)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs or for the specified purpose for which they were donated.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,600	1,600
<b>Family Caregiver Grant Program Fund (DEA2347/A.R.S. § 46-343)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and donations.		
<b>Purpose of Fund:</b> Grants provided to individuals who are caring for and supporting a qualifying family member.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	989,800	959,800
<b>Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	158,952,900	181,557,800
<b>Year-End Fund Balance</b>	155,739,300	43,846,000
<b>Federal Grants (DEA2000/A.R.S. § 41-101.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
<b>Purpose of Fund:</b> 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, DCYF Expenditure Authority, and Medicaid.		
<b>Funds Expended</b>	1,840,402,900	2,167,607,300
<b>Year-End Fund Balance</b>	19,058,800	10,719,800
<b>Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	65,395,900	65,839,800
<b>Year-End Fund Balance</b>	8,404,500	6,532,900
<b>Health Care Investment Fund (DEA2588/A.R.S. § 36-2999.73)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
<b>Purpose of Fund:</b> To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by DES.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Health Services Lottery Monies Fund (DEA4250/A.R.S. § 36-108.01)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> State Lottery monies.		
<i>Purpose of Fund:</i> To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
<b>IGA and ISA Fund (DEA2500/§ 41-1954)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Grants and intergovernmental agreements between state agencies and local governments.		
<i>Purpose of Fund:</i> To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	56,700	56,700
<b>Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Federal Medicaid Authority monies.		
<i>Purpose of Fund:</i> To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	1,180,879,400	1,549,158,100
Year-End Fund Balance	0	0
<b>Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
<i>Purpose of Fund:</i> 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	26,559,600	26,563,800
Year-End Fund Balance	176,735,200	0
<b>Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Includes contributions from income tax refunds and other donations and interest earnings.		
<i>Purpose of Fund:</i> 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	34,700	30,200
Year-End Fund Balance	49,200	59,600
<b>Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To improve public assistance collection activities.		
Funds Expended	0	423,600
Year-End Fund Balance	390,400	19,700
<b>Reed Act Grant (DEA9501/A.R.S. § 23-701)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Administrative unemployment security insurance monies redistributed back to the states by the federal department of Labor.		
<i>Purpose of Fund:</i> To enhance states' employment security programs by providing one-time monies for equipment and short-term operating expenditures to improve customer service delivery for Arizona's unemployment insurance program.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Revenue From State or Local Agency Fund (DEA3193/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Dollars received through the collection efforts of the Department's Office of Accounts Receivable and Collections and dollars without sufficient identifying documentation may be temporarily deposited in this fund.		
<b>Purpose of Fund:</b> When the benefiting program is identified, funds are transferred out of the fund into the benefiting program's fund. Funds are utilized by the benefiting DES programs per state and federal requirements.		
<b>Funds Expended</b>	1,804,100	1,698,500
<b>Year-End Fund Balance</b>	2,881,000	2,920,000
<b>Special Administration Fund (DEA2066/A.R.S. § 23-705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
<b>Purpose of Fund:</b> To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
<b>Funds Expended</b>	4,511,200	4,550,000
<b>Year-End Fund Balance</b>	1,881,400	244,400
<b>Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Includes contributions from income tax refunds and other donations and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	83,400	91,500
<b>Year-End Fund Balance</b>	60,900	0
<b>Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,326,800	2,340,200
<b>Year-End Fund Balance</b>	201,100	(314,500)
<b>Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal reimbursement.		
<b>Purpose of Fund:</b> General operations.		
<b>Funds Expended</b>	0	1,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	738,044,100	1,759,490,100
<b>Year-End Fund Balance</b>	779,061,400	(583,071,600)

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
<b>Funds Expended</b>	72,176,200	56,085,500
<b>Year-End Fund Balance</b>	65,574,500	95,399,400

## State Board of Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	7.0	7.0 <sup>1/</sup>
Personal Services	446,100	495,700	495,700
Employee Related Expenditures	155,200	146,600	146,600
Professional and Outside Services	181,400	206,800	206,800
Travel - In State	12,000	25,500	25,500
Travel - Out of State	15,300	15,000	15,000
Other Operating Expenditures	226,500	279,700	279,700
Equipment	1,500	15,000	15,000
<b>OPERATING SUBTOTAL</b>	<b>1,038,000</b>	<b>1,184,300</b>	<b>1,184,300</b>
<b>SPECIAL LINE ITEMS</b>			
Empowerment Scholarship Account Appeals	0	150,000	150,000
<b>AGENCY TOTAL</b>	<b>1,038,000</b>	<b>1,334,300</b>	<b>1,334,300 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,038,000	1,334,300	1,334,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,038,000</b>	<b>1,334,300</b>	<b>1,334,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,038,000</b>	<b>1,334,300</b>	<b>1,334,300</b>

**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

<sup>1/</sup> Includes 1 GF FTE Position funded from Special Line Items.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### **Operating Budget**

The Baseline includes \$1,184,300 and 6 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### **Empowerment Scholarship Account Appeals**

The Baseline includes \$150,000 and 1 FTE Position from the General Fund in FY 2022 for Empowerment Scholarship Account (ESA) Appeals. These amounts are unchanged from FY 2021.

The funding in this line item includes \$100,000 and 1 FTE Position to provide administrative support for the rulemaking process and for the appeals process and \$50,000 for Attorney General legal services for the appeals program.

The appeals process was previously conducted by the Arizona Department of Education (ADE). A.R.S. § 15-2403 allows a parent to appeal to the State Board of Education any administrative decision made by ADE. Administrative decisions may include determinations of allowable expenses, removal from the ESA program, and enrollment eligibility.

Laws 2020, Chapter 12 requires the State Board of Education to adopt rules regarding the ESA appeals process by November 1, 2020. The adopted rules will take effect on January 1, 2021.

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*Other Issues*

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***Proposition 208 – Education Funding***

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the State Board of Education receives a self-determined amount from the fund for oversight of teacher retention programs. However, the State Board of Education has estimated no annual costs to fulfill the initiative's requirements. *(Please see the Department of Education - Other Issues Section for more information.)*

## Department of Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	195.9	208.9	208.9 <sup>1/</sup>
Personal Services	3,940,700	4,535,000	4,535,000
Employee Related Expenditures	1,391,600	1,677,800	1,677,800
Professional and Outside Services	934,000	510,900	510,900
Travel - In State	17,500	20,100	20,100
Travel - Out of State	20,300	45,300	45,300
Other Operating Expenditures	4,218,100	6,768,500	6,768,500
Equipment	113,600	9,000	9,000
<b>OPERATING SUBTOTAL</b>	<b>10,635,800</b>	<b>13,566,600</b>	<b>13,566,600</b> <sup>2/3/4/5/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Formula Programs</b>			
Basic State Aid	4,904,196,100	5,257,387,500	5,552,866,800 <sup>6/-11/D/</sup>
State Aid Supplement	50,000,000	75,000,000	75,000,000 <sup>12/13/</sup>
Results-Based Funding	68,600,000	68,600,000	68,600,000
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	86,600	983,900	983,900
Classroom Site Fund	676,550,200	581,667,300	581,667,300 <sup>14/</sup>
Instructional Improvement Fund	45,000,000	63,765,400	63,765,400 <sup>15/</sup>
<b>Property Tax Relief</b>			
Additional State Aid	426,944,900	444,211,400	460,630,300
<b>Non-Formula Programs</b>			
Accountability and Achievement Testing	16,422,500	16,428,100	16,428,100 <sup>16/17/</sup>
Adult Education	4,498,900	4,641,800	4,641,800
Alternative Teacher Development Program	500,000	500,000	500,000
Arizona Structured English Immersion Fund	4,960,400	4,960,400	4,960,400
College Credit by Examination Incentive Program	5,000,000	5,000,000	5,000,000
Computer Science Pilot Program	1,000,000	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 <sup>18/-20/</sup>
CTED Industry Credential Incentive Program	0	5,000,000	5,000,000 <sup>21/</sup>
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 <sup>22/</sup>
Early Literacy	12,000,000	12,000,000	12,000,000
Education Learning and Accountability System	5,277,600	5,351,900	5,351,900
Empowerment Scholarship Account Administration	1,283,400	2,233,400	2,233,400
English Learner Administration	6,509,900	6,541,600	6,541,600 <sup>23/</sup>
Geographic Literacy	100,000	100,000	100,000 <sup>24/</sup>
Gifted Education	884,000	0	0
Jobs for Arizona Graduates	100,000	100,000	100,000 <sup>25/</sup>
School Safety Program	17,957,700	31,950,900	31,950,900 <sup>26/</sup>
State Block Grant for Vocational Education	11,510,400	11,651,800	11,651,800
Teacher Certification	2,041,000	2,467,200	2,467,200
Teacher Professional Development Pilot	0	400,000	400,000 <sup>27/</sup>
Tribal College Dual Enrollment Program	250,000	250,000	250,000
Yuma Elementary School Construction	800,000	0	0
<b>AGENCY TOTAL</b>	<b>6,311,138,600</b>	<b>6,653,788,400</b>	<b>6,965,686,600</b> <sup>28/-31/</sup>
<b>FUND SOURCES</b>			
General Fund	5,192,791,800	5,599,591,900	5,838,170,300
<u>Other Appropriated Funds</u>			

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
Department of Education Empowerment Scholarship Account Fund	1,283,400	0	0
Department of Education Professional Development Revolving Fund	37,300	2,700,000	2,700,000
Permanent State School Fund	290,489,100	300,612,600	309,832,400
Proposition 301 Fund	7,000,000	7,000,000	7,000,000
Teacher Certification Fund	1,956,300	2,420,700	2,420,700
Tribal College Dual Enrollment Program Fund	250,000	250,000	250,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>301,016,100</b>	<b>312,983,300</b>	<b>322,203,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,493,807,900</b>	<b>5,912,575,200</b>	<b>6,160,373,400</b>
<b>Expenditure Authority Funds</b>			
Instructional Improvement Fund	45,000,000	63,765,400	63,765,400
Proposition 301	595,218,800	596,844,000	660,944,000
Proposition 301/Classroom Site Fund – Carryforward	56,005,500	(26,528,800)	(26,528,800)
Proposition 301/Classroom Site Fund – Land Trust	121,106,400	107,132,600	107,132,600
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>817,330,700</b>	<b>741,213,200</b>	<b>805,313,200</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>6,311,138,600</b>	<b>6,653,788,400</b>	<b>6,965,686,600</b>
Other Non-Appropriated Funds	15,978,300	16,906,500	16,906,500
Federal Funds	1,164,711,900	1,606,020,000	1,606,020,000
<b>TOTAL - ALL SOURCES</b>	<b>7,491,828,800</b>	<b>8,276,714,900</b>	<b>8,588,613,100</b>

**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 435 charter schools in their provision of public education from preschool through grade 12.

**FOOTNOTES**

- 1/ Includes 112.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2022.
- 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 section 15-211, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ Any monies available to the department of education pursuant to section 42-5029, subsection E, paragraph 8, Arizona Revised Statutes, for the failing schools tutoring fund established by section 15-241, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 8, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ Any monies available to the department of education pursuant to section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes, for character education matching grants pursuant to section 15-154.01, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2020, Chapter 58.
- 7/ The appropriation for basic state aid provides basic state support to school districts for maintenance and operations funding as provided by section 15-973, Arizona Revised Statutes, and includes an estimated \$309,832,400 in expendable income derived from the permanent state school fund and from state trust lands pursuant to section 37-521, subsection B, Arizona Revised Statutes, for fiscal year 2021-2022. (General Appropriation Act footnote)
- 8/ Monies derived from the permanent state school fund and any other non-state general fund revenue source that is dedicated to fund basic state aid shall be spent, whenever possible, before spending state general fund monies. (General Appropriation Act footnote)
- 9/ Except as required by section 37-521, Arizona Revised Statutes, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, income from investing 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 sections 15-237 and 15-531, Arizona Revised Statutes, 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 section 42-5029, subsection E, paragraph 5, Arizona Revised Statutes, 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 section 42-5029, subsection E, paragraph 5, Arizona Revised Statutes. (General Appropriation Act footnote)
- D/ ~~The basic state aid appropriation for fiscal year 2020-2021 includes a state general fund increase of \$124,500,000, which the legislature and governor intend to be used for teacher salary increases that are in addition to teacher salary increases provided for fiscal year 2019-2020. (General Appropriation Act footnote)~~
- 11/ In addition to any other appropriation made in fiscal year 2021-2022, the sum of \$30,000,000 is appropriated from the state General Fund in FY 2022 to the Superintendent of Public Instruction for Basic State Aid to eliminate the K-12 rollover for school districts with a student count of less than 1,350 pupils. (FY 2020 General Appropriation Act footnote)
- 12/ Laws 2015, 1<sup>st</sup> 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.
- 13/ 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, 1<sup>st</sup> Special Session, Chapter 1, Section 6 footnote)
- 14/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4 and section 42-5029, subsection E, paragraph 10, Arizona Revised Statutes, in excess of expenditure authority amounts are allocated for the purposes of section 37-521, subsection B, paragraph 4 and section 42-5029, subsection E, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)
- 15/ Any monies available to the department of education from the instructional improvement fund established by section 15-979, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 15-979, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/ 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)
- 17/ Any monies available to the department of education for accountability purposes pursuant to section 42-5029, subsection E, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 7, Arizona Revised Statutes. (General Appropriation Act footnote)
- 18/ Monies appropriated for career technical education district completion grants are intended to help fund program completion for students who complete at least fifty percent 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)
- 19/ If the appropriated amount for CTED completion grants 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)
- 20/ The appropriated amount for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations through fiscal year 2022-2023. (General Appropriation Act footnote)
- 21/ A. In addition to any other appropriation made in FY 2021 and FY 2022, the sum of \$5,000,000 is appropriated from the state General Fund in each of FY 2021 and FY 2022 to the Superintendent of Public Instruction for deposit in the Arizona Industry Credentials Incentive Fund established by A.R.S. § 15-249.15 for incentive payments to career technical education programs for each high school graduate who earns a select industry certification. The Superintendent of Public Instruction shall transfer \$10,000 of the appropriated amount in each of FY 2021 and FY 2022 to the Office of Economic Opportunity to conduct an annual skill profile analysis.  
B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (FY 2020 General Appropriation Act footnote)
- 22/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand 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)
- 23/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, 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 may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41-192, Arizona Revised Statutes, 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)

- 24/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriation Act footnote)
- 25/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a jobs for Arizona graduates program. (General Appropriation Act footnote)
- 26/ Any monies available to the department of education for school safety pursuant to section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 27/ A. The sum of \$400,000 is appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the Superintendent of Public Instruction to provide scholarships or grants, or both, to qualified applicants to complete high-quality teacher professional development at a qualifying postsecondary institution. The Department of Education shall use \$100,000 of each fiscal year appropriation to provide scholarships or grants, or both, to qualified applicants in counties with a population of less than 375,000 persons.
- B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (FY 2020 General Appropriation Act footnote)
- 28/ After review by the joint legislative budget committee, in fiscal year 2020-2022, the department of education may use a portion of its fiscal year 2021-2022 state general fund appropriations for basic state aid, additional state aid or the special education fund, to fund a shortfall in funding for basic state aid, additional state aid or the special education fund, if any, that occurred in fiscal year 2020-2021. (General Appropriation Act footnote)
- 29/ The department shall provide an updated report on its budget status every three 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 thirty days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 30/ Within fifteen days after each apportionment of state aid that occurs pursuant to section 15-973, subsection B, Arizona Revised Statutes, 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 2022 General Fund spending increases by \$238,578,400, or 4.3% above the FY 2021 appropriation. The Baseline includes the following funding changes for current law formula adjustments:

#### Current Law Formula Adjustments

- An increase of \$2,881,800 for higher-than-budgeted Homeowner's Rebate and 1% Cap costs for FY 2021 ("base adjustment").
- An increase of \$86,957,800 for net 0.6% Average Daily Membership (ADM) growth (unweighted) within school districts and charter schools in FY 2022 (1.0% weighted).
- An increase of \$88,010,800 for a 1.23% inflator.
- A decrease of \$(53,694,600) for local property tax growth due to new construction, offset by increased Homeowner's Rebate expenses of \$13,537,100.
- A decrease of \$(9,219,800) to offset higher available endowment earnings under Proposition 123.
- An increase of \$26,430,700 for Empowerment Scholarship Accounts (ESAs).
- An increase of \$50,000,000 to shift funding for a portion of the 20 X 2020 teacher pay raise plan from the Classroom Site Fund to the Basic State Aid formula via an additional increase to the Base Level.
- A decrease of \$(64,100,000) from the General Fund and a corresponding increase of Proposition 301 Expenditure Authority to shift monies that previously covered School Facilities Board debt service expenses to the Basic State Aid formula pursuant to the FY 2021 K-12 Budget Reconciliation Bill (BRB) (Laws 2020, Chapter 49).

- An increase of \$67,774,600 to increase funding for Additional Assistance pursuant to Laws 2020, Chapter 49. This will result in full funding of the Additional Assistance formula in FY 2022.
- An increase of \$30,000,000 to eliminate the K-12 rollover for districts with between 600 and 1,350 pupils pursuant to section 164 of the FY 2020 General Appropriation Act.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$176,238,700 in FY 2023 above FY 2022 and \$230,289,900 in FY 2024 above FY 2023. (See *Other Issues for more information.*)

### Operating Budget

The Baseline includes \$13,566,600 and 61.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$9,161,200
Department of Education Professional Development Revolving Fund	2,567,700
Teacher Certification Fund	137,700
Proposition 301 Expenditure Authority	1,700,000

These amounts are unchanged from FY 2021.

### Formula Programs

#### Basic State Aid

The Baseline includes \$5,552,866,800 in FY 2022 for Basic State Aid. This amount consists of:

General Fund	5,092,653,900
Permanent State School Fund	309,832,400
Proposition 301 Expenditure Authority	150,380,500

The \$5,552,866,800 total does not include local property taxes that will help fund K-12 formula costs for FY 2022, 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. (See *Other Issues for background information regarding the Basic State Aid formula.*)

**Table 1**

#### FY 2021 Basic State Aid Formula Summary (estimated)

<b>General Fund</b>	
FY 2021 Appropriation	\$4,870,494,400
Enrollment Growth @ 0.6% (unweighted)	86,957,800
1.23% Inflator	88,010,800
Property Taxes from New Construction	(53,694,600)
Endowment Earnings	(9,219,800)
Empowerment Scholarship Account Growth	26,430,700
Remove One-Time Prop 301 Bridge Funding	(14,100,000)
Additional Assistance	67,774,600
Rollover Payoff	<u>30,000,000</u>
<b>FY 2022 Baseline</b>	<b>\$5,092,653,900</b>
<b>Permanent State School Fund</b>	
FY 2021 Appropriation	\$ 300,612,600
Estimated FY 2021 Growth	<u>9,719,800</u>
<b>FY 2022 Baseline</b>	<b>\$ 309,832,400</b>
<b>Prop 301 Sales Tax <sup>1/</sup></b>	
FY 2021 Appropriation	\$ 86,280,500
Shift Prop 301 funding to Basic State Aid	<u>64,100,000</u>
<b>FY 2022 Baseline</b>	<b>\$ 150,380,500</b>
<b>Local Property Taxes <sup>1/</sup></b>	
FY 2021 Base - estimated	\$2,708,609,600
Property Taxes from New Construction	53,694,600
Non-State Aid Districts - Enrollment	1,093,400
Non-State Aid Districts - 1.23% Inflator	3,885,700
Non-State Aid Districts - Teacher Salary Increase	2,292,400
Non-State Aid Districts - Additional Assistance	<u>3,486,100</u>
FY 2022 Estimated <sup>2/</sup>	<b>\$2,773,061,800</b>
<b>Grand Total (all sources) <sup>3/</sup></b>	<b>\$8,325,928,600</b>

<sup>1/</sup> Non-appropriated, so excluded from appropriated totals.

<sup>2/</sup> An estimated \$460,630,300 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.

<sup>3/</sup> Does not include \$75,000,000 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.

FY 2022 adjustments are as follows:

#### Enrollment Growth

The Baseline includes an increase of \$86,957,800 from the General Fund in FY 2022 for enrollment growth. This assumes that unweighted K-12 ADM will increase by approximately 0.6% in FY 2022 (see *Table 2*) and that weighted ADM will increase by approximately 1.0%. (see *Table 3*). The estimated FY 2022 growth above FY 2021 is prior to any FY 2021 enrollment reductions related to the COVID-19 pandemic. (Please see *Other Issues for discussion of Enrollment Stabilization Program.*)

The estimated 0.6% unweighted growth rate would result in net growth of 6,705 in Average Daily Membership (ADM) across school districts and charter schools in FY 2022 compared to FY 2021, which consists of 10,180 additional ADM within charter schools, offset by a decline of (3,475) in district ADM. The 0.6% assumed growth rate

**Table 2**

**K-12 ADM (unweighted) <sup>1/</sup>**

Fiscal Year	District <sup>2/</sup>	Charter <sup>3/</sup>	Total <sup>4/</sup>	Change <sup>5/</sup>	% Change
2015	920,209	159,032	1,079,241	14,163	1.3%
2016	920,359	164,588	1,084,947	5,706	0.5%
2017	915,585	179,622	1,095,207	10,260	0.9%
2018	913,558	189,419	1,102,977	7,770	0.7%
2019	906,038	201,470	1,107,508	4,531	0.4%
2020	906,293	207,887	1,113,766	6,671	0.6%
2021 est	902,724	217,609	1,120,333	6,154	0.6%
<b>2022 est</b>	<b>899,249</b>	<b>227,789</b>	<b>1,127,038</b>	<b>6,705</b>	<b>0.6%</b>
2023 est	895,867	238,447	1,134,314	7,276	0.6%
2024 est	892,578	249,607	1,142,185	7,871	0.7%

<sup>1/</sup> Actuals for FY 2015 through FY 2020. Numbers shown for 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).

<sup>2/</sup> Includes district-sponsored charter schools.

<sup>3/</sup> Excludes district-sponsored charter schools.

<sup>4/</sup> Empowerment Scholarship Account (ESA) recipients are not included in ADM since they are not enrolled in districts or charter schools.

<sup>5/</sup> ADM change estimates for FY 2021 through FY 2024 are not adjusted for reductions related to the COVID-19 pandemic.

is based on recent trends. (Please see Table 2 for historical unweighted ADM growth and estimated growth from FY 2021 through FY 2024.)

The Baseline further assumes a net growth rate of 1.0% in weighted ADM. Weighted ADM consists of district and charter school ADM counts after application of certain weights established in statute that are based on school and student characteristics (e.g. Special Education, English

**Table 3**

**K-12 ADM (weighted) <sup>1/</sup>**

Fiscal Year	District <sup>2/</sup>	Charter <sup>3/</sup>	Total <sup>4/</sup>	Change <sup>5/</sup>	% Change
2015	1,255,483	222,264	1,477,746	29,979	2.1%
2016	1,239,545	229,130	1,468,675	(9,071)	(0.6)%
2017	1,239,310	248,424	1,487,734	19,059	1.3%
2018	1,242,145	262,050	1,504,195	16,461	1.1%
2019	1,237,243	278,095	1,515,338	11,143	0.7%
2020	1,243,530	287,222	1,530,752	15,415	1.0%
2021 est	1,244,892	300,795	1,545,687	14,935	1.0%
<b>2022 est</b>	<b>1,246,711</b>	<b>315,200</b>	<b>1,561,811</b>	<b>16,224</b>	<b>1.0%</b>
2023 est	1,249,034	330,442	1,579,476	17,565	1.1%
2024 est	1,251,881	346,458	1,598,429	18,953	1.2%

<sup>1/</sup> Actuals for FY 2015 through FY 2020. Data for FY 2015 through FY 2016 reflect one-time changes from district-sponsored charter schools. Data for FY 2016 – FY 2018 reflect one-time changes from the elimination of small school weights for multi-site charter schools. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).

<sup>2/</sup> Includes district-sponsored charter schools.

<sup>3/</sup> Excludes district-sponsored charter schools.

<sup>4/</sup> Empowerment Scholarship Account (ESA) recipients are not included in ADM since they are not enrolled in districts or charter schools.

<sup>5/</sup> ADM change estimates for FY 2021 through FY 2024 are not adjusted for reductions related to the COVID-19 pandemic.

Language learners, etc.), and is used to calculate Base Support Level (BSL) funding for districts and charter schools. The 1.0% assumed weighted ADM growth rate is based on recent trends. (Please see Table 3 for historical weighted ADM growth and estimated growth from FY 2021 through FY 2024.)

The \$86,957,800 for growth only includes enrollment costs associated with school districts and charter schools. Enrollment growth expenses for Empowerment Scholarship Accounts are not included, as ADE does not include ESA enrollment in its ADM counts. (Please see the Empowerment Scholarship Accounts policy issue within Basic State Aid for additional information.)

### 1.23% Inflation Adjustment

The Baseline includes an increase of \$88,010,800 from the General Fund in FY 2022 for a 1.23% 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. The 1.23% inflation adjustment increases the base level by \$52.96. The Baseline 1.23% inflation assumption represents an estimate of inflation for CY 2020. The actual inflator may be adjusted once more complete inflation data for CY 2020 are available.

The above amount only includes inflation costs associated with school districts and charter schools. Inflation growth expenses for ESAs are not included, as ADE does not include ESA enrollment in its ADM counts. (Please see the Empowerment Scholarship Accounts policy issue within Basic State Aid for additional information.)

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 FY 2022 adjustment of 1.23% equals the GDP price deflator for calendar year 2020. 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.)

### Property Taxes from New Construction

The Baseline includes a decrease of \$(53,694,600) from the General Fund in FY 2022 due to a projected 2.30% increase in statewide Net Assessed Value (NAV) from new construction in FY 2022. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$53,694,600 in FY 2022. It also will decrease state costs

by \$(53,694,600), 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 2.99% in FY 2022, resulting in a net 5.29% NAV increase for new construction and existing property combined for FY 2022.

The projected 2.99% NAV increase for existing property will not affect net QTR or SETR collections in FY 2022 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 \$3.5676 (from \$3.6742 currently) and the SETR will decrease to \$0.4298 (from \$0.4426 currently) in FY 2022 to offset the estimated 2.99% NAV increase for existing property (see Table 4).

Tax Rate	TNT Tax Rates	
	FY 2021	FY 2022
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.8371	\$1.7838
• Unified districts and elementary districts not located within a high school district	\$3.6742	\$3.5676
• State Equalization Tax Rate (SETR)	\$0.4426	\$0.4298

On a related note, the FY 2022 K-12 Budget Reconciliation Bill (BRB) will 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 2022 under that section. (See *Statutory Changes section for more information.*) Proposition 117 from the November 2012 General Election capped annual growth in existing property values at 5% starting in FY 2016. (See the *FY 2016 Appropriations Report for more information.*)

#### Endowment Earnings Growth

The Baseline includes a decrease of \$(9,219,800) from the General Fund and an increase of \$9,219,800 from the Permanent State School Fund in FY 2022 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 \$309,832,400 for FY 2022, which would be \$9,219,800 more than the \$300,612,600 total assumed for FY 2021 (see Table 5).

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. All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws

**Table 5**  
Estimated K-12 Endowment Earnings for Basic State Aid <sup>1/</sup>

Source	FY 2021	FY 2022	Change
Original 2.5% <sup>2/</sup>	\$72,263,000	\$72,263,000	\$0
New 4.4% <sup>2/</sup>	<u>228,349,600</u>	<u>237,569,400</u>	<u>9,219,800</u>
<b>Total</b>	<b>\$300,612,600</b>	<b>\$309,832,400</b>	<b>\$9,219,800</b>

<sup>1/</sup> K-12 Endowment Earnings also help fund the Classroom Site Fund (see Table 14).

<sup>2/</sup> 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.

2015, 1<sup>st</sup> 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.*)

#### Empowerment Scholarship Accounts

The Baseline includes an increase of \$26,430,700 from the General Fund in FY 2022 for cost increases associated with the Empowerment Scholarship Account (ESA) program authorized by A.R.S. § 15-2402. 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. (Please see the *FY 2020 Appropriations Report for more information on program eligibility.*)

ADE reports that there are an estimated 9,200 enrollees in the ESA program in FY 2021 for whom ADE expects to incur expenses of \$145,000,000, or an average cost of \$15,761 per recipient. The Baseline assumes that enrollment in the ESA program will grow by an estimated 1,474 enrollees in FY 2022 based on the average number of enrollees added to the program each year since FY 2017. The resulting total ESA enrollment would be 10,674 in FY 2022. The Baseline additionally assumes that the cost of ESAs will grow to \$16,061 in FY 2022 based on increases to the Base Level and Charter Additional Assistance formula amounts included in the Baseline.

Based on the above assumptions, the state's total costs associated with the ESA program are anticipated to grow to \$171,430,700 in FY 2022, or an increase of \$26,430,700 in FY 2022 above FY 2021. The estimated increase represents the projected total cost increase for 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 Baseline funding levels for enrollment

and inflation costs in public schools are, therefore, lower than they otherwise would be as a result of such savings.

**Remove One-Time Proposition 301 Bridge Funding**

The Baseline includes an increase of \$50,000,000 in FY 2022 to remove one-time Proposition 301 Bridge Funding. This amount consists of:

General Fund	(14,100,000)
Proposition 301 Expenditure Authority	64,100,000

The "Bridge to Proposition 301" refers to \$64,100,000 of recurring one-time General Fund monies to finance the 20 X 2020 teacher pay raise plan from FY 2019 through FY 2021. Beginning in FY 2022, \$64,100,000 of education sales tax monies are available for teacher pay raises due to the expiration of School Facilities Board debt service from FY 2020 that was previously covered using the first \$64,100,000 of revenues generated by the Proposition 301 sales tax. The FY 2021 K-12 BRB requires that \$64,100,000 be transferred to the Superintendent of Public Instruction for Basic State Aid beginning in FY 2022.

The availability of \$64,100,000 of additional education sales tax monies for Basic State Aid, however, only reduces General Fund expenses by \$(14,100,000) because \$50,000,000 of the monies will be used to shift the financing for a portion of the last 5% teacher pay raise implemented in FY 2021 from the Classroom Site Fund to the Base Level beginning in FY 2022 pursuant to Section 137 of the FY 2019 General Appropriation Act, which designated the \$50,000,000 from the Classroom Site Fund as one-time in FY 2021. The \$50,000,000 will therefore be allocated to schools through an estimated additional Base Level increase of \$32.82 for FY 2022 over and above regular inflation. (See the FY 2020 Appropriations Report for additional information regarding the FY 2020 teacher salary increase.)

**Additional Assistance**

The Baseline includes an increase of \$67,774,600 from the General Fund in FY 2022 for District Additional Assistance (DAA) and Charter Additional Assistance (CAA). This amount eliminates the formula suspension pursuant to the FY 2021 K-12 BRB. (see Tables 6 and 7).

School districts will receive an estimated \$444,759,700 of DAA funding in FY 2022 under the Baseline including approximately \$27,061,500 self-funded by non-state aid districts. DAA is authorized by A.R.S. § 15-961, which establishes DAA funding amounts of \$450.76 to \$601.24 per pupil depending on the pupil's grade level and the size of their school district.

**Table 6**

**DAA Suspensions & Funding Through FY 2023 <sup>1/</sup>**

<u>Fiscal Year</u>	<u>Formula Cost</u>	<u>Suspension</u>	<u>Current Year Funding</u>
2018	\$450,672,500	\$(381,753,500)	\$68,919,000
2019	449,882,300	(275,776,300)	174,106,000
2020	446,556,100	(136,786,000)	309,770,100
2021	447,320,300	(68,393,000)	378,927,300
2022	444,759,700	0	444,759,700

<sup>1/</sup> Includes non-state aid districts.

**Table 7**

**CAA Suspensions & Funding Through FY 2023**

<u>Fiscal Year</u>	<u>Formula Cost</u>	<u>Suspension</u>	<u>Current Year Funding</u>
2018	\$352,057,400	\$(18,656,000)	\$333,401,400
2019	378,596,800	(13,628,800)	364,968,000
2020	401,001,400	(6,814,400)	394,187,000
2021	426,958,200	(3,407,200)	423,551,000
2022	451,472,700	0	451,472,700

Charter schools will receive an estimated \$451,472,700 of CAA funding in FY 2022 under the Baseline. 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 increases the CAA statutory amounts (if fully funded) by 1.23% for inflation to \$1,898.28 per pupil for Grades K-8 and \$2,212.41 per pupil for Grades 9-12 for FY 2021.

DAA General Fund 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. Table 8 below provides a history of General Fund increases to restore the DAA and CAA formula funding levels since FY 2019. Under the 3-year spending plan associated with the enacted FY 2021 budget, Additional Assistance funding will be fully restored by FY 2022 and will have increased by a cumulative total of \$371,098,700.

**Rollover**

The Baseline includes an increase of \$30,000,000 from the General Fund in FY 2022 for the K-12 rollover. This would reduce the deferral of state aid payments from \$930,727,700 currently (FY 2021 payments deferred until FY 2022) to \$900,727,700 (FY 2022 payments deferred

**Table 8**

**General Fund Increases to Restore Additional Assistance Since FY 2018**

<b>Fiscal Year</b>	<b>DAA</b>	<b>CAA</b>	<b>Total</b>
2019	94,972,800	5,027,200	100,000,000
2020	128,735,000	6,814,400	135,549,400
2021	64,367,500	3,407,200	67,774,700
2022 <sup>1/</sup>	<u>64,367,400</u>	<u>3,407,200</u>	<u>67,774,600</u>
<b>Total</b>	<b>352,442,700</b>	<b>18,656,000</b>	<b>371,098,700</b>

<sup>1/</sup> Sections 7 and 8 of the FY 2021 K-12 BRB eliminate the remaining additional assistance suspension in FY 2022. As a result, the 3-year spending plan associated with the enacted FY 2021 budget includes an increase of \$67,774,600 to eliminate the suspensions in FY 2022.

until FY 2023) and would eliminate the rollover for school districts with a student count of less than 1,350 pupils starting in FY 2022. Currently, only districts with less than 600 pupils are exempt from the rollover. The \$30,000,000 was already appropriated in Section 164 of the FY 2020 General Appropriation Act and therefore will not appear in the FY 2022 General Appropriation Act.

Laws 2020, Chapter 263 advance appropriated \$930,727,700 from the General Fund in FY 2022 to fund the \$930,727,700 deferred obligation from FY 2021. Those monies, therefore, will not appear in the FY 2022 General Appropriation Act. The Act, however, will advance appropriate \$900,727,700 from the General Fund in FY 2023 to fund the deferred FY 2022 obligation.

**State Aid Supplement**

The Baseline includes \$75,000,000 from the General Fund in FY 2022 for State Aid Supplement funding. This amount is unchanged from FY 2021.

Laws 2015, 1<sup>st</sup> 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 for State Aid Supplement funding. The State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools through FY 2025 as part of the state's resolution with plaintiffs in the *Cave Creek Unified School District V. Ducey* litigation concerning the inflation of certain components of the K-12 funding formula. (See the FY 2017 Appropriations Report for more information regarding Proposition 123.)

**Results-Based Funding**

The Baseline includes \$68,600,000 from the General Fund in FY 2022 for Results-Based Funding. This amount is unchanged from FY 2021.

*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.)

The Baseline continues session law provisions from the FY 2021 K-12 Education BRB establishing Results-Based Funding per pupil funding levels and eligibility, including:

- \$400 per pupil for the following:
  - Schools Free and Reduced-Price Lunch (FRPL) eligibility of at least 60% and with AzMERIT scores in the top 13% among other schools with at least 60% FRPL eligibility.
  - Alternative High Schools with AzMERIT scores in the top 27% among other schools with at least 60% FRPL eligibility and FRPL eligibility of at least 60%.
- \$225 per pupil for the following:
  - Schools with FRPL eligibility of less than 60% and with AzMERIT Scores in the top 13% statewide.
  - Schools with FRPL eligibility of at least 60% and AzMERIT scores in the top 27% in comparison to other schools with FRPL-eligibility of at least 60%.

The Results-Based Funding distributions would continue to be based on 2019 AzMERIT scores instead of 2020 test scores, as the 2020 statewide assessment was cancelled pursuant to Laws 2020, Chapter 47.

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2022, which would otherwise make schools eligible for program funding in FY 2022 if they had a letter designation of A under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241. In the absence of the FY 2022 session law provisions, the statutory formula would generate costs of approximately \$77,180,100, or \$8,580,100 above the current RBF appropriation based on ADE's A-F letter grades for 2020 (same as 2019 pursuant to Laws 2020, Chapter 47) and data from Results-Based Funding distributions for FY 2020.

The Baseline includes General Appropriation Footnote Act language for FY 2022 to allow the Superintendent of Public Instruction to transfer monies from the state General Fund appropriation for Basic State Aid for FY 2022 to this program, if needed, without JLBC review, to address any anticipated funding shortfalls for the program in FY 2021.

**Special Education Fund**

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2022 for the Special Education Fund Special Line Item. These amounts are unchanged from FY 2021.

*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.

A.R.S. § 15-1184 and A.R.S. § 15-1204 establish funding formulas for vouchered residential special education and vouchered ASDB or other state institutional placements, respectively. Voucher formula costs are primarily driven by the per pupil base level in the Basic State Aid formula.

The Baseline continues a footnote that permits ADE to use a portion of its FY 2022 state General Fund appropriations for Basic State Aid or Additional State Aid to fund Special Education Fund costs.

**Other State Aid to Districts**

The Baseline includes \$983,900 from the General Fund in FY 2022 for Other State Aid to Districts. This amount is unchanged from FY 2021.

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 \$581,667,300 in FY 2022 for the Classroom Site Fund (CSF). This amount consists of:

Proposition 301 Expenditure Authority	501,063,500
Proposition 301/CSF - Land Trust Expenditure Authority	107,132,600
Proposition 301/CSF - Carry-Forward Balance Expenditure Authority	(26,528,800)

These amounts are unchanged from FY 2021. The Baseline amount for the Classroom Site Fund, however, does not reflect the JLBC Staff's calculation of the modified Classroom Site Fund per pupil amount for FY 2022 pursuant to A.R.S. § 15-977G1, which will be reported on March 30<sup>th</sup>, 2021. (*Please see the Basic State Aid line item for more information on expiration of the Proposition 301 Bridge and the associated shift of Classroom Site Fund monies to the Basic State Aid formula.*)

*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. Expenditure Authority does not affect the department's access to funding from Proposition 301, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

**Instructional Improvement Fund**

The Baseline includes \$63,765,400 from Instructional Improvement Fund Expenditure Authority in FY 2022 for the Instructional Improvement Fund. This amount is unchanged from FY 2021.

Expenditure Authority 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.

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 \$460,630,300 from the General Fund in FY 2022 for Additional State Aid. FY 2022 adjustments are as follows:

**Prior Year Base Adjustment**

The Baseline includes an increase of \$2,881,800 from the General Fund in FY 2022 to reflect higher-than-budgeted costs for Additional State Aid for FY 2021. The FY 2021 budget assumed that Additional State Aid would cost \$444,211,400 for FY 2021 for the Homeowner’s Rebate and 1% Cap combined. The actual combined cost, however, was \$447,093,200 (\$2,881,800 more), as reported by the Arizona Department of Revenue (DOR) in October 2020 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2022 therefore were \$2,881,800 more than the FY 2021 appropriation.

**New Homes**

The Baseline includes an increase of \$13,537,100 from the General Fund in FY 2022 for increased Additional State Aid costs associated with new home construction. The \$13,537,100 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2022. The Homeowner’s Rebate is 47.19% under current law.

*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 (Laws 2018, Chapter 283) required school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This reduced 1% cap costs 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.

In July 2019, the Arizona Superior Court ruled in litigation filed by the Pima County and Tucson Unified School District (TUSD) that Chapter 283 violated the state’s responsibility to establish a property tax system compliant with the 1% cap provision in the State Constitution. If upheld, the ruling would require the state to include desegregation taxes in the calculation to determine eligibility for Additional State Aid. Pima County and TUSD have estimated that they are owed approximately \$8,000,000 for Additional State Aid reimbursement from FY 2019 as part of the litigation.

The state is currently appealing the ruling. As a result, the Baseline does not include any funding changes for Additional State Aid associated with the litigation.

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***Non-Formula Programs***

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***Accountability and Achievement Testing***

The Baseline includes \$16,428,100 and 24.4 FTE Positions in FY 2022 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,428,100
Proposition 301 Fund (Appropriated)	7,000,000

These amounts are unchanged from FY 2021.

*Background* – 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 \$7,000,000” allowable appropriation for School Accountability in A.R.S. § 42-5029E7. This line item does not fund costs associated with English language proficiency exams administered to English learners, which are instead funded in the English Learner Administration line item. (See *English Learner Administration line item for more information about AZELLA testing.*)

In 2019, SBE approved a 5-year assessment plan for Arizona public schools (see *Table 9*) that requires the AzM2 test (formerly called "AzMERIT") to be replaced with a new single statewide assessment that will continue to exist in parallel with "menu of assessment" (MOA) exams authorized by A.R.S. § 15-741.02. Through FY 2021, the 5-year plan requires all students in grades 3-8 and 10<sup>th</sup> Graders to take AzM2 tests in Math and English

**Table 9**

**5-Year Assessment Plan <sup>1/</sup>**

<b>Fiscal Year</b>	<b>Grades 3 – 8</b>	<b>High School</b>
2019	AzMERIT	AzMERIT (Grades 9 -11) or MOA exam (SAT or ACT)
2020	AzM2 <sup>2/</sup>	AzM2 <sup>2/</sup> (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson)
2021	AzM2 <sup>2/</sup>	AzM2 <sup>2/</sup> (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson & TBD)
2022 - 2024	New Single Statewide Assessment (NSSA) <sup>3/</sup>	Nationally Recognized College Entrance Assessment administered in 9 <sup>th</sup> or 10 <sup>th</sup> Grade and 11 <sup>th</sup> Grade OR different (MOA) Nationally Recognized College Entrance Assessment Administered in 9 <sup>th</sup> or 10 <sup>th</sup> and 11 <sup>th</sup> Grade

<sup>1/</sup> Starting in FY 2020.  
<sup>2/</sup> Previously called AzMERIT.  
<sup>3/</sup> Possibly with optional "menu of assessments" exam for Grades 3-8.

Language Arts (ELA). LEAs may also administer a MOA exam to 11<sup>th</sup> graders that is in addition to the mandatory AzM2 exam. For FY 2021, approved MOA exams include the ACT, SAT and Cambridge. (see Table 10).

**Table 10**

**Approved MOA Contracts for FY 2021 <sup>1/</sup>**

<b>Vendor</b>	<b>Cost/ Student</b>	<b>Notes</b>
ACT	\$38	114 LEAs participating (64,000 students)
SAT	\$52	32 LEAs participating (3,000 students)

<sup>1/</sup> MOA testing is optional but all high school students must take AzMERIT Math and English Language Arts tests as 10<sup>th</sup> Graders. While Cambridge exams are also approved, ADE reports that no LEAs will use Cambridge for FY 2021.

Beginning in FY 2022, pupils in grade 3-8 will take a new statewide assessment that will replace the AzM2 exam. At its June 22, 2020 meeting, SBE adopted ADE's recommendation that the contract for the development of the new statewide assessment be awarded to NCS Pearson. High school students, however, will instead be required to take a "Nationally Recognized College Entrance Assessment" in the 9th or 10th Grade and in 11th Grade. The College Entrance Assessment will serve as the statewide assessment for high school students. At its June 22, 2020 meeting, the State Board of Education adopted ADE's recommendation to select the ACT as the Nationally Recognized College Entrance Assessment. The Menu of Assessments option for LEAs that opt not to administer the ACT will be the SAT. Cambridge exams will therefore no longer be an option under the Menu of Assessments program.

At its September 2020 meeting, JLBC favorably reviewed ADE's proposed new contract for the statewide assessment, which the agency estimates will generate costs of \$17,500,000 in FY 2021, including:

- \$10,600,000 for tests administered to 552,000 pupils in grades 3 through 8 at an average cost per test of \$19.18.
- \$6,900,000 for ACT tests administered to 175,000 high schoolers once in 9<sup>th</sup> or 10<sup>th</sup> grade and again in 11<sup>th</sup> grade at a cost of \$39.15 per exam.

The Achievement Testing program, however, includes components other than AzMERIT and MOA tests. It also includes AIMS Science Tests, AZELLA testing for English Learners, alternative exams for special needs students, information technology support and program administration. ADE estimates the combined cost of these other functions, AzM2 and the MOA would be \$37,500,000 for FY 2022. By comparison, the agency estimates that it's combined General Fund, Proposition 301, and Federal Fund resources will total to \$32,500,000 for FY 2022. As a result, the department is requesting a \$5,000,000 increase from the General Fund in FY 2022 for the Achievement Testing program. (see Table 11).

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 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).

**Adult Education**

The Baseline includes \$4,641,800 and 3 FTE Positions in FY 2022 for Adult Education. These amounts consist of:

General Fund	4,509,500
Department of Education Professional Development Revolving Fund	132,300

These amounts are unchanged from FY 2021.

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 2020, 23 school districts, community colleges, counties

**Table 11**  
**Estimated Achievement Testing Costs and Available Funding**  
**(ADE estimates) (\$ in Millions)**

	<u>FY 2021</u>	<u>FY 2022</u>
<b>Estimated Costs 1/</b>		
AzM2	\$18.2	\$17.5
Menu of Assessments 2/	2.6	3.6
AIMS Science Testing	2.4	2.5
AZELLA 3/	9.8	10.0
Alternative Special Needs Exam (MSAA)	0.9	0.7
Peer Review/Standards Setting	0.0	0.3
Information Technology Support	0.8	1.0
Staff and Administration	<u>1.9</u>	<u>1.9</u>
<b>Total</b>	<b>\$36.6</b>	<b>\$37.5</b>
<b>Estimated Available Funding 4/</b>		
General Fund	\$14.5	\$14.5
Proposition 301 - School Accountability 5/	10.6	10.8
Federal Funds	<u>11.5</u>	<u>7.2</u>
<b>Total</b>	<b>\$36.6</b>	<b>\$32.5</b>

1/ ADE estimates as of September 2020. FY 2022 estimates are preliminary.

2/ Cost for FY 2022 currently unknown. ADE's estimate is being used as a placeholder

3/ Arizona English Language Learner Assessment funded through the English Learner Administration line item.

4/ Estimates assume that \$3.6 million of School Accountability carry-forward monies from Proposition 301 will be available to help fund the program in both FY 2021 and FY 2022. Surplus School Accountability monies can be carried forward to subsequent years.

5/ Includes carry-forward monies.

and community-based organizations are operating state-funded Adult Education programs.

The program also received \$14,343,800 in federal funding in FY 2020. 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 2022 for an Alternative Teacher Development Program. This amount is unchanged from FY 2021.

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.

Teach for America is also receiving \$500,000 from the Governor's Emergency Education Relief Fund in FY 2021 (See *Other Issues for more information.*)

#### **Arizona Structured English Immersion Fund**

The Baseline includes \$4,960,400 from the General Fund in FY 2022 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2021.

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 \$3,423,500 to public schools from the fund in FY 2020.

#### **College Credit by Examination Incentive Program**

The Baseline includes \$5,000,000 from the General Fund in FY 2022 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2021.

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.

The department reported in December 2019 that it distributed 22,296 CCEIP awards in FY 2019. The actual award amounts were pro-rated to approximately \$316 per passing scores for districts or charter schools with greater than 50% FRPL eligibility and \$211 per passing score for districts or charter schools with less than 50% FRPL eligibility.

Laws 2019, Chapter 98 established the College Credit by Examination Development Fund, which consists of monies appropriated to ADE for CCEIP that are not distributed by the end of the fiscal year in which they are appropriated. Monies in the fund are non-lapsing, and shall be used to assist schools with a student population in which 50% or more of the students are eligible for the Federal School Lunch program to operate or develop classes with a qualifying examination for college credit.

### **Computer Science Pilot Program**

The Baseline includes \$1,000,000 from the General Fund in FY 2022 for a Computer Science Pilot Program. This amount is unchanged from FY 2021.

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 previously did 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 2022 for CTED Completion Grants. This amount is unchanged from FY 2021.

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 CTED program before graduating from high school and who successfully complete the program after graduating from high school. The department shall award grant funding only after an eligible student has successfully completed a CTED program. 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. Program funding is non-lapsing for 1 year beyond the budget year. The Baseline continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2023).

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 Industry Credential Incentive Program**

The Baseline includes \$5,000,000 from the General Fund in FY 2022 for the CTED Industry Credential Incentive Program. This amount is unchanged from FY 2021.

*Background* – The FY 2020 K-12 Education BRB established a new CTED Industry Credential Incentive Program (A.R.S. § 15-249.15) that provides awards of up to \$1,000 per student to a student's school district,

charter school or CTED if the student obtains an eligible CTE certification, credential, or license through a CTE program prior to graduation. The awards will be provided only for CTE certifications related to "high demand" occupations identified by the Office of Economic Opportunity (OEO) and reviewed by a Quality Skills Commission composed of individuals from the OEO, Department of Education, Arizona Commerce Authority, school districts, charter schools, CTEDs, industry partners and business organizations.

Program monies may be spent on the following items: 1) instructional costs and professional development for CTE teachers; 2) certification costs for CTE students; 3) costs related to creating, expanding or improving eligible CTE programs; 4) instructional hardware, software or supplies required for eligible CTE programs; and 5) career exploration and awareness activities.

At its December 2020 meeting, JLBC favorably reviewed ADE's proposed list of industry credential incentives qualifying for a \$1,000 incentive for the first year of the program in FY 2021. The list will result in \$3,667,000 of incentive payments made for 3,667 students who completed a certification in an eligible program during the 2018-2019 school year. The remaining \$1,333,000 of unspent monies would also be available for expenditure in FY 2022.

Section 163 of the FY 2020 General Appropriation Act appropriates \$5,000,000 in non-lapsing monies from the General Fund on a one-time basis in both FY 2021 and FY 2022 for the new program. As a result, these monies will not appear in the FY 2022 General Appropriation Act.

### **CTED Soft Capital and Equipment**

The Baseline includes \$1,000,000 from the General Fund in FY 2022 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2021.

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 2022.

### **Early Literacy**

The Baseline includes \$12,000,000 from the General Fund in FY 2022 for Early Literacy. This amount is unchanged from FY 2021.

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 3<sup>rd</sup> Grade. (See the FY 2018 Appropriations Report for more information.)

**Education Learning and Accountability System**

The Baseline includes \$5,351,900 and 24.2 FTE Positions from the General Fund in FY 2022 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2021.

*Background* – The monies in this line item are for continued maintenance and operation of ELAS, but not for further ELAS development. 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).

Funding for ELAS development was last included in the FY 2020 budget, which transferred \$3,000,000 from the Department of Education Empowerment Scholarship Account Fund (DEESAF) established by A.R.S. § 15-2402 for deposit in the Department of Education subaccount in the Automation Projects Fund (APF) established pursuant to A.R.S. § 41-714 to replace the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools. ADE reports that it spent \$608,100 of the \$3,000,000 in FY 2020, so \$2,391,900 continues to be available for expenditure in FY 2021.

ADE estimates that an additional \$6,000,000 would be needed from the General Fund to finish replacement of the school finance system by FY 2023. The most recent third-party review of the status of the project from September 30, 2020 reported that the project is in "strong health" and 8 of 11 metrics of plan viability and on 4 of 9 metrics of project delivery practices. The remaining components are rated as being in "moderate health." Through FY 2020 ELAS will have received approximately \$80,000,000 in total funding from all sources combined since its inception. (See Table 12). (See the FY 2020 Appropriations Report for additional information on the prior year uses of project funding).

**Table 12**

**ELAS Funding by Fiscal Year  
(\$ in Millions)**

Fiscal Year	General Fund <sup>1/</sup>	Misc <sup>2/</sup>	Federal Grants <sup>3/</sup>	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
2020 <sup>4/</sup>	5.3	3.0	0.0	8.3
2021	<u>5.3</u>	<u>0.0</u>	<u>0.0</u>	<u>5.3</u>
<b>Total</b>	<b>61.7</b>	<b>11.0</b>	<b>7.3</b>	<b>80.0</b>

- <sup>1/</sup> General Fund appropriations for ELAS were made to the Department of Administration Automation Projects Fund in FY 2014 – FY 2018.
- <sup>2/</sup> Funding amounts for FY 2012 through FY 2016 include monies 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.
- <sup>3/</sup> Included \$5.0 million from a statewide longitudinal data system (SLDS) grant and \$2.3 million from a "Race to the Top" grant.
- <sup>4/</sup> The miscellaneous amount includes \$3.0 million transferred from the Department of Education Empowerment Scholarship Account Fund to the Department of Administration Automation Projects Fund for FY 2020 for further ELAS development.

**Empowerment Scholarship Account Administration**

The Baseline includes \$2,233,400 and 26 FTE Positions from the General Fund in FY 2022 for Empowerment Scholarship Account Administration. These amounts are unchanged from FY 2021.

Laws 2020, Chapter 12 appropriated \$950,000 and 13 FTE Positions from the General Fund in FY 2021 for an increase in administrative funding for the ESA program within ADE, including:

- \$276,000 and 5 FTE Positions to establish a dedicated call center for the ESA Program.
- \$388,000 and 6 FTE Positions for case managers to review and approve ESA applications.
- \$136,000 and 2 FTE Positions for ESA accounting staff.
- \$150,000 for ADE to conduct statewide seminars and trainings, staff professional development, marketing, and community outreach activities related to the ESA program.

The Baseline continues to include this funding in FY 2022. The Arizona Auditor General completed an audit of ESA program administration in April 2020 that made several findings and recommendations concerning the program (Please see Other Issues for more information.)

On a related note, the Baseline also continues to include \$150,000 from the General Fund within the State Board of Education to handle appeals associated with the ESA program. *(Please see the State Board of Education narrative for additional information.)*

### **English Learner Administration**

The Baseline includes \$6,541,600 and 13.5 FTE Positions from the General Fund in FY 2022 for English Learner Administration. These amounts are unchanged from FY 2021.

*Background* - 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 126,400 students are expected to take the AZELLA in FY 2021. *(See FY 2011 and FY 2020 Appropriations Reports 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 2022 for Geographic Literacy. This amount is unchanged from FY 2021.

The program funds a statewide geographic alliance for strengthening geographic literacy in this state. The Baseline continues a footnote 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.

### **Jobs for Arizona Graduates**

The Baseline includes \$100,000 from the General Fund in FY 2022 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2021.

The program funds a Jobs for Arizona Graduates program. The Baseline continues a footnote 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. The program annually provides approximately 1,300 Arizona students with college and career readiness services as well as interventions for students at risk of dropping out of high school.

### **School Safety Program**

The Baseline includes \$31,950,900 and 4 FTE Positions in FY 2022 for the School Safety program. These amounts consist of:

General Fund	24,150,900
Proposition 301 Expenditure Authority	7,800,000

These amounts are unchanged from FY 2021.

*Background* – The School Safety Program established in A.R.S. § 15-154 has existed in Arizona since FY 1995. *(See the FY 2015 Appropriations Report for program history.)* The program allows schools to apply for grant monies to support the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses. Before FY 2020, schools could only use the monies to hire school resource officers (SROs) and juvenile probation officers with program funds.

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. Expenditure Authority does not affect the department’s access to funding from Proposition 301 as it may spend whatever funding is available.

School district and charter schools receive funding for up to a 3-year period and may annually submit a modified spending plan if they are approved for a grant. The department opened the current funding cycle in FY 2020.

ADE received a total of \$97,463,900 in grant applications from districts and charter schools in FY 2020, which in total would have funded 302 SROs, 473 school counselors, and 396 social workers annually beginning in FY 2020. In December 2019, ADE received approval from SBE to disburse the grant amounts for FY 2020, which is funding 116 SROs, 148 school counselors and 118 social workers annually through FY 2022.

### **State Block Grant for Vocational Education**

The Baseline includes \$11,651,800 and 27 FTE Positions from the General Fund in FY 2022 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2021.

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 2020, the department received approximately \$30,287,500 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 \$2,467,200 and 22.9 FTE Positions in FY 2022 for Teacher Certification. These amounts consist of:

General Fund	184,200
Teacher Certification Fund	2,283,000

These amounts are unchanged from FY 2021.

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.

### **Teacher Professional Development Pilot**

The Baseline includes \$400,000 in one-time funding (through FY 2022) from the General Fund in FY 2022 for a Teacher Professional Development Pilot Program. This amount is unchanged from FY 2021.

The monies for the program in FY 2022 were appropriated in Section 137 of the FY 2020 General Appropriation Act. As a result, these monies will not appear in the FY 2022 General Appropriation Act.

The program also received a one-time appropriation of \$300,000 from the General Fund for FY 2018 from Laws 2017, Chapter 284. That law established the pilot program through July 1, 2020. The FY 2020 K-12 Education BRB amended Chapter 284 to extend the pilot program through July 1, 2023. It also allows the department to retain up to 3% of program monies for administration.

Chapter 284 requires the pilot program to issue scholarships or grants, or both, on a competitive basis that would support certificated teachers in gaining additional credentials and certifications at a regionally or nationally accredited public or private institution to teach math, science, technology, engineering or career and technical education in a public school.

Program scholarships and grants may not exceed \$2,000 per applicant. Recipients shall agree to teach in an Arizona public school for at least 3 additional years after completing their professional development program. If that commitment is not met, the recipient shall be required to fully pay back their scholarship.

On or before November 1 of each year of the pilot program the department shall submit to the Governor, President of the Senate and Speaker of the House of Representatives a report that summarizes the results of the pilot program. In its November 2020 report, ADE states that a total of 84 scholarships were awarded under the pilot program between August 2019 and October 2020.

### **Tribal College Dual Enrollment Program**

The Baseline includes \$250,000 from the Tribal College Dual Enrollment Program Fund in FY 2022 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2021.

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:

#### General Issues

- FY 2021 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts

### Auditor General Recommendation

- ESA Program Audit

### Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

### Non-General Fund Programs

- COVID-Related Spending
- Proposition 208
- Proposition 301
- Budget Overrides

### Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

#### **FY 2021 Ex-Appropriation**

The Baseline includes an ex-appropriation of \$(300,714,800) from the General Fund to account for lower-than-budgeted Basic State Aid expenses in FY 2021. The ex-appropriation would permit the Legislature to either return these monies to the General Fund or to redirect them into the school system through other adjustments.

The \$(300,714,800) estimated surplus is based on the following data as reported by ADE through November of 2020:

- Weighted ADM count of 1,468,588, which represents a decrease of (62,164), or (4.1)%, in comparison with FY 2020 weighted ADM. By comparison, the enacted FY 2021 budget assumed growth of approximately 0.9%.
- ADE's estimated empowerment scholarship costs of \$145,000,000 for FY 2021, which exceeds the enacted budget by \$21,389,000.

The JLBC Staff anticipates that the actual surplus within ADE will change over the course of FY 2021 based on the following factors:

- **Potential growth in weighted ADM:** Due to the statutory requirement that Basic State Aid be paid based on ADM for the first 100 days of the school year, which for most LEAs would not occur until at least January, student enrollment data from the fall is typically lower than the final ADM counts used to calculate Basic State Aid payments. Additional enrollment growth would lower the monies available for ex-appropriation by an unknown magnitude.

- **Savings from Distance Learning plans:** LEAs will receive reduced Basic State Aid payments in FY 2021 if they have "Distance Learning" programs authorized under Executive Order 2020-51 related to school operations during the COVID-19 pandemic. The order stipulates that such programs are funded as if they are Arizona Online Instruction (AOI) programs pursuant to A.R.S. § 15-808. As a result, distance learning students receive 95% of Base Level Funding if they are full-time and 85% if they are part-time.

ADE has reported preliminary distance learning plan data based on the first 40 days of instruction only. The department reports that distance learning programs reduced weighted ADM by approximately (59,284). Based on this data, the JLBC Staff estimates that the reduction in ADM could result in additional Basic State Aid savings of up to \$(250,000,000) beyond the Baseline ex-appropriation.

The final impact of distance learning on Basic State Aid payments, however, will not be known until after the end of the school year because ADE's methodology to account for the share of distance learners will be based on instructional time for the entire school year. For example, an LEA with 40 out of the 180 days of the full school year would be considered to have a distance learning share of 22.2% ( $40/180 = 22.2\%$ ).

Given, however, that ADE would not be able to calculate the final distance learning adjustment until after the end of the school year, it is not clear whether the magnitude of distance learning savings would be known prior to the adoption of the FY 2022 budget.

Any Basic State Aid funding reduction associated with enrollment declines or distance learning plans as outlined above would be at least partially offset by federal COVID-related spending on K-12 schools (*Please see COVID-Related Spending in Other Issues for additional information*).

#### **Statutory Changes**

The K-12 Education BRB makes 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 1.23% for standard inflation.

- As permanent law, increase the base level by an additional \$32.82 to incorporate into Basic State Aid \$50,000,000 for teacher salary increases that was funded from the Classroom Site Fund on a one-time basis in FY 2021 pursuant to section 137 of the FY 2019 General Appropriation Act.

*Results-Based Funding*

- As session law, continue to notwithstanding A.R.S. § 15-249.08 to allocate Results-Based Funding using the same formula that was used in FY 2021. Under permanent law, the Results-Based Funding instead would have been distributed in FY 2021 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 make eligible for Results-Based Funding schools with AzMERIT test results in the top 13% for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% for schools with 60% or higher FRPL eligibility.
- As session law, continue to establish per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with more than 60% FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with greater than 60% FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or more FRPL eligibility would receive \$400.
- As session law, continue to provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced price lunch eligibility rates.

*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 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 2022.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$176,238,700 in FY 2023 above FY 2022 and \$230,289,900 in FY 2024 above FY 2023. These estimates are based on:

- 0.6% ADM growth (unweighted) in FY 2023 and 0.7% in FY 2024.
- GDP inflators of 1.78% for FY 2023 and 1.83% for FY 2024. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.0% for FY 2023 and 1.90% for FY 2024.
- General Fund decreases of \$(10,046,600) in FY 2023 and \$(7,798,600) in FY 2024 for higher endowment earnings.
- An increase of \$27,141,500 in FY 2023 and \$28,184,500 in FY 2024 for Empowerment Scholarship Account growth.
- A decrease of \$(30,000,000) in FY 2023 to remove one-time funding to reduce the Basic State Aid rollover.
- A decrease of \$(400,000) in FY 2023 to remove one-time funding for a Teacher Professional Development Pilot program.
- A decrease of \$(5,000,000) in FY 2023 to remove one-time funding for the Arizona Industry Credential Incentive Program.

**Auditor General Report**

Pursuant to a resolution adopted by the Joint Legislative Audit Committee (JLAC) on October 10, 2019, the Auditor General completed a special audit of the Empowerment Scholarship program in April 2020. The audit analyzed workload of ADE staff administering the program, reviewed program expenditures, evaluated quality of ADE's customer service for the program, reviewed ADE's ability to meet program deadlines, and followed up on ADE's implementation of prior recommendations made by the Auditor General in 2016.

The report included the following main findings:

- ADE needs an estimated 21 full-time equivalent staff positions to administer the program in FY 2021.
- ADE primarily spent administrative monies for the ESA program on staffing and information technology.
- ESA program staff took an average of 24 minutes to answer phone calls and 5 days to respond to voicemails/email inquiries regarding the ESA program in calendar year 2019.
- Between July 2017 and October 2019, ADE took more than 45 days to make decisions on ESA applications for 55% of applications to the program.
- While ADE made progress in addressing 2016 audit recommendations, there are still several issues that persist, including ADE's release of personal information of parents/guardians when fulfilling public records requests.

Based on the above findings, the report made the following recommendations:

- ADE should allocate 21 FTE Positions to administer the ESA program in FY 2021. By comparison, ADE is currently funded for 26 FTE Positions.
- The department should develop customer service performance management policies, procedures, and metrics for the ESA program.
- Parents/guardians of prospective ESA recipients should be notified of ADE's decision within the 45-day statutory timeframe.
- ADE should protect personally identifiable and sensitive information.

**Endowment Earnings**

In FY 2020, endowment earnings from state trust lands funded approximately \$402,800,000 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, or an increase of 4.4% required by Proposition 123. The 4.4% increase exclusively funds Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis. In FY 2020, public schools received \$402,800,000 of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$60,600,000 from the Land Department and \$358,100,000 from the State Treasurer (see Table 13).

**Table 13**  
**Source of K-12 Endowment Earnings by Fiscal Year**  
 (\$ in Millions)

Source	2015 <sup>1/</sup>	2020 <sup>2/</sup>	2021 est <sup>2/</sup>	2022 est <sup>2/</sup>
Land Department	53.2	60.6	60.6	60.6
Treasurer	76.0	342.2	358.1	371.6
<b>Total</b>	<b>129.2</b>	<b>402.8</b>	<b>418.7</b>	<b>432.2</b>

<sup>1/</sup> Final year prior to Proposition 123.  
<sup>2/</sup> Assumes no change in trust land lease revenues for FY 2020 and FY 2021.

Table 14 shows that K-12 endowment earnings are estimated to equal \$418,700,000 in FY 2021 and \$432,200,000 in FY 2022. Of the \$402,800,000 in K-12 expendable earnings generated for FY 2020, \$290,500,000 was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3, and the remaining \$112,300,000 was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4 (see Table 14). The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72,300,000. (See Proposition 301 narrative below for more information on the Classroom Site Fund and Proposition 301. See State Land Trust Program Summary for more background on Arizona State Trust Land.)

**Table 14**

**Use of K-12 Endowment Earnings by Fiscal Year  
(\$ in Millions)**

Source	2015	2020 <sup>1/</sup>	2021 <sup>1/</sup>	2022 <sup>1/</sup>
Basic State Aid	47.3	290.5	300.6	309.8
SFB Debt Service <sup>2/</sup>	25.0	0.0	0.0	0.0
Classroom Site Fund	56.9	112.3	118.1	122.4
<b>Total</b>	<b>129.2</b>	<b>402.8</b>	<b>418.7</b>	<b>432.2</b>

<sup>1/</sup> Estimated.

<sup>2/</sup> \$24.9 million annual SFB debt service payments ended after FY 2018.

**Proposition 123 Triggers**

Economic Downturn

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic slowdown if:

- Sales tax revenue and employment both grow more than 1% but less than 2% in the prior calendar year [if only one factor falls into the 1-2% range, there is no suspension].
- It requires this suspension of inflation adjustments if sales tax revenue and employment both grow 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. Since Proposition 123 was enacted, the state exceeded the threshold every year.

Through November 2020, the state's TPT growth rate was 7.8% and the non-employment growth rate was (2.5)%. As a result, it does not currently appear that the pandemic will result in both thresholds being met.

Lower Trust Fund Balance

The proposition:

- 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.

K-12 Percent of Budget

Beginning in FY 2026, the proposition:

- Allows 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 surpasses 49% of the total state General Fund appropriations.

- If K-12 spending surpasses 50%, allows the state to suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount.

For FY 2021, budgeted K-12 spending constitutes approximately 47.6% 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 computed in November 2020 that budgeted expenditures for school districts collectively were \$138,863,800 above the AELF for FY 2021. For FY 2020, districts were \$(49,333,600) below the AEL.

School district's budgeted spending exceeded the AEL because funding for teacher pay raises and Additional Assistance restorations caused district spending statewide to grow faster than enrollment and inflation combined.

A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. A permanent increase in the AEL would require a voter-approved change to the State Constitution.

**COVID-Related Spending**

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. In March 2020, the state received funds from the federal CARES Act. As of December 2020, the Executive's CARES Act spending plan included a total of \$716,600,000 for ADE-related programs. Of this amount, \$277,400,000 is from the Elementary and Secondary School Emergency Relief (ESSER) Fund \$69,200,000 is from the Governor's Emergency Education Relief Fund (GEERF), and \$370,000,000 is from the Coronavirus Relief Fund (CRF). The purposes of the distributions are described in more detail below.

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized additional COVID-related spending for K-12 education, including \$54,311,000,000 nationwide in additional ESSER monies and \$4,053,060,000 in additional GEERF monies. The GEERF monies include a \$2,750,000,000 set aside for emergency assistance to private schools. As of this writing, these monies have not yet been allocated.

#### ESSER

The CARES Act establishes the ESSER Fund to distribute federal monies for K-12 education. Arizona is receiving approximately \$277,400,000 in ESSER monies. These monies must be obligated by September 30, 2022.

The law stipulates that 90% of the monies, or \$249,700,000, be distributed to school districts and charter schools based on their relative share of federal Title I funds. These monies may be expended for purposes already authorized by existing federal education grant programs, and are not being used to offset a reduction in state funds.

The remaining 10%, or \$27,700,000, is to be retained by the Superintendent of Public Instruction, including 9.5% (\$26,300,000) for grants or contracts with local education agencies based on emergency needs associated with responding to coronavirus and 0.5% (\$1,400,000) for administration. The Superintendent plans to distribute ADE's allocation as follows:

- \$15,000,000 for schools that are not eligible for Title I monies and therefore received no monies from the formula distribution component of the ESSER Fund. Over 180 schools will receive monies based on the number of low-income students and the size of the school, with each entity receiving at least \$50,000.
- \$6,000,000 for distance learning grants to school districts and charter schools. Awards will be based on need and impact of COVID-19.
- \$5,000,000 for special education compensatory education.
- \$300,000 for social-emotional learning and trauma-informed training for teachers and leaders.

If Arizona's allocation is in the same proportion to its allocation from the same funds from the CARES Act, Arizona would receive an additional estimated \$1,138,923,200 in ESSER monies under the Consolidated Appropriations Act of 2021.

#### GEERF

The CARES Act also provided resources for GEERF, which may be allocated at the Governor's discretion to local education agencies, higher education institutions, or

other education-related entities. Arizona is receiving \$69,200,000 in GEERF monies. These monies must be obligated by September 30, 2022. The Executive has indicated that it plans to distribute monies from the fund as follows:

- \$40,000,000 for installation of broadband infrastructure along I-17 between Sunset Point and Flagstaff and along I-19 between Tucson and Nogales.
- \$20,000,000 for Acceleration Academies, which will consist of one-time grants to high-needs schools for contracted services and training of existing teaching staff.
- \$6,000,000 for the Arizona Teachers Academy to provide tuition grants to postsecondary students in exchange for teaching in Arizona K-12 schools after graduation.
- \$1,000,000 for the nonprofit organization A for Arizona, which will distribute grants to districts and charter schools for school innovation. These monies would be matched by private donations.
- \$1,000,000 for replacement of vehicles used by teachers and staff of the Arizona Schools for the Deaf and the Blind.
- \$700,000 for Beat the Odds Leadership Academy, a leadership training program for school principals administered by the Center for the Future of Arizona.
- \$500,000 for distribution to Teach for America.

If Arizona's allocation is in the same proportion to its allocation from the same funds from the CARES Act, Arizona would receive an additional estimated \$94,966,100 from GEERF under the Consolidated Appropriations Act of 2021.

#### CRF

The Executive has allocated \$370,000,000 of CRF monies for K-12 enrollment stabilization grants. The grants will be distributed to districts and charter schools on a one-time basis in FY 2021 to address Basic State Aid funding reductions associated with enrollment declines or greater use of "Distance Learning" programs authorized under Executive Order 2020-51 related to school operations during the COVID-19 pandemic.

The Executive calculated the enrollment stability grants such that districts and charters receive a grant equal to the difference between their actual Base Support Level funding under Basic State Aid formula for FY 2021 as of the 40<sup>th</sup> day of instruction and the greater of:

- The FY 2021 Base Level multiplied by 98% of the LEA's weighted ADM from FY 2020.

- The FY 2021 Base Level multiplied by 105% of the LEA's weighted ADM as of the 40<sup>th</sup> day of instruction from FY 2021.

Effectively, this formula would cap the funding reduction for LEAs at (2)% in comparison with FY 2020.

In addition, charter schools are eligible for stabilization of Charter Additional Assistance (CAA). This program allows charter schools to receive a CAA grant equal to the difference between their actual CAA funding under the Basic State Aid formula for FY 2021 as of the 40<sup>th</sup> day of instruction and their FY 2021 CAA funding calculated using 98% of their FY 2020 unweighted student counts. Funding for District Additional Assistance is already based on prior year enrollment counts under the Basic State Aid formula and is therefore not included in the program.

Subsequent to the Executive's \$370,000,000 allocation, ADE estimated that the initial formulas above would have resulted in \$622,925,100 in formula awards to districts and charters. The Governor's Office of Strategic Planning and Budgeting then made the following additional adjustments to the formula calculations:

- Pro-rating of the initially calculated awards to keep the cost of the grant program within the \$370,000,000 original proposal; and
- Capping of individual grant allocations at \$500 per unweighted pupil based on guidance from the U.S. Department of the Treasury that \$500 per pupil of K-12 expenses may be "presumed" COVID-19 related. As a result, grantees do not need to provide additional backup documentation that their expenditures of the grant monies are COVID-19 related.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

### **Proposition 208 – Education Funding**

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund. Before any distributions are made from the fund, state agencies receive monies based on self-determined "actual reasonable" costs associated with certain requirements of the initiative:

- State Treasurer: administration of the fund.

- Auditor General: oversight of monies received by school districts, charter schools, and career technical education districts.
- Department of Education: oversight of monies received by school districts, charter schools, and career technical education districts.
- Department of Revenue: implementation and enforcement of 3.5% income tax surcharge.
- State Board of Education: oversight of teacher retention programs.

The total costs for these functions reported by these agencies is \$38,900, which solely reflects costs estimated by the Auditor General. ADE and SBE did not estimate any additional costs associated with the above functions, and the Department of Revenue and the State Treasurer did not provide an estimate.

After state agency distributions, the remaining funds will be distributed as follows:

- 85% to school districts and charter schools, including:
  - 50% for hiring and raises for teachers and classroom support personnel. The latter includes positions such as school counselors, psychologists, social workers, nurses and librarians.
  - 25% for hiring and raises for student support services personnel. The latter includes positions such as classroom aides, bus drivers, food services staff, and custodians.
  - 10% for new teacher retention programs.
- 12% to the Career Training and Workforce Fund, including:
  - Self-determined "actual reasonable" costs to the State Treasurer for administration of the fund.
  - Self-determined "actual reasonable" costs to the Department of Education for implementation of the career training and workforce program. ADE estimated these costs would be \$530,000 annually.
  - Grants to school districts, charter schools, and career technical education districts for career training and workforce programs.
- 3% to the universities for the Arizona Teachers Academy.

The JLBC Staff estimates that Proposition 208 will generate \$827 million in revenue in the first full year of implementation. Please see *Table 15* for the estimated Student Support and Safety Fund distributions.

**Table 15****Distribution of Student Support and Safety Fund**

Agency Distributions <sup>1/</sup>	\$ 38,900
School Districts/Charter Schools (85%): <sup>2/</sup>	
Teacher/Classroom Support (50%)	413,480,600
Student Support Services (25%)	206,740,300
Teacher Retention (10%)	<u>82,696,100</u>
Subtotal	702,917,000
Career Training and Workforce Fund (12%):	
Agency Distributions <sup>1/</sup>	530,000
Career Training and Workforce Program	<u>98,705,300</u>
Subtotal	99,235,300
Arizona Teachers Academy (3%)	24,808,800
<b>Student Support and Safety Fund Total</b>	<b>\$ 827,000,000</b>

<sup>1/</sup> Agency distributions reported by the Auditor General, ADE, and the State Board of Education. Cost estimates were not provided by the Department of Revenue of the State Treasurer.

<sup>2/</sup> The initiative stipulates that the Arizona State Schools for the Deaf and Blind and the Department of Juvenile Corrections are to receive monies for teacher/classroom support, student support services, and teacher retention "in the same manner as school districts and charter schools" based on their weighted student counts.

**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 16*).

Starting in FY 2022, Laws 2018, Chapter 74 extends the additional 0.6% sales tax through June 30, 2041. Pursuant to the FY 2021 K-12 BRB, the \$64,100,000 of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301 will be redirected to ADE for the costs of Basic State Aid. All other distributions remain unchanged.

*Table 16* shows how Proposition 301 revenues are earmarked through FY 2021. Proposition 301 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$499,300,000 (62.2%) of the \$803,100,000 collected for FY 2020 (*see Table 16*).

**Table 16**

**Proposition 301 Monies  
(FY 2020 Actual)  
(\$ in Millions)**

**PROPOSITION 301 SALES TAX REVENUES**

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
School Facilities Board	\$64.1	For debt service on \$794.7 million of bonds authorized by Proposition 301 for school repairs and updates.
Universities	88.7	Receive 12% of monies remaining after SFB debt service is deducted.
Community Colleges	22.2	Receive 3% of monies after SFB debt service.
Tribal Colleges	1.0	Same formula as for community colleges.
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
<b>Subtotal - Non-ADE Programs</b>	<b>\$201.0</b>	
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	<u>499.3</u>	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.
<b>Subtotal - ADE Programs</b>	<b>\$602.1</b>	
<b>Total - Prop 301 Sales Tax</b>	<b>\$803.1</b>	
<b>CLASSROOM SITE FUND EXPENDITURES (ALL SOURCES)</b>		
Prop 301 Sales Tax (from above)	499.3	
Prop 301/CSF - Land Trust	121.2	
Prop 301/CSF - Carry-Forward	<u>0.0</u>	
<b>Total - Classroom Site Fund</b>	<b>\$620.5 <sup>1/</sup></b>	

<sup>1/</sup> Total disbursements reported for FY 2020 in ADE's FY 2022 budget request from September 2020. Does not match estimated amounts in JLBC Staff Classroom Site Fund (CSF) memo dated 4/10/2020, as the latter were estimates based on data available at the time rather than year-end actuals.

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 \$72,300,000. Total reported expenditures from the CSF for FY 2020 were \$620,500,000 (see Table 16).

**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 2021, 94 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, 1 district had a “Special Program” override pursuant to A.R.S. § 15-482, and 28 districts had District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2021 included \$608,800,000 for M&O overrides and \$96,600,000 for District Additional Assistance overrides. Grand total budgeted override funding for FY 2021 therefore equaled \$708,100,000, which was \$64,300,000 above the \$643,800,000 amount budgeted for all overrides collectively in FY 2020 (see Table 17). (See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.)

Type of Override	FY 2020	FY 2021	Change
M&O	554.9	608.8	53.9
Special Program	0.0	2.7	2.7
Additional Assistance	88.9	96.6	7.7
<b>Total</b>	<b>643.8</b>	<b>708.1</b>	<b>64.3</b>

**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. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the American Civics Education pilot program established by Laws 2018, Chapter 289.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	500,000	0
<b>Arizona Agricultural Youth Organization Special Plate Fund (EDA2650/A.R.S. § 15-791)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	154,400	154,300
<b>Year-End Fund Balance</b>	0	3,200
<b>Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To provide incentive awards to school districts, charter schools and career technical education districts for high school graduates who obtain a certification, credential or license that is accepted by a vocation or industry through a career technical education course or program. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	290,000
<b>Arizona Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,609,600	4,960,400
<b>Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	15,000
<b>Year-End Fund Balance</b>	167,200	153,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
<b>Funds Expended</b>	34,400	34,100
<b>Year-End Fund Balance</b>	0	900
<b>Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated from the Automation Projects Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,553,100	2,047,500
<b>Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Character Education license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	200	31,400
<b>Year-End Fund Balance</b>	23,200	13,100
<b>College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
<b>Purpose of Fund:</b> To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	19,700	19,700
<b>Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,025,500	2,525,500
<b>Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. Expenditures are not displayed beginning in FY 2021 to avoid double counting of the General Fund.		
<b>Funds Expended</b>	1,283,400	0
<b>Year-End Fund Balance</b>	2,841,800	3,641,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Print shop collections from in-house and interagency publishing.		
<i>Purpose of Fund:</i> To fund agency print shop expenditures.		
Funds Expended	862,900	975,000
Year-End Fund Balance	1,196,800	1,071,800
<b>Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
<i>Purpose of Fund:</i> To offset the cost of providing professional development.		
Funds Expended	37,300	2,700,000
Year-End Fund Balance	40,400	(2,624,600)
<b>Early Literacy Program Fund (EDA2181/A.R.S. § 15-249.09)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations from the state General Fund.		
<i>Purpose of Fund:</i> 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
<b>Education Commodity Fund (EDA4210/A.R.S. § 15-1152)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Fees from school districts participating in the federal Food Commodities Program.		
<i>Purpose of Fund:</i> To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	413,800	690,400
Year-End Fund Balance	659,400	364,000
<b>Education Donations Fund (EDA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Grants received by the department from foundations or other private sector donors.		
<i>Purpose of Fund:</i> To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	116,800	24,700
Year-End Fund Balance	22,800	28,100
<b>Federal Funds (EDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<i>Purpose of Fund:</i> To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	1,164,711,900	1,606,020,000
Year-End Fund Balance	4,541,800	411,700
<b>Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> \$17 of the \$25 fee for Golden Rule license plates.		
<i>Purpose of Fund:</i> To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	213,800	213,800
Year-End Fund Balance	0	5,200
<b>IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
<i>Purpose of Fund:</i> Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	2,368,100	2,219,500
Year-End Fund Balance	551,700	546,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<b>Purpose of Fund:</b> To fund overhead and other indirect costs associated with state level administration of federal programs.		
<b>Funds Expended</b>	8,660,800	9,526,500
<b>Year-End Fund Balance</b>	2,124,500	1,103,000
<b>Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
<b>Funds Expended</b>	45,000,000	63,765,400
<b>Year-End Fund Balance</b>	27,885,500	15,063,400
<b>Internal Services Fund (EDA4209/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
<b>Purpose of Fund:</b> Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
<b>Funds Expended</b>	3,153,100	3,021,800
<b>Year-End Fund Balance</b>	2,165,600	1,083,800
<b>Permanent State School Fund (EDA3138/A.R.S. § 37-521)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 for 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 have been paid off, 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.		
<b>Purpose of Fund:</b> To support common schools.		
<b>Funds Expended</b>	290,489,100	300,612,600
<b>Year-End Fund Balance</b>	0	0
<b>Proposition 301 (EDA9001/A.R.S. § 15-977)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	595,218,800	596,844,000
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Proposition 301 Fund (EDA1114/A.R.S. § 42-5029E7)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Proposition 301 monies appropriated by the Legislature pursuant to A.R.S. § 42-5029E7.		
<b>Purpose of Fund:</b> To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
<b>Funds Expended</b>	7,000,000	7,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Proposition 301/Classroom Site Fund – Carryforward (EDA9003/A.R.S. § 15-977)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	56,005,500	(26,528,800)
<b>Year-End Fund Balance</b>	0	0
<b>Proposition 301/Classroom Site Fund – Land Trust (EDA9002/A.R.S. § 37-521)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	121,106,400	107,132,600
<b>Year-End Fund Balance</b>	0	0
<b>Results-Based Funding Fund (EDA2151/A.R.S. § 15-249.08)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Special Education Fund (EDA1009/A.R.S. § 15-1182)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,732,600	6,714,500
<b>Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
<b>Purpose of Fund:</b> To provide monies for operation of the department's Teacher Certification program.		
<b>Funds Expended</b>	1,956,300	2,420,700
<b>Year-End Fund Balance</b>	723,200	2,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	250,000	250,000
<b>Year-End Fund Balance</b>	40,800	40,800

## Department of Emergency and Military Affairs

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>PROGRAM BUDGET</b>			
Administration	1,849,900	1,948,100	1,948,100
Emergency Management	3,643,400	7,850,600	8,274,900
Military Affairs	1,788,300	4,080,400	4,080,400
<b>AGENCY TOTAL</b>	<b>7,281,600</b>	<b>13,879,100</b>	<b>14,303,400</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	69.6	69.6	72.6 <sup>1/</sup>
Personal Services	1,732,800	1,831,000	1,831,000
Employee Related Expenditures	557,100	586,800	586,800
Professional and Outside Services	23,200	6,000	6,000
Travel - In State	10,500	55,000	55,000
Travel - Out of State	4,100	10,000	10,000
Other Operating Expenditures	1,420,600	1,441,100	1,441,100
Equipment	58,500	50,000	50,000
<b>OPERATING SUBTOTAL</b>	<b>3,806,800</b>	<b>3,979,900</b>	<b>3,979,900</b>
<b>SPECIAL LINE ITEMS</b>			
Emergency Management Matching Funds	1,543,400	1,590,300	1,590,300
Governor's Emergency Fund	0	4,000,000	4,000,000 <sup>2/</sup>
Nuclear Emergency Management Program	1,369,800	1,506,100	1,930,400 <sup>3/</sup>
Military Airport Planning	89,900	90,000	90,000 <sup>4/</sup>
National Guard Matching Funds	344,300	1,712,800	1,712,800 <sup>5/</sup>
National Guard Tuition Reimbursement	127,400	1,000,000	1,000,000
<b>AGENCY TOTAL</b>	<b>7,281,600</b>	<b>13,879,100</b>	<b>14,303,400 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	5,911,800	12,373,000	12,373,000
<u>Other Appropriated Funds</u>			
Nuclear Emergency Management Fund	1,369,800	1,506,100	1,930,400
SUBTOTAL - Other Appropriated Funds	1,369,800	1,506,100	1,930,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,281,600</b>	<b>13,879,100</b>	<b>14,303,400</b>
Other Non-Appropriated Funds	(69,500)	2,720,200	72,000
Federal Funds	69,121,600	145,228,700	75,796,200
<b>TOTAL - ALL SOURCES</b>	<b>76,333,700</b>	<b>161,828,000</b>	<b>90,171,600</b>

**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

- <sup>1/</sup> Includes 1 GF and 8.5 OF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> 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.
- <sup>3/</sup> 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 \$1,712,800 national guard matching funds appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all fiscal year 2021-2022 monies remaining unexpended and unencumbered on December 31, 2022 revert to the state general fund. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 6/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$3,979,900 and 63.1 FTE Positions from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

**Emergency Management Matching Funds**

The Baseline includes \$1,590,300 from the General Fund in FY 2022 for Emergency Management Matching Funds. This amount is unchanged from FY 2021.

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 FY 2020, DEMA was awarded \$7,335,000 by the federal government.

In FY 2020, the state match for these monies was funded by \$730,900 from the General Fund operating budget appropriation, \$1,472,400 from the Emergency Management Matching Funds line item appropriation, \$100,000 in In-Kind Assistance, \$766,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,265,200 match from the local government sub-recipients.

In FY 2021, DEMA expects to receive \$8,949,100 in EMPG funds.

**Governor's Emergency Fund**

The Baseline includes \$4,000,000 from the General Fund in FY 2022 for the Governor's Emergency Fund. This amount is unchanged from FY 2021.

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 \$1,930,417 and 8.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2022 for the Nuclear Emergency Management Program line item. FY 2022 adjustments are as follows:

**New NEMF Assessment**

The Baseline includes an increase of \$424,301 and 3 FTE Positions from NEMF in FY 2022 for a new NEMF assessment.

Laws 2019, Chapter 24 appropriated \$1,458,753 and 5.5 FTE Positions from NEMF in FY 2020 and \$1,506,116 and 5.5 FTE Positions from NEMF in FY 2021.

As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services, the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2021-2023 are displayed in *Table 1*. (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. The legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2022 and FY 2023 NEMF funding levels for the 3 agencies as outlined in *Table 1*. The DEMA recommendation for FY 2022 and FY 2023 proposes that DEMA take over the offsite response activities from the Department of Health Services (DHS). This results in a shift of both funds and FTE Positions from DHS to DEMA.

The recommendations would include an increase of \$424,301 in FY 2022 and an increase of \$57,006 in FY

Table 1

**Nuclear Emergency Management Fund**

<u>Agency</u>	<u>FY 2021</u>		<u>FY 2022</u>		<u>FY 2023</u>	
	<u>FTEs</u>	<u>Approp.</u>	<u>FTEs</u>	<u>Approp.</u>	<u>FTEs</u>	<u>Approp.</u>
Emergency and Military Affairs <sup>1/</sup>	5.5	\$1,506,116	8.5	\$1,930,417	8.5	\$1,987,423
Health Services	5.5	789,663	0	0	0	0
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>201,468</u>	<u>2.88</u>	<u>206,968</u>
<b>Total</b>	<b>13.88</b>	<b>\$2,576,291</b>	<b>11.38</b>	<b>\$2,131,885</b>	<b>11.38</b>	<b>\$2,194,391</b>

<sup>1/</sup> The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

2023 above the FY 2022 level for DEMA. The Baseline increases NEMF funding to the department by \$424,301 in FY 2022 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2021 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.

**Military Airport Planning**

The Baseline includes \$90,000 and 1 FTE Position from the General Fund in FY 2022 for Military Airport Planning. These amounts are unchanged from FY 2021.

A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position to the department and \$85,000 to the Attorney General for administration of the Military Installation Fund. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

The Military Installation Fund itself currently has no ongoing revenue source. At the end of FY 2020, the fund had an unreserved balance of \$641,491.

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 \$1,712,800 from the General Fund in FY 2022 for the National Guard Matching Funds line item. These amounts are unchanged from FY 2021.

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 2022 monies remaining unexpended and unencumbered on December 31, 2022 revert to the state General Fund.

In FY 2020, DEMA received \$43,063,000 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$2,949,600 required a 50% match, or \$1,474,800; \$2,242,200 required a 25% match, or \$560,600; and \$2,168,600 required a 5.5% match, or \$119,300, for a total required match of \$2,154,700.

In FY 2020, DEMA utilized \$1,805,700 from the National Guard Matching Funds appropriations (including monies from the FY 2018 appropriation) and \$513,900 from the Military Affairs appropriation. No funds were provided by the Arizona Department of Administration (ADOA) building renewal appropriation in FY 2020.

DEMA estimates their FY 2021 match expenditures will be \$1,700,000.

**National Guard Tuition Reimbursement**

The Baseline includes \$1,000,000 from the General Fund in FY 2022 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2021.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen.

**Other Issues**

**Statutory Changes**

The Baseline would:

- As session law, extend the lapsing date for the \$3,759,000 FY 2019 appropriation from the General

Fund to DEMA for construction of a new Tucson Readiness Center to June 30, 2026.

- As session law, extend the lapsing date for the \$3,875,000 FY 2020 appropriation from the General Fund to DEMA for construction of a new West Valley Readiness Center to June 30, 2026.
- As session law, extend the provision allowing the department to expend up to \$1,250,000 from the Military Installation Fund through June 30, 2026 for the construction of a new Readiness Center. This authority was previously in effect through FY 2022.

The original project completion date for both projects was set for FY 2023 but has been moved to FY 2024 for the Tucson Readiness Center and FY 2026 for the West Valley Readiness Center as a result of U.S. Department of Defense budget reprogramming of military construction.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Camp Navajo Fund (MAA2106/A.R.S. § 26-152)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	12,860,700	14,441,900
<b>Year-End Fund Balance</b>	9,509,400	9,651,600
<b>Emergency Management Assistance Compact Revolving Fund (MAA2602/A.R.S. § 26-403)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To pay costs incurred by the state while assisting other states with emergencies or natural disasters.		
<b>Funds Expended</b>	(97,800)	0
<b>Year-End Fund Balance</b>	300,000	300,000
<b>Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal program grants.		
<i>Purpose of Fund:</i> To pay for the federal share of emergency planning, response and management programs.		
<b>Funds Expended</b>	7,997,300	56,310,300
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal service contracts for security, maintenance and operations of the National Guard.		
<i>Purpose of Fund:</i> To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
<b>Funds Expended</b>	43,063,000	68,781,600
<b>Year-End Fund Balance</b>	3,782,600	6,440,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal FEMA Grants and Non-Appropriated Funds.		
<b>Purpose of Fund:</b> To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
<b>Funds Expended</b>	843,200	1,072,200
<b>Year-End Fund Balance</b>	369,900	312,600
<b>Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Funds from federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,357,400	4,622,700
<b>Year-End Fund Balance</b>	2,787,700	1,600,500
<b>Military Installation Fund (MAA1010/A.R.S. § 26-262)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,268,300	639,100
<b>Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
<b>Funds Expended</b>	28,300	265,800
<b>Year-End Fund Balance</b>	266,400	12,600
<b>National Guard Fund (MAA2140/A.R.S. § 26-152)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For general operating expenses of the National Guard and maintenance and capital improvements to any National Guard facility.		
<b>Funds Expended</b>	0	244,200
<b>Year-End Fund Balance</b>	361,900	227,700
<b>Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
<b>Purpose of Fund:</b> To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
<b>Funds Expended</b>	1,369,800	1,506,100
<b>Year-End Fund Balance</b>	2,680,200	2,680,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>State Armory Property Fund (MAA2146/A.R.S. § 26-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of surplus armory property.		
<b>Purpose of Fund:</b> For the construction and capital improvement of National Guard armories.		
<b>Funds Expended</b>	0	2,210,200
<b>Year-End Fund Balance</b>	960,200	0

## Department of Environmental Quality

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	17,034,300	18,345,000	18,345,000
Employee Related Expenditures	6,253,100	6,740,400	6,740,400
Professional and Outside Services	2,973,000	2,143,800	2,143,800
Travel - In State	275,200	384,400	384,400
Travel - Out of State	54,400	146,500	146,500
Other Operating Expenditures	11,311,700	18,707,900	18,707,900
Equipment	130,800	1,465,700	1,465,700
<b>OPERATING SUBTOTAL</b>	<b>38,032,500</b>	<b>47,933,700</b>	<b>47,933,700</b>
<b>SPECIAL LINE ITEMS</b>			
Emissions Control Contractor Payment	21,119,500	21,119,500	21,119,500
Maricopa County Dust Suppression Pilot Program	200,000	0	0
Nogales Wastewater Infrastructure	2,569,300	0	0
Safe Drinking Water Program	1,707,600	1,854,700	1,854,700
WQARF Priority Site Remediation	13,552,000	15,000,000	10,000,000 <sup>1/2/D/</sup>
<b>AGENCY TOTAL</b>	<b>77,180,900</b>	<b>85,907,900</b>	<b>80,907,900 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	200,000	15,000,000	10,000,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	8,117,900	5,472,400	5,472,400
Emergency Response Fund	132,700	132,800	132,800
Emissions Inspection Fund	29,928,200	26,665,800	26,665,800
Hazardous Waste Management Fund	1,571,600	1,785,000	1,785,000
Indirect Cost Recovery Fund	13,455,400	14,025,500	14,025,500 <sup>4/</sup>
Permit Administration Fund	5,276,800	7,327,100	7,327,100 <sup>5/</sup>
Recycling Fund	3,186,800	1,396,800	1,396,800
Safe Drinking Water Program Fund	1,707,600	1,854,700	1,854,700
Solid Waste Fee Fund	1,155,900	1,280,700	1,280,700
Underground Storage Tank Revolving Fund	5,000,000	160,800	160,800
Water Quality Fee Fund	7,448,000	10,806,300	10,806,300
SUBTOTAL - Other Appropriated Funds	76,980,900	70,907,900	70,907,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>77,180,900</b>	<b>85,907,900</b>	<b>80,907,900</b>
Other Non-Appropriated Funds	72,203,400	66,575,000	66,575,000
Federal Funds	14,593,300	17,280,600	17,280,600
<b>TOTAL - ALL SOURCES</b>	<b>163,977,600</b>	<b>169,763,500</b>	<b>164,763,500</b>

**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

<sup>1/</sup> A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it would be shown here

as a General Fund expenditure. The three-year spending projection of the FY 2021 budget assumed that WQARF would be funded at a level of \$10,000,000 in Corporate Income Tax transfers in FY 2022.

- 2/ 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 fiscal year 2021-2022 report to the joint legislative budget committee on or before September 1, 2021. 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 fiscal year 2021-2022. In addition, the department and the advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2021, 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 fiscal year 2020-2021, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2021-2022 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2021-2022, assuming fiscal year 2021-2022 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- ~~D/ Pursuant to section 49-282, subsection G, Arizona Revised Statutes, the director of environmental quality shall submit a fiscal year 2021-2022 budget for the water quality assurance revolving fund before September 1, 2020, 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 \$14,025,500 in fiscal year 2021-2022 are appropriated to the department. Before spending indirect cost recovery fund monies in excess of \$14,025,500 in fiscal year 2021-2022, the department 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 \$7,327,100 in fiscal year 2021-2022 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,327,100 in fiscal year 2021-2022, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)

**Operating Budget**

The Baseline includes \$47,933,700 and 322 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
Air Quality Fund	\$5,472,400
Emergency Response Fund	132,800
Emissions Inspection Fund	5,546,300
Hazardous Waste Management Fund	1,785,000
Indirect Cost Recovery Fund	14,025,500
Permit Administration Fund	7,327,100
Recycling Fund	1,396,800
Solid Waste Fee Fund	1,280,700
Underground Storage Tank Revolving Fund	160,800
Water Quality Fee Fund	10,806,300

These amounts are unchanged from FY 2021.

The Baseline continues an 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 sewage discharges in other border areas of Arizona.

**Emissions Control Contractor Payment**

The Baseline includes \$21,119,500 from the Emissions Inspection Fund in FY 2022 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2021.

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 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 \$1,854,700 from the Safe Drinking Water Program Fund in FY 2022 for the Safe Drinking Water Program. This amount is unchanged from FY 2021.

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 2020</u>	<u>Estimated FY 2021</u>
Direct Personnel	\$1,120,000	\$1,162,900
Indirect Cost Fund	335,800	406,800
Contracting	72,300	110,500
Travel	30,100	30,800
Other	149,400	143,700
<b>Total</b>	<b>\$1,707,600</b>	<b>\$1,854,700</b>

**WQARF Priority Site Remediation**

The Baseline includes \$10,000,000 from the General Fund in FY 2022 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. FY 2022 adjustments are as follows:

**WQARF Funding**

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2022 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. The FY 2021 budget designated \$5,000,000 of the FY 2021

appropriation as one-time funding. As a result, the Baseline removes \$(5,000,000) of General Fund monies from this line item in FY 2022.

The WQARF funding for FY 2019 through FY 2021 plus the FY 2022 Baseline is shown in Table 3 at the bottom of the page.

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 the Environment BRB provision notwithstanding these statutory provisions but for FY 2022 leaves the General Fund transfer at \$10,000,000.

In prior years, the Legislature has appropriated monies from a variety of DEQ funds to provide a total of \$15,000,000 for this purpose yearly. Table 2 shows the WQARF funding availability from other funds that have been used in prior years for this purpose.

**Table 2**  
**FY 2022 WQARF Funding Availability**

	<u>Estimated FY 2022 Cash Balance</u>
Air Quality Fund	\$ 2,000,000
Emissions Inspection Fund	7,700,000
Permit Administration Fund	0
Recycling Fund	1,800,000
UST Fund	19,400,000
<b>Total Available</b>	<b>\$30,900,000</b>

The footnote requiring DEQ to submit a FY 2022 budget for WQARF before September 1, 2020 for review by the Senate and House of Representatives Appropriations

**Table 3**  
**WQARF Funding**

	<u>FY 2019 Actual</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Estimate</u>	<u>FY 2022 Baseline</u>
General Fund	\$ 0	\$ 0	\$15,000,000	\$10,000,000
Air Quality Fund	5,000,000	2,600,000	0	0
Emissions Inspection Fund	6,500,000	2,800,000	0	0
Permit Administration Fund	0	1,000,000	0	0
Recycling Fund	2,052,000	2,152,000	0	0
UST Fund	0	5,000,000	0	0
<b>Total Appropriation</b>	<b>\$13,552,000</b>	<b>\$13,552,000</b>	<b>\$15,000,000</b>	<b>\$10,000,000</b>
Non-Appropriated	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
<b>Total Funds</b>	<b>\$15,552,000</b>	<b>\$15,552,000</b>	<b>\$15,000,000</b>	<b>\$10,000,000</b>

Committees has been deleted because DEQ is required to submit its budget request, which includes its WQARF request, on September 1 of each year. The Appropriations Committees have never separately reviewed the WQARF budget prior to session.

*Background* – 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 2022 for department administrative expenses and for sewage remediation.
- As session law, appropriate \$10,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF).
- As session law, continue the FY 2021 level of vehicle emissions inspection fees in FY 2022 (FY 2021 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties).

**Vehicle Emissions Inspection (VEI) Fees**

Fund Sources and Uses

The VEI Program generates more in fees than the cost of administering the program, but total expenditures match or exceed fees when factoring in monies used from the fund for other programs, as shown in *Table 4*.

The Baseline continues the Environment BRB provision reducing 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 1,200,000 tests conducted annually and reduce VEI Fund revenues by approximately \$(3,700,000) annually. 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.

	Actual FY 2020	Estimated FY 2021	Estimated FY 2022
<b>Revenues</b>			
Balance Forward	\$ 7,593,500	\$ 5,439,000	\$ 6,588,500
Fees	<u>27,775,100</u>	<u>27,815,300</u>	<u>27,815,300</u>
<b>Total Revenues</b>	<b>\$35,368,600</b>	<b>\$33,254,300</b>	<b>\$34,403,800</b>
<b>Expenditures</b>			
Contractor Payment	\$21,119,500	\$21,119,500	\$21,119,500
Operating Expenses	6,010,100	5,546,300	5,546,300
WQARF	<u>2,800,000</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<b>\$29,929,600</b>	<b>\$26,665,800</b>	<b>\$26,665,800</b>
<b>Total Balance</b>	<b>\$ 5,439,000</b>	<b>\$ 6,588,500</b>	<b>\$ 7,738,000</b>

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Air Quality Fund (EVA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also, to provide funding annually to the Department of Administration state employee travel reduction program, the Department of Agriculture, and the Department of Transportation. (See individual agencies for further description.)		
<b>Funds Expended</b>	8,117,900	5,472,400
<b>Year-End Fund Balance</b>	1,408,500	2,723,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Emergency Response Fund (EVA3031/A.R.S. § 26-352)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 10% of the department's Hazardous Waste Management Fund's revenues.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	132,700	132,800
<b>Year-End Fund Balance</b>	893,900	853,800
<b>Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	29,928,200	26,665,800
<b>Year-End Fund Balance</b>	5,439,000	6,588,500
<b>Employee Recognition Fund (EVA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs.		
<b>Funds Expended</b>	6,900	6,200
<b>Year-End Fund Balance</b>	2,700	2,700
<b>Federal Funds (EVA2000/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants related to water quality management, Underground Storage Tank enforcement provisions, air pollution control, research projects, and other programs.		
<b>Purpose of Fund:</b> To be used as specified by federal law.		
<b>Funds Expended</b>	14,593,300	17,280,600
<b>Year-End Fund Balance</b>	0	0
<b>Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,571,600	1,785,000
<b>Year-End Fund Balance</b>	942,000	291,000
<b>IGA and ISA Fund (EVA2500/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	6,137,200	4,876,600
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Indirect Cost Recovery Fund (EVA9000/A.R.S. § 49-115)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies are generated from assessments to the department's appropriated and non-appropriated funds, including federal grants.		
<b>Purpose of Fund:</b> To pay departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs.		
<b>Funds Expended</b>	13,455,400	14,025,500
<b>Year-End Fund Balance</b>	3,697,600	4,635,800
<b>Institutional and Engineering Control Fund (EVA2563/A.R.S. § 49-159)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
<b>Funds Expended</b>	14,800	31,600
<b>Year-End Fund Balance</b>	108,200	103,600
<b>Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from public water systems that participate in the Monitoring Assistance program.		
<b>Purpose of Fund:</b> To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
<b>Funds Expended</b>	824,100	767,700
<b>Year-End Fund Balance</b>	1,002,300	536,100
<b>Permit Administration Fund (EVA2328/A.R.S. § 49-455)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Permit fees and interest.		
<b>Purpose of Fund:</b> To develop and administer permit programs and to conduct inspections.		
<b>Funds Expended</b>	5,276,800	7,327,100
<b>Year-End Fund Balance</b>	2,243,500	305,500
<b>Recycling Fund (EVA2289/A.R.S. § 49-837)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Landfill disposal (tipping) fees and legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,186,800	1,396,800
<b>Year-End Fund Balance</b>	896,700	2,076,900
<b>Safe Drinking Water Program Fund (EVA4150/A.R.S. § 49-360)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The first \$1,800,000 received from Public Water System (PWS) tax revenue.		
<b>Purpose of Fund:</b> To fund the Safe Drinking Water Program.		
<b>Funds Expended</b>	1,707,600	1,854,700
<b>Year-End Fund Balance</b>	918,200	863,500
<b>Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,155,900	1,280,700
<b>Year-End Fund Balance</b>	1,877,000	1,698,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
<b>Purpose of Fund:</b> For administration of court settlements, judgments, or consent decrees.		
<b>Funds Expended</b>	29,800	0
<b>Year-End Fund Balance</b>	513,800	513,800
<b>Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 1¢ per gallon excise tax on gasoline.		
<b>Purpose of Fund:</b> The FY 2020 Environment Budget Reconciliation Bill appropriated \$5,000,000 from the Underground Storage Tank Fund to the Water Quality Assurance Revolving Fund. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	5,000,000	160,800
<b>Year-End Fund Balance</b>	57,185,200	43,311,400
<b>Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 1¢ per gallon excise tax on gasoline.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	48,917,500	41,201,700
<b>Year-End Fund Balance</b>	57,185,200	43,311,400
<b>Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
<b>Purpose of Fund:</b> To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
<b>Funds Expended</b>	337,800	150,200
<b>Year-End Fund Balance</b>	160,700	511,100
<b>Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
<b>Purpose of Fund:</b> To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
<b>Funds Expended</b>	1,078,400	1,200,000
<b>Year-End Fund Balance</b>	2,223,600	2,101,300
<b>Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,856,900	18,341,000
<b>Year-End Fund Balance</b>	4,240,200	2,853,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and fees received from several water quality protection programs.		
<b>Purpose of Fund:</b> To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.		
<b>Funds Expended</b>	7,448,000	10,806,300
<b>Year-End Fund Balance</b>	3,271,100	(1,310,400)

**Governor's Office of Equal Opportunity**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	92,700	134,300	134,300
Employee Related Expenditures	27,500	52,900	52,900
Travel - In State	800	1,200	1,200
Other Operating Expenditures	9,900	8,500	8,500
Equipment	100	800	800
<b>AGENCY TOTAL</b>	<b>131,000</b>	<b>197,700</b>	<b>197,700 <sup>1/</sup></b>

**FUND SOURCES**

Other Appropriated Funds

Personnel Division Fund	131,000	197,700	197,700
SUBTOTAL - Other Appropriated Funds	131,000	197,700	197,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>131,000</b>	<b>197,700</b>	<b>197,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>131,000</b>	<b>197,700</b>	<b>197,700</b>

**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**

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**Operating Budget**

The Baseline includes \$197,700 and 4 FTE Positions from the Personnel Division Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Personnel Division Fund (OEO1107/A.R.S. § 41-750)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 0.38% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	131,000	197,700
<b>Year-End Fund Balance</b>	0	0

## State Board of Equalization

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	243,700	287,100	287,100
Employee Related Expenditures	84,300	79,900	79,900
Professional and Outside Services	5,600	35,000	35,000
Travel - In State	11,000	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	132,900	235,200	235,200
Equipment	400	15,000	15,000
<b>AGENCY TOTAL</b>	<b>477,900</b>	<b>673,200</b>	<b>673,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	477,900	673,200	673,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>477,900</b>	<b>673,200</b>	<b>673,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>477,900</b>	<b>673,200</b>	<b>673,200</b>

**AGENCY DESCRIPTION** - The State Board of Equalization hears property tax appeals for Maricopa and Pima Counties. The board consists of 41 seats, of which 21 are appointed by the Governor and 20 are appointed by the Board of Supervisors of each county. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. The board also hears appeals of centrally-valued properties and equalization orders by the Department of Revenue.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$673,200 and 7 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

## Board of Executive Clemency

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	610,000	668,500	668,500
Employee Related Expenditures	210,200	228,300	228,300
Professional and Outside Services	300	32,400	32,400
Travel - In State	600	13,600	13,600
Other Operating Expenditures	233,500	231,700	231,700
Equipment	24,700	10,000	10,000
<b>AGENCY TOTAL</b>	<b>1,079,300</b>	<b>1,184,500</b>	<b>1,184,500 <sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,079,300	1,184,500	1,184,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,079,300</b>	<b>1,184,500</b>	<b>1,184,500</b>
Other Non-Appropriated Funds	15,900	30,100	30,100
<b>TOTAL - ALL SOURCES</b>	<b>1,095,200</b>	<b>1,214,600</b>	<b>1,214,600</b>

**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/ On or before November 1, 2020, 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 the total number and types of cases the board reviewed in fiscal year 2019-2020. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,184,500 and 14.5 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

### Other Issues

### Caseload Data

Pursuant to a footnote in the FY 2021 General Appropriation Act, the board submitted a report on its FY 2020 caseload. The board conducted 2,586 case hearings in FY 2020, as described below:

- Phases 1 and 2 Commutation (266): 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 (0): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (9): 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 (376): 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 (1,935): These hearings are conducted when an offender has violated the terms of community supervision.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>IGA and ISA Fund (PPA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	15,900	30,100
<b>Year-End Fund Balance</b>	6,300	6,300

## Arizona Exposition and State Fair Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,672,900	4,836,800	4,836,800
Employee Related Expenditures	1,016,400	1,096,000	1,096,000
Professional and Outside Services	257,900	350,400	350,400
Travel - In State	4,300	2,500	2,500
Travel - Out of State	11,300	10,000	10,000
Other Operating Expenditures	7,903,400	7,139,800	7,139,800
Equipment	178,000	88,200	88,200
<b>AGENCY TOTAL</b>	<b>13,044,200</b>	<b>13,523,700</b>	<b>13,523,700<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Arizona Exposition and State Fair Fund	13,044,200	13,523,700	13,523,700
SUBTOTAL - Other Appropriated Funds	13,044,200	13,523,700	13,523,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>13,044,200</b>	<b>13,523,700</b>	<b>13,523,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>13,044,200</b>	<b>13,523,700</b>	<b>13,523,700</b>

**AGENCY DESCRIPTION** — The Arizona Exposition and State Fair Board (AESF) 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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

#### Operating Budget

The Baseline includes \$13,523,700 and 184 FTE Positions from the AESF Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Other Issues

#### 2020 State Fair Cancellation

In August 2020, the AESF Board announced the annual Arizona State Fair (fair) would not be held as a result of the COVID-19 pandemic. The board anticipates having a fair again in 2021.

As a self-funded agency, the fair accounts for the majority of AESF's revenue and operating expenditures.

The AESF Fund had an FY 2020 ending balance of \$5,307,700. Prior to the fair cancellation, the fund's FY 2021 ending balance was expected to be \$6,426,700, based on anticipated FY 2021 revenues of \$14,800,000 and expected operating expenditures of \$13,700,000.

Table 1

#### AESF Fund FY 2021 Revenue Forecast (\$ in millions)

	Pre- Pandemic	Projection as of 10/20	Pending Events <sup>1/</sup>
Beginning Balance	\$5.3	\$5.3	\$5.3
Revenue	\$14.8	\$1.2	\$2.9
Est. Expenditures	<u>\$(13.7)</u>	<u>\$(5.5)</u>	<u>\$(5.9)</u>
Ending Balance	\$6.4	\$1.0	\$2.3

<sup>1/</sup> Includes pending events as of 10/20. Any additional events added after 10/20 are not included.

While there are other AESF events pending approval, the lack of revenue from the fair is expected to result in agency operating expenditures exceeding anticipated FY 2021 revenues. After accounting for both the loss of proceeds due to the fair cancellation and anticipated revenue from events that have already been approved for FY 2021, the current annual revenue projection is approximately \$1,200,000 compared to an estimated \$5,500,000 in AESF agency operating costs.

The AESF fund's FY 2021 ending balance is anticipated to be between \$1,000,000 to \$2,300,000, depending on the number of pending events that receive approval in FY

2021. The AESF reports that it will need an FY 2021 balance of approximately \$1,500,000 to operate the 2021 state fair. (See Table 1 for additional information.)

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair. The FY 2021 ending balance estimate was calculated before the cancelation of the 2020 state fair.		
<b>Purpose of Fund:</b> For operating costs of the State Fair.		
<b>Funds Expended</b>	13,044,200	13,523,700
<b>Year-End Fund Balance</b>	5,307,700	6,426,700

## Arizona Department of Forestry and Fire Management

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	88.0	88.0	88.0 <sup>1/</sup>
Personal Services	1,815,300	1,965,200	1,965,200
Employee Related Expenditures	713,700	758,900	758,900
Professional and Outside Services	103,500	103,500	103,500
Travel - In State	36,300	36,300	36,300
Travel - Out of State	2,900	2,900	2,900
Other Operating Expenditures	339,700	334,500	334,500
Equipment	4,500	4,500	4,500
<b>OPERATING SUBTOTAL</b>	<b>3,015,900</b>	<b>3,205,800</b>	<b>3,205,800</b>
<b>SPECIAL LINE ITEMS</b>			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	3,200,000	3,200,000	3,200,000 <sup>2/</sup>
Hazardous Vegetation Removal	2,478,300	3,000,000	3,000,000 <sup>3/</sup>
Inmate Firefighting Crews	656,500	727,500	727,500
Post-Release Firefighting Crews	955,900	1,063,400	1,063,400
Mount Lemmon Fire District	750,000	0	0
Nonnative Vegetation Species Eradication	2,000,000	1,000,000	1,000,000 <sup>4/</sup>
State Fire Marshal	766,100	777,600	777,600
State Fire School	150,000	175,300	175,300
Taylor Fire Training Center	1,000,000	0	0
<b>AGENCY TOTAL</b>	<b>15,222,700</b>	<b>13,399,600</b>	<b>13,399,600 <sup>5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	15,222,700	13,399,600	13,399,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>15,222,700</b>	<b>13,399,600</b>	<b>13,399,600</b>
Other Non-Appropriated Funds	43,895,800	40,080,600	40,080,600
<b>TOTAL - ALL SOURCES</b>	<b>59,118,500</b>	<b>53,480,200</b>	<b>53,480,200</b>

**AGENCY DESCRIPTION** — The Arizona Department of Forestry and Fire Management (DFFM) 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

- <sup>1/</sup> Includes 45 GF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> 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.
- <sup>3/</sup> The appropriation for the hazardous vegetation removal line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2023. (General Appropriation Act footnote)
- <sup>4/</sup> The sum of \$1,000,000 is appropriated from the state General Fund in each of FY 2021, FY 2022, FY 2023, FY 2024, FY 2025, FY 2026, FY 2027, FY 2028, and FY 2029 to the Arizona Department of Forestry and Fire Management for deposit in the Nonnative Vegetation Species Eradication Fund established by A.R.S. § 37-1309 to assist in preventing wildland fire and flooding. (FY 2020 General Appropriation Act footnote)
- <sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$3,205,800 and 43 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

### **Environmental County Grants**

The Baseline includes \$250,000 from the General Fund in FY 2022 for Environmental County Grants. This amount is unchanged from FY 2021.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, Cochise and Apache Counties for environmental projects that impact economic development in those counties. Previously funded projects include forest restoration, endangered species habitat protection, watershed restoration, and natural resource planning. DFFM must approve any project prior to expenditure of the monies.

### **Fire Suppression**

The Baseline includes \$3,200,000 from the General Fund in FY 2022 for Fire Suppression. This amount is unchanged from FY 2021.

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 \$3,000,000 from the General Fund in FY 2022 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2021.

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 DFFM crews or through fuel reduction grants to contractors.

### **Inmate Firefighting Crews**

The Baseline includes \$727,500 and 13 FTE Positions from the General Fund in FY 2022 for Inmate Firefighting Crews. These amounts are unchanged from FY 2021.

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 \$1,063,400 and 20 FTE Positions from the General Fund in FY 2022 for Post-Release Firefighting Crews. These amounts are unchanged from FY 2021.

Monies in this line item provide firefighting training for recently released inmates who previously participated in Inmate Firefighting Crews (*see Inmate Firefighting Crews 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.

### **Nonnative Vegetation Species Eradication**

The Baseline includes \$1,000,000 from the General Fund in FY 2022 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2021.

The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to DFFM to deposit in the Nonnative Vegetation Species Eradication Fund in each fiscal year of FY 2021 through FY 2029. Because these monies were advanced appropriated in the FY 2020 General Appropriation Act, these appropriations will not appear in subsequent General Appropriation Act bills.

Monies in this line item are used to provide grants to other state agencies, cities, towns, counties, Indian tribes, and other political subdivisions and nonprofit organizations to fund projects that will assist in the prevention of wildfires and flooding and promote restoration of wildlife habitats by removing nonnative vegetation and replacing it with native vegetation. Saltcedar plants are an example of a nonnative vegetation species.

### **State Fire Marshal**

The Baseline includes \$777,600 and 11 FTE Positions from the General Fund in FY 2022 for the State Fire Marshal. These amounts are unchanged from FY 2021.

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 \$175,300 and 1 FTE Position from the General Fund in FY 2022 for the State Fire School. These amounts are unchanged from FY 2021.

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 \$75,300 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

In May 2020, the Executive Board of the Arizona State Fire Training Committee announced the Fire School would not be held in September 2020 due to the COVID-19 pandemic. The committee, however, plans to continue the Fire School in 2021.

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### **Other Issues**

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### **FY 2021 Fire Suppression Supplemental Request**

DFFM's FY 2022 budget submittal includes a request for \$3,950,000 from the General Fund in supplemental FY 2021 funding to pay for fire suppression expenses incurred in previous years. If the request is approved, \$2,000,000 of the requested amount will be used to pay for expenses relating to the FY 2017 Swisshelm fire. The remaining \$1,950,000 is intended to pay anticipated fire suppression costs associated with FY 2020 fires, for which the department is still receiving claims.

The department receives \$4,000,000 annually for fire suppression activities; of that amount, \$3,200,000 is provided by the General Fund with the remaining \$800,000 funded by the State Land Department's Trust Land Management Fund. DFFM has a statutory obligation to suppress wildland fires on 9.2 million acres of state trust land. That state trust land amount represents 42% of all the land under the department's jurisdiction, justifying the Trust Land Management Fund as an appropriate source of additional funding for fire

suppression costs. The legislature may consider the Trust Land Management Fund as an alternative funding source for DFFM's FY 2021 supplemental request. *(Please see the Fire Suppression line item for more information.)*

### **Budget Stabilization Fund Use for Processing Wildland Fire Claims**

The Budget Stabilization Fund (BSF) functions as the state's "Rainy Day Fund" and is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. A.R.S. § 35-144 authorizes DFFM to use up to \$20,000,000 in BSF monies to pay wildland fire suppression claims.

DFFM coordinates the dispatch of local fire districts in response to wildland fires occurring on federal land. Expenditures incurred by local districts are paid for by DFFM using monies from the BSF. DFFM then requests reimbursement from its cooperating federal partners. Federal reimbursements are provided to the State Treasurer to be deposited into the BSF. Of the \$20,000,000 authorized for DFFM use, the BSF balance consists of the cumulative amount the department has used to pay local district fire suppression claims less the amount reimbursed to the State Treasurer. Federal agencies maintain a single cooperative agreement with the state through DFFM while the department maintains over 200 cooperative agreements with local fire districts. Because of this cooperative agreement structure, there is no mechanism for local districts to seek federal reimbursement outside of going through DFFM.

As of October 2020, DFFM reports that there is approximately \$1,200,000 in pending BSF capacity awaiting federal reimbursement. *(See the Budget Stabilization Fund Use for Processing Wildland Fire Claims section of the DFFM narrative in the FY 2021 Appropriations Report for more information on DFFM's use of the BSF. See Budget Stabilization Fund section in this Baseline for more information.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arson Detection Reward Fund (FFM2169/A.R.S. § 37-1387)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, court-imposed fines, and monies from forfeiture of bail posted for arson convictions.		
<b>Purpose of Fund:</b> To provide rewards for information leading to convictions of arson cases.		
<b>Funds Expended</b>	27,600	0
<b>Year-End Fund Balance</b>	99,600	100,700
<b>Cooperative Forestry Fund (FFM2232/A.R.S. § 37-1306)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
<b>Purpose of Fund:</b> To fund the State Forester's activities, including forestry assistance and wildland fire prevention and suppression on state lands.		
<b>Funds Expended</b>	11,183,200	8,952,900
<b>Year-End Fund Balance</b>	2,736,800	3,256,500
<b>Fire Suppression Revolving Fund (FFM2360/A.R.S. § 37-1305)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wildland 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.		
<b>Purpose of Fund:</b> To cover the costs of fighting fires on public and private lands. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<b>Funds Expended</b>	32,344,900	30,794,100
<b>Year-End Fund Balance</b>	700	208,500
<b>IGA and ISA Fund (FFM2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	68,100	68,100
<b>Year-End Fund Balance</b>	1,656,300	2,001,600
<b>Indirect Cost Recovery Fund (FFM9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from the Negotiated Indirect Cost Rate Agreement with the U.S. Forest Service.		
<b>Purpose of Fund:</b> To offset the costs of the department's overhead personnel.		
<b>Funds Expended</b>	272,000	265,500
<b>Year-End Fund Balance</b>	689,800	1,174,300
<b>Nonnative Vegetation Species Eradication Fund (FFM9900/A.R.S. § 37-1309)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations. The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to the department in each of FY 2020 through FY 2029 to deposit into the Nonnative Vegetation Species Eradication Fund.		
<b>Purpose of Fund:</b> To provide grants to other state agencies, cities, towns, counties, Indian tribes, other political subdivisions and nonprofit organizations for projects that will assist in fire and flood prevention, conservation of water, replacing nonnative vegetative species with native vegetative species and restoring native habitats. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,880,300	2,760,600
<b>Trampoline Court Safety Fund (FFM2578/A.R.S. § 37-1422)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to owners of trampoline courts.		
<b>Purpose of Fund:</b> To implement and maintain the registry of trampoline courts operating in Arizona.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	8,400	9,300

## State Board of Funeral Directors and Embalmers

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	192,300	209,000	209,000
Employee Related Expenditures	79,600	95,400	95,400
Professional and Outside Services	1,700	25,000	25,000
Travel - In State	1,600	5,000	5,000
Travel - Out of State	1,600	5,000	5,000
Other Operating Expenditures	73,200	61,700	61,700
<b>OPERATING SUBTOTAL</b>	<b>350,000</b>	<b>401,100</b>	<b>401,100</b>
<b>SPECIAL LINE ITEMS</b>			
Retirement Payout	11,300	0	0
<b>AGENCY TOTAL</b>	<b>361,300</b>	<b>401,100</b>	<b>401,100<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Funeral Directors' and Embalmers' Fund	361,300	401,100	401,100
SUBTOTAL - Other Appropriated Funds	361,300	401,100	401,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>361,300</b>	<b>401,100</b>	<b>401,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>361,300</b>	<b>401,100</b>	<b>401,100</b>

**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

<sup>1/</sup> 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 Funeral Directors' and Embalmers' Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Other Issues

#### Auditor General Report

In November 2020, the Auditor General published a State Board of Funeral Directors' and Embalmers' audit that included recommendations for improvements to the board's policies and procedures to ensure applicants meet all statutory and rule requirements and licensed business inspections are conducted and documented appropriately. The audit also found that the board has

not evaluated the appropriateness of its license and registration fees since they were established and included a recommendation that the board conduct a review and adjust its fees accordingly.

In its response to the audit, the board agreed with the findings of the Auditor General and plans to conduct annual reviews of its fees to determine appropriateness.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
<b>Funds Expended</b>	361,300	401,100
<b>Year-End Fund Balance</b>	612,300	594,500

## Arizona Game and Fish Department

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,889,700	16,670,500	16,670,500
Employee Related Expenditures	11,038,200	12,432,100	12,432,100
Professional and Outside Services	1,196,200	1,461,500	1,461,500
Travel - In State	174,000	267,100	267,100
Travel - Out of State	96,300	105,400	105,400
Other Operating Expenditures	7,098,500	11,146,100	11,146,100
Equipment	516,300	929,700	929,700
<b>OPERATING SUBTOTAL</b>	<b>34,009,200</b>	<b>43,012,400</b>	<b>43,012,400</b>
<b>SPECIAL LINE ITEMS</b>			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
<b>AGENCY TOTAL</b>	<b>37,067,200</b>	<b>46,070,400</b>	<b>46,070,400 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Capital Improvement Fund	1,001,200	1,001,200	1,001,200
Game and Fish Fund	32,749,500	39,703,700	39,703,700
Game, Non-Game, Fish and Endangered Species Fund	170,600	357,900	357,900
Watercraft Licensing Fund	3,129,700	4,991,400	4,991,400
Wildlife Endowment Fund	16,200	16,200	16,200
SUBTOTAL - Other Appropriated Funds	37,067,200	46,070,400	46,070,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>37,067,200</b>	<b>46,070,400</b>	<b>46,070,400</b>
Other Non-Appropriated Funds	39,723,100	41,874,400	41,874,400
Federal Funds	48,014,300	46,826,800	46,826,800
<b>TOTAL - ALL SOURCES</b>	<b>124,804,600</b>	<b>134,771,600</b>	<b>134,771,600</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### **Operating Budget**

The Baseline includes \$43,012,400 and 273.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	36,645,700
Game, Non-Game, Fish and Endangered Species Fund	357,900
Watercraft Licensing Fund	4,991,400
Wildlife Endowment Fund	16,200

These amounts are unchanged from FY 2021.

#### **Pittman-Robertson/Dingell-Johnson Act**

The Baseline includes \$3,058,000 from the Game and Fish Fund in FY 2022 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2021.

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.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Big Game Permit Fund (GFA3712/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> License fees for hunting permits.		
<i>Purpose of Fund:</i> Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	456,700	456,700
<b>Capital Improvement Fund (GFA2203/A.R.S. § 17-292)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Transfers from the Conservation Development Fund.		
<i>Purpose of Fund:</i> To acquire, construct, improve and renovate department facilities.		
<b>Funds Expended</b>	1,001,200	1,001,200
<b>Year-End Fund Balance</b>	2,000	1,048,900
<b>Conservation Development Fund (GFA2062/A.R.S. § 17-282)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
<i>Purpose of Fund:</i> To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
<b>Funds Expended</b>	1,009,200	1,867,200
<b>Year-End Fund Balance</b>	2,193,300	3,524,200
<b>Federal Funds (GFA2000/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Revenue from federal grants.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,500	5,500
<b>Federal Revolving Fund (GFA2028/A.R.S. § 17-406)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Funds received from the federal government for deposit and appropriated state matching money.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	47,629,700	46,621,300
<b>Year-End Fund Balance</b>	1,955,200	0
<b>Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	46,300	37,800
<b>Year-End Fund Balance</b>	97,000	107,500
<b>Game and Fish Fund (GFA2027/A.R.S. § 17-261)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	32,749,500	39,703,700
<b>Year-End Fund Balance</b>	36,893,600	32,971,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Game and Fish In-Lieu Fee Program Restoration Endowment Trust Fund</b> (GFA3167/A.R.S. § 17-265)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	384,600	205,500
<b>Year-End Fund Balance</b>	4,389,400	4,198,900
<b>Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales of agency publications, including Wildlife Views magazine and various field guides.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	145,900	116,600
<b>Year-End Fund Balance</b>	87,600	147,000
<b>Game and Fish Special Stamp Collection Fund - For CA (GFA3709/A.R.S. § 17-343)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Handling of licenses and special use permits on waters shared with California.		
<b>Purpose of Fund:</b> To remit proceeds to California on an annual basis pursuant to an agreement between AZGFD and the California Game and Fish Commission.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	41,400	41,400
<b>Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
<b>Funds Expended</b>	4,600,500	3,804,100
<b>Year-End Fund Balance</b>	15,327,800	15,260,200
<b>Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
<b>Purpose of Fund:</b> To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
<b>Funds Expended</b>	170,600	357,900
<b>Year-End Fund Balance</b>	580,200	481,100
<b>Heritage Fund - Acquisition Fund (GFA2294/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
<b>Purpose of Fund:</b> For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection, and management of property with sensitive habitat are spent to acquire property with sensitive habitat used by endangered, threatened and candidate species.		
<b>Funds Expended</b>	8,462,800	4,439,900
<b>Year-End Fund Balance</b>	5,824,200	3,784,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Heritage Fund - Administration Fund (GFA2292/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Interest earnings are allocated by the Game and Fish Commission.		
<b>Purpose of Fund:</b> For administrative costs as determined by the Game and Fish Commission allocation of interest earnings.		
<b>Funds Expended</b>	96,100	186,400
<b>Year-End Fund Balance</b>	70,500	84,100
<b>Heritage Fund - Environmental Education Fund (GFA2290/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for environmental education.		
<b>Purpose of Fund:</b> For purposes related to environmental education.		
<b>Funds Expended</b>	595,100	549,700
<b>Year-End Fund Balance</b>	229,000	179,300
<b>Heritage Fund - Habitat Evaluation or Habitat Protection Fund (GFA2291/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for habitat protection and evaluation.		
<b>Purpose of Fund:</b> For purposes related to habitat protection.		
<b>Funds Expended</b>	1,551,600	1,634,500
<b>Year-End Fund Balance</b>	1,014,900	880,400
<b>Heritage Fund - Identification, Inventory, Protection and Management (GFA2295/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
<b>Purpose of Fund:</b> For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection and management are spent to acquire property with sensitive habitat. No more than 20% may be used for purposes of operation and maintenance of acquired property.		
<b>Funds Expended</b>	3,394,000	4,316,600
<b>Year-End Fund Balance</b>	3,788,900	3,072,300
<b>Heritage Fund - Public Access Fund (GFA2293/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for public access.		
<b>Purpose of Fund:</b> For purposes related to public access expenses, including maintenance and operations.		
<b>Funds Expended</b>	419,500	639,900
<b>Year-End Fund Balance</b>	425,500	285,600
<b>Heritage Fund - Urban Wildlife and Urban Life Habitat Fund (GFA2296/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for urban wildlife.		
<b>Purpose of Fund:</b> For purposes related to urban wildlife and urban wildlife habitat programs.		
<b>Funds Expended</b>	1,233,700	2,062,800
<b>Year-End Fund Balance</b>	1,655,400	1,092,600

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>IGA and ISA Fund (GFA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	17,300	17,300
<b>Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> This fund consists of revenue generated by billing federal aid for indirect costs.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
Funds Expended	8,357,300	9,503,300
Year-End Fund Balance	3,897,600	0
<b>Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide funding for habitat management.		
Funds Expended	0	0
Year-End Fund Balance	122,200	122,200
<b>Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fishing license fees.		
<b>Purpose of Fund:</b> 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	34,100	34,100
<b>Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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	1,805,000	2,251,500
Year-End Fund Balance	1,028,900	657,400
<b>Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
<b>Purpose of Fund:</b> 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	3,129,700	4,991,400
Year-End Fund Balance	6,108,000	5,945,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Wildlife Conservation Enterprise Fund (GFA2029/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Project grants from state and local governments, private entities and federal entities.		
<b>Purpose of Fund:</b> For wildlife conservation and monitoring projects, primarily related to wildlife crossing and fencing along highway projects.		
<b>Funds Expended</b>	211,800	184,400
<b>Year-End Fund Balance</b>	368,800	184,400
<b>Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
<b>Purpose of Fund:</b> To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
<b>Funds Expended</b>	7,674,500	10,196,700
<b>Year-End Fund Balance</b>	7,584,200	3,577,700
<b>Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
<b>Purpose of Fund:</b> To provide funding for wildlife conservation and management.		
<b>Funds Expended</b>	16,200	16,200
<b>Year-End Fund Balance</b>	3,620,300	3,748,400
<b>Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
<b>Purpose of Fund:</b> To provide funding for wildlife habitat restoration and improvement projects.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	400	400
<b>Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	119,800	83,000
<b>Year-End Fund Balance</b>	90,200	152,600

## Department of Gaming

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 <sup>1/</sup>
Personal Services	4,072,800	4,739,700	4,739,700
Employee Related Expenditures	1,498,500	1,654,800	1,654,800
Professional and Outside Services	888,600	1,000,000	1,000,000
Travel - In State	211,400	250,700	250,700
Travel - Out of State	24,400	30,000	30,000
Other Operating Expenditures	1,210,700	1,524,000	2,152,900
Equipment	109,400	0	0
<b>OPERATING SUBTOTAL</b>	<b>8,015,800</b>	<b>9,199,200</b>	<b>9,828,100</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	2,093,200	2,176,500	2,176,500
County Fairs Livestock and Agriculture Promotion	2,509,500	2,509,500	2,509,500 <sup>2/</sup>
Division of Racing	1,592,000	2,318,300	2,318,300
Problem Gambling	1,752,700	2,344,300	2,484,000
<b>AGENCY TOTAL</b>	<b>16,213,200</b>	<b>18,797,800</b>	<b>19,566,400 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,509,500	2,509,500	2,509,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,468,500	11,243,500	12,012,100
Racing Regulation Fund	1,742,100	2,466,000	2,466,000
Racing Regulation Fund - Unarmed Combat Subaccount	99,900	102,300	102,300
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,093,200	2,176,500	2,176,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>13,703,700</b>	<b>16,288,300</b>	<b>17,056,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,213,200</b>	<b>18,797,800</b>	<b>19,566,400</b>
Other Non-Appropriated Funds	790,500	443,900	443,900
<b>TOTAL - ALL SOURCES</b>	<b>17,003,700</b>	<b>19,241,700</b>	<b>20,010,300</b>

**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

- <sup>1/</sup> Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> 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 section 5-113, Arizona Revised Statutes, and to be administered by the office of the governor. (General Appropriation Act footnote)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### Administrative Expenses

The Baseline includes \$9,828,100 in FY 2022 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 2021, Gaming has the authority to spend \$9,199,200. In FY 2022, 9% of tribal gaming revenues are forecasted to be \$9,828,100. As a result, the Baseline increases Gaming’s FY 2022 Arizona Benefits Fund expenditure authority by \$628,900 to a level of \$9,828,100. The department can expend the actual 9% level or the expenditure authority level, whichever is lower.

**Problem Gambling**

The Baseline includes \$2,484,000 in FY 2022 for Problem Gambling, which consists of \$2,184,000 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 2021, Gaming has the authority to spend \$2,044,300 from the Arizona Benefits Fund. In FY 2022, 2% of tribal gaming revenues are forecasted to be \$2,184,000. As a result, the Baseline increases Gaming’s FY 2022 Arizona Benefits Fund expenditure authority by \$139,700 to a level of \$2,184,000. The department can expend the actual 2% level or the expenditure authority level, whichever is lower.

*(See Gaming Revenues for additional details.)*

**Operating Budget**

The Baseline includes \$9,828,100 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

**Align Appropriation with 9% of Gaming Revenues**

The Baseline includes an increase of \$628,900 from the Arizona Benefits Fund in FY 2022 to align the appropriation level for the department’s operating budget with 9% of anticipated FY 2022 state gaming revenues. *(See Table 2 for more information on projected state revenues and department allocations.)*

**Arizona Breeders’ Award**

The Baseline includes \$250,000 from the Racing Regulation Fund in FY 2022 for the Arizona Breeders’ Award. This amount is unchanged from FY 2021.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2020, this line item will fund awards equal to 25% of the purse won by the horse.

**Casino Operations Certification**

The Baseline includes \$2,176,500 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2022 for Casino Operations Certification. These amounts are unchanged from FY 2021.

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 \$2,509,500 from the General Fund in FY 2022 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2021.

The FY 2020 budget’s 3-year spending plan included a \$730,000 increase, designated as one-time, each year from FY 2020 through FY 2022.

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 \$2,318,300 and 40.5 FTE Positions in FY 2022 for operating costs associated with the Division of Racing. These amounts consist of:

	<b>FY 2022</b>
Racing Regulation Fund	\$2,216,000
Racing Regulation Fund - Unarmed Combat Subaccount	102,300

These amounts are unchanged from FY 2021.

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.

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 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. The Baseline continues to include \$102,300 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2022 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

### Problem Gambling

The Baseline includes \$2,484,000 and 5 FTE Positions in FY 2022 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	2,184,000
State Lottery Fund	300,000

FY 2022 adjustments are as follow:

#### Align Appropriation with 2% of Gaming Revenues

The Baseline includes an increase of \$139,700 from the Arizona Benefits Fund in FY 2022 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2022 state gaming revenues. (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 2022 only.

### 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.

Table 1

#### Class III Gaming Devices Statewide

	FY 2006	FY 2021	Allowed by Compacts
Poker and Blackjack Tables	455	392	3,318 <sup>1/</sup>
Slot Machines	12,354	11,615	18,158 <sup>2/</sup>
<b>Total</b>	<b>12,809</b>	<b>12,007 <sup>3/</sup></b>	<b>21,476</b>

- <sup>1/</sup> 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.
- <sup>2/</sup> 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.
- <sup>3/</sup> Figures as of November 2020.

As of November 2020, there are currently 16 tribes operating a total of 25 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.

### Gaming Revenues

From FY 2019 to FY 2020, state gaming revenues increased by 3.9% to \$102,037,400. The Baseline projects that total gaming revenues will decrease to a level of \$90,853,600 in FY 2021 but then increase to a level of \$109,200,800 in FY 2022.

The public health emergency declared by the Governor in relation to the COVID-19 pandemic resulted in casino closures during a portion of FY 2020 and the first quarter of FY 2021. Therefore, the Baseline assumes 2.5% annual growth for quarters not affected by casino closures. Because of the anticipated impact of the pandemic on tribal contributions during the last quarter of FY 2020 and first quarter of FY 2021, the Baseline assumes 2.5% annual growth over actuals prior to the casino closures. These estimates serve as the basis for calculating the projected FY 2022 amounts available for administrative expenses and problem gambling.

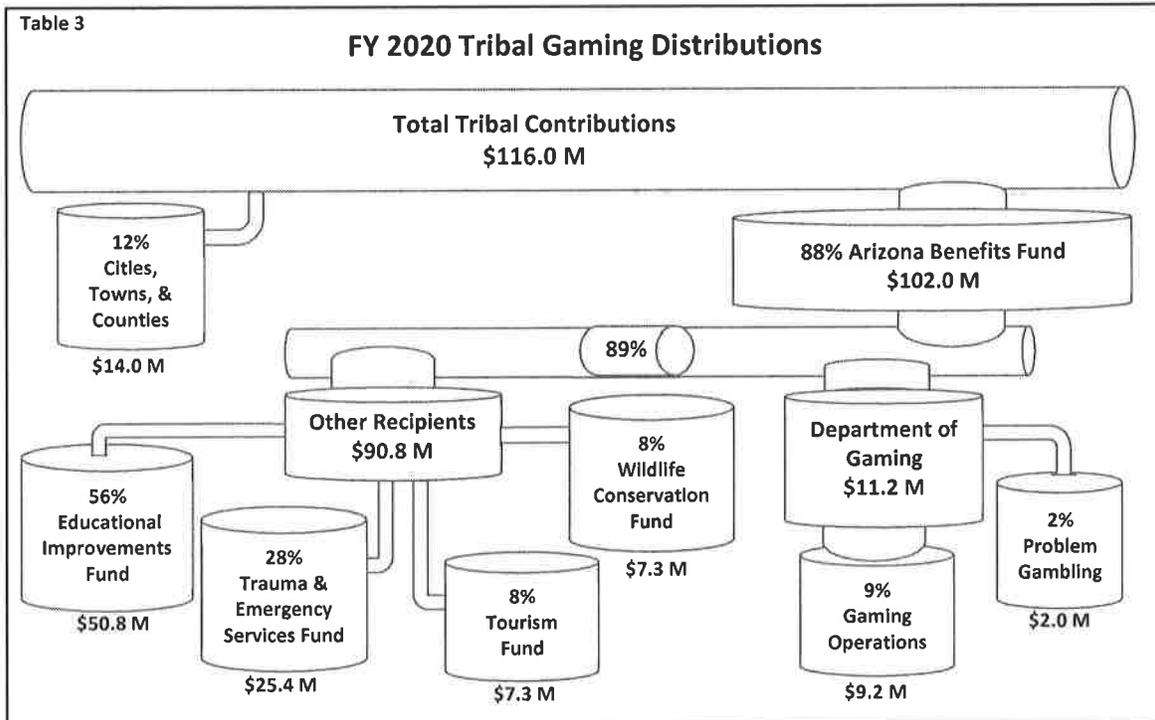
As of October 2020, most Arizona casinos have reopened in a limited capacity, however there have been instances where casinos were required to temporarily close again due to concerns about the COVID-19 pandemic. (See Administrative Expenses and Problem Gambling sections for further details. See Table 2 for more information on projected state revenues and department allocations. See Table 3 for FY 2020 Tribal Gaming Distributions.)

**Table 2**

**Tribal Gaming Distributions Pursuant to Proposition 202 <sup>1/</sup>**

<b>Recipient</b>	<b>Proposition 202 Formula</b>	<b>FY 2019 Actuals <sup>1/</sup></b>	<b>FY 2020 Actuals <sup>1/</sup></b>	<b>FY 2021 Projected</b>	<b>FY 2022 Projected</b>
State Government Distribution	88% of total	\$ 98,152,100	\$ 102,037,400	\$ 90,853,600 <sup>2/</sup>	\$ 109,200,800 <sup>2/</sup>
Local Government Distribution <sup>3/</sup>	12% of total	<u>13,149,400</u>	<u>13,970,000</u>	<u>12,389,100</u>	<u>14,891,000</u>
<b>Total</b>	<b>100% of total</b>	<b>\$111,301,500</b>	<b>\$116,007,400</b>	<b>\$103,242,700</b>	<b>\$124,091,800</b>
<b>Allocation of State Government's Share</b>					
<b>Department of Gaming</b>					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,835,100	\$ 9,161,100	\$ 8,176,800 <sup>4/</sup>	\$ 9,828,100 <sup>4/</sup>
Department of Gaming Problem Gambling	2%	<u>1,963,100</u>	<u>2,040,700</u>	<u>1,817,100</u> <sup>5/</sup>	<u>2,184,000</u> <sup>5/</sup>
<b>Subtotal-Department of Gaming</b>		<b>\$10,798,200</b>	<b>\$11,201,800</b>	<b>\$9,993,900</b>	<b>\$12,012,100</b>
<b>Other Distributions</b>					
Instructional Improvement Fund (Department of Education)	56% of remainder	48,918,200	50,877,700	45,281,400	54,425,700
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	24,459,100	25,427,700	22,640,700	27,212,800
Arizona Wildlife Conservation Fund	8% of remainder	6,988,300	7,265,100	6,468,800	7,775,100
Tourism Fund	8% of remainder	<u>6,988,300</u>	<u>7,265,100</u>	<u>6,468,800</u>	<u>7,775,100</u>
<b>Subtotal-Other Distributions</b>		<b>\$87,353,900</b>	<b>\$90,835,600</b>	<b>\$80,859,700</b>	<b>\$97,188,700</b>
<b>Total</b>		<b>\$98,152,100</b>	<b>\$102,037,400</b>	<b>\$90,853,600</b>	<b>\$109,200,800</b>

- 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 a (10.9)% decline in FY 2021 and 20.1% growth in FY 2022 for tribal contributions to the Arizona Benefits Fund. The Baseline forecast reflects temporary casino closures during parts of FY 2020 and FY 2021 due to the COVID-19 pandemic.
- 3/ Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.
- 4/ While the FY 2021 appropriation includes \$9,199,200 and the FY 2022 Baseline includes \$9,828,100, 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. The department cannot expend above the actual 9% level or the expenditure authority level, whichever is lower.
- 5/ While the FY 2021 appropriation includes \$2,044,300 and the FY 2022 Baseline includes \$2,184,000, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. The department cannot expend above the actual 2% level or the expenditure authority level, whichever is lower.



SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
<b>Purpose of Fund:</b> Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to the Arizona Department of Education, the Arizona Game and Fish Department, the Office of Tourism, and the Arizona Health Care Cost Containment System. (See individual agency pages for detailed information on each recipient.)		
<b>Funds Expended</b>	9,468,500	11,243,500
<b>Year-End Fund Balance</b>	4,287,400	4,313,200
<b>Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the Racing Regulation Fund. 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.		
<b>Purpose of Fund:</b> To give awards to the breeder of every winning horse foaled in this state. Appropriated expenditures are not displayed to avoid double counting.		
<b>Funds Expended</b>	660,200	318,800
<b>Year-End Fund Balance</b>	28,800	10,000
<b>IGA and ISA Fund (GMA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	114,300	120,000
<b>Year-End Fund Balance</b>	69,100	33,700
<b>Racing Investigation Fund (GMA2369/A.R.S. § 41-705)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
<b>Purpose of Fund:</b> To cover the cost of racing investigations by the Arizona Division 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 Gaming.		
<b>Funds Expended</b>	16,000	4,000
<b>Year-End Fund Balance</b>	50,000	56,000
<b>Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> License fees and regulatory assessments established by the Arizona Division of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse racing facilities and donations or grants received by the department.		
<b>Purpose of Fund:</b> To support the mission of the Division of Racing. The fund contains a subaccount that supports the Division of Boxing and Mixed Martial Arts, please see the Racing Regulation Fund - Unarmed Combat Subaccount for additional information.		
<b>Funds Expended</b>	1,742,100	2,466,000
<b>Year-End Fund Balance</b>	2,071,700	469,500
<b>Racing Regulation Fund - Unarmed Combat Subaccount (GMA2393/A.R.S. § 5-226)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees established by the Boxing Commission for unarmed combat events.		
<b>Purpose of Fund:</b> To pay for the administration and regulation of unarmed combat events hosted in Arizona.		
<b>Funds Expended</b>	99,900	102,300
<b>Year-End Fund Balance</b>	50,100	0
<b>Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
<b>Purpose of Fund:</b> To provide funding for grants to non-profit organizations for the promotion and adoption of retired racehorses.		
<b>Funds Expended</b>	0	1,100
<b>Year-End Fund Balance</b>	1,000	400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Rural County Fair Racing Fund (GMA2558/A.R.S. § 36-1947 [REPEALED])</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Laws 2018, Chapter 318 transferred \$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 repealed the Rural County Fair Racing Fund and the matching grant pilot program on June 30, 2020.		
<b>Purpose of Fund:</b> Provided matching grants of up to \$40,000 to support county fair horse racing. To be eligible for the grant counties must have had a population of less than 800,000 and contribute at least 50% in matching grant funding at the time of application.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>State Lottery Fund (GMA2122/A.R.S. § 5-571)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Funds transferred from the State Lottery Fund.		
<b>Purpose of Fund:</b> Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
<b>Funds Expended</b>	300,000	300,000
<b>Year-End Fund Balance</b>	400	400
<b>Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
<b>Purpose of Fund:</b> Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
<b>Funds Expended</b>	2,093,200	2,176,500
<b>Year-End Fund Balance</b>	1,587,000	1,360,300

## Office of the Governor

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	6,670,300	7,424,800	7,424,800 <sup>1/2/</sup>
<b>SPECIAL LINE ITEMS</b>			
Crisis Contingency and Safety Net Fund Deposit	50,000,000	0	0
Foster Youth Education Success Program	1,500,000	1,500,000	1,500,000
<b>AGENCY TOTAL</b>	<b>58,170,300</b>	<b>8,924,800</b>	<b>8,924,800 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	58,170,300	8,924,800	8,924,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>58,170,300</b>	<b>8,924,800</b>	<b>8,924,800</b>
Other Non-Appropriated Funds	2,201,300	3,538,700	3,538,700
Federal Funds	710,479,500	1,209,566,500	34,969,600
<b>TOTAL - ALL SOURCES</b>	<b>770,851,100</b>	<b>1,222,030,000</b>	<b>47,433,100</b>

**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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$7,424,800 for fiscal year 2021-2022 is \$10,000 for the purchase of mementos and items for visiting officials. (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 \$7,424,800 from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

### Foster Youth Education Success Program

The Baseline includes \$1,500,000 from the General Fund in FY 2022 for the Foster Youth Education Success Program. This amount is unchanged from FY 2021.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona’s foster care system.

### Other Issues

### COVID-Related Spending

Laws 2020, Chapter 56 appropriated \$50,000,000 from the General Fund to the newly-created Crisis Contingency

and Safety Net Fund in FY 2020. The fund is administered by the Governor’s Office and monies can only be spent for housing assistance, homeless services, economic assistance to small business with fewer than 50 employees, nonprofit organizations, healthcare providers, and food bank operations following an emergency declaration by the Executive. The Executive is required to notify the President of Senate, Speaker of the House of Representatives, and JLBC of the intended use of monies prior to expenditure. As of December 2020, the Executive has allocated a total of \$43,945,000 from the fund (see *Table 1*).

In addition to state appropriations, Arizona has received \$1.86 billion from the federal Coronavirus Relief Fund based on its share of the population. Monies are controlled by the Executive and may be used for necessary expenditures incurred due to the public health emergency from March 1, 2020 to December 30, 2020. As of December 2020, the Executive has allocated \$1.66 billion from the fund (see *Table 2*). (Please see the *COVID-Related Spending Summary at the front of this book for more information*).

<b>Table 1</b>	
<b>Crisis Contingency and Safety Net Fund Allocations</b>	
Homeless Shelters and Housing	\$18,150,000
Economic Assistance to Nonprofit Organizations/Small Businesses	16,970,000
Economic Assistance to Healthcare Providers	5,450,000
Food Assistance	<u>3,375,000</u>
<b>Total</b>	<b>\$43,945,000</b>

<b>Table 2</b>	
<b>Coronavirus Relief Fund Allocations</b>	
(\$ in Millions)	
Local Governments	\$441
State Agency Reimbursements <sup>1/</sup>	396
Schools Districts and Charter Schools	370
Arizona Express Pay Program <sup>2/</sup>	150
Universities COVID-19 Response	123
Hospital Staffing	85
Department of Health Services Expenses	70
Secretary of State Early Voting	9
2020 Census Support	5
Office of Tourism Marketing Campaigns	4
Arizona Commerce Authority Business Assistance	2
Arizona Virtual Teacher Institute	2
Arizona Stay Connected Program <sup>3/</sup>	<u>2</u>
<b>Total</b>	<b>\$1,659</b>

<sup>1/</sup> State agencies were reimbursed for \$300 million in General Fund expenditures and \$96 million in Other Fund expenditures for public health and public safety expenses.

<sup>2/</sup> Expenditures from the Arizona Express Pay Program will be reimbursed through the Federal Emergency Management Agency (FEMA) Public Assistance program.

<sup>3/</sup> The Arizona Stay Connected Program provides \$10,000 technology grants to skilled nursing facilities and intermediate care facilities.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Coronavirus Relief Fund (GVA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population. Expenditures from this fund may also be reported in individual agencies and would double-count these expenditures.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	682,390,800	1,174,596,900
<b>Year-End Fund Balance</b>	1,174,596,900	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations.		
<b>Purpose of Fund:</b> 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. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	482,100	528,700
<b>Crisis Contingency and Safety Net Fund (GVA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	35,300,000	0
<b>Federal Grants (GVA2000/A.R.S. § 4-101.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	28,088,700	34,969,600
<b>Year-End Fund Balance</b>	18,400	0
<b>Governor's Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	213,000	330,400
<b>Year-End Fund Balance</b>	(26,600)	(181,300)
<b>IGA and ISA Fund (GVA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	1,399,000	1,805,500
<b>Year-End Fund Balance</b>	2,345,300	1,789,800
<b>Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	589,300	1,005,300
<b>Year-End Fund Balance</b>	8,054,800	8,776,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	397,500
<b>Year-End Fund Balance</b>	493,500	292,700

## Governor's Office of Strategic Planning and Budgeting

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,274,600	1,644,300	1,644,300
Employee Related Expenditures	388,300	606,300	606,300
Professional and Outside Services	83,700	121,200	121,200
Travel - In State	500	800	800
Travel - Out of State	12,100	6,900	6,900
Other Operating Expenditures	319,200	381,400	381,400
Equipment	71,800	4,200	4,200
<b>AGENCY TOTAL</b>	<b>2,150,200</b>	<b>2,765,100</b>	<b>2,765,100<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,150,200	2,765,100	2,765,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,150,200</b>	<b>2,765,100</b>	<b>2,765,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,150,200</b>	<b>2,765,100</b>	<b>2,765,100</b>

**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 section 35-190, Arizona Revised Statutes, 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 \$2,765,100 and 22 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

## Department of Health Services

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,130.5	1,125.0	1,119.5 <sup>1/</sup>
Personal Services	17,540,300	22,947,200	22,947,200
Employee Related Expenditures	7,203,000	9,492,800	9,492,800
Professional and Outside Services	960,000	3,792,000	3,792,000
Travel - In State	336,000	406,900	406,900
Travel - Out of State	65,100	82,900	82,900
Other Operating Expenditures	15,567,600	13,727,700	13,727,700
Equipment	347,400	428,500	428,500
<b>OPERATING SUBTOTAL</b>	<b>42,019,400</b>	<b>50,878,000</b>	<b>50,878,000</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Arizona State Hospital</b>			
Arizona State Hospital-Operating	51,101,600	65,822,900	65,822,900 <sup>2/</sup>
Arizona State Hospital-Restoration to Competency	778,900	900,000	900,000 <sup>3/</sup>
Arizona State Hospital-Sexually Violent Persons	7,680,100	10,010,700	10,010,700 <sup>4/</sup>
<b>Public Health/Family Health</b>			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	986,200	1,000,000	1,000,000
Alzheimer's Disease Research	3,125,000	1,125,000	1,125,000 <sup>5/6/</sup>
Biomedical Research Support	1,498,800	2,000,000	2,000,000 <sup>7/</sup>
Breast and Cervical Cancer and Bone Density Screening	716,900	1,369,400	1,369,400
Community-Based Primary Care Clinic	670,300	0	0
County Tuberculosis Provider Care and Control	469,400	590,700	590,700
Critical Access Hospital Trauma Services	1,500,000	0	0
Emergency Medical Services Local Allocation	408,900	442,000	442,000
Folic Acid Program	317,000	400,000	400,000
High Risk Perinatal Services	2,130,500	2,543,400	2,543,400
Homeless Pregnant Women Services	74,900	100,000	100,000 <sup>8/</sup>
Newborn Screening Program	6,620,500	7,308,400	7,308,400
Nonrenal Disease Management	29,100	198,000	198,000 <sup>9/</sup>
Nursing Care Special Projects	64,900	100,000	100,000
Poison Control Centers Funding	485,500	990,000	990,000
Public Health Emergencies Fund Deposit	55,106,600	0	0
Renal Dental Care and Nutrition Supplements	150,000	300,000	300,000
Renal Transplant Drugs	91,500	183,000	183,000
Rural Prenatal Services	1,000,000	500,000 <sup>10/</sup>	500,000 <sup>10/</sup>
State Loan Repayment Program	1,418,600	1,000,000	1,000,000
Vulnerable Caregiver Workshops	166,000	0	0
<b>Bureau of Radiation Control</b>			
Radiation Regulation	2,261,300	2,360,200	2,360,200
Nuclear Emergency Management Program	497,000	789,700	0
<b>AGENCY TOTAL</b>	<b>181,447,800</b>	<b>151,016,600</b>	<b>150,226,900 <sup>11/12/</sup></b>
<b>FUND SOURCES</b>			
General Fund	77,183,700	95,897,900	95,897,900
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,391,300	2,573,400	2,573,400
ASH Land Earnings Fund	575,100	650,000	650,000
Budget Stabilization Fund	55,000,000	0	0
Child Fatality Review Fund	94,700	99,200	99,200
Disease Control Research Fund	986,200	1,000,000	1,000,000

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
Emergency Medical Services Operating Fund	4,911,700	5,841,900	5,841,900
Environmental Laboratory Licensure Revolving Fund	709,300	952,000	952,000
Federal Child Care and Development Fund Block Grant	882,600	911,500	911,500
Health Services Licensing Fund	14,346,000	16,241,300	16,241,300
Health Services Lottery Monies Fund	74,900	100,000	100,000
Indirect Cost Fund	8,785,800	10,678,600	10,678,600
Newborn Screening Program Fund	6,878,600	7,741,200	7,741,200
Nuclear Emergency Management Fund	497,000	789,700	0
Nursing Care Institution Resident Protection Revolving Fund	64,900	138,200	138,200
Prescription Drug Rebate Fund	1,000,000	0	0
Tobacco Tax and Health Care Fund - Health Research Account	3,498,800	3,000,000	3,000,000
Tobacco Tax and Health Care Fund - Medically Needy Account	467,000	700,000	700,000
Vital Records Electronic Systems Fund	3,100,200	3,701,700	3,701,700
SUBTOTAL - Other Appropriated Funds	104,264,100	55,118,700	54,329,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>181,447,800</b>	<b>151,016,600</b>	<b>150,226,900</b>
Other Non-Appropriated Funds	66,190,100	64,978,300	64,978,300
Federal Funds	283,078,500	335,190,100	280,409,300
<b>TOTAL - ALL SOURCES</b>	<b>530,716,400</b>	<b>551,185,000</b>	<b>495,614,500</b>

**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, epidemiological monitoring, and radiation regulation.

#### FOOTNOTES

- 1/ Includes 730 GF and 53.1 OF FTE Positions funded from Special Line Items in FY 2022.
- 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 Persons 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 section 36-773, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ The department of health services shall distribute monies appropriated for Alzheimer's disease research through a grant to a charitable organization that is qualified under section 501(c)(3) of the internal revenue code and that meets the following criteria:
  1. Is headquartered in this state.
  2. Has been operating in this state for at least the last ten years.
  3. Has participating member institutions that work together to end Alzheimer's disease within a statewide collaborative model by using their complementary strengths in brain imaging, computer science, genomics, basic and cognitive neurosciences and clinical and neuropathology research.
  4. Has participating member institutions that educate residents of this state about Alzheimer's disease, research progress and resources to help patients, families and professionals manage the disease.

The terms of the grant made to the charitable organization may not impose any requirements that were not imposed in prior grant agreements entered into between the department of health services and the charitable organization. (General Appropriation Act footnote)
- 7/ The department of health services shall distribute monies appropriated for the biomedical research support line item to a nonprofit medical research institute headquartered in this state that specializes in biomedical research focusing on

applying genomic technologies and sequencing to clinical care, that has served as a resource to this state to conduct molecular epidemiologic analyses to assist with disease outbreak investigations and that collaborates with universities, hospitals and health science research centers and other public and private bioscience and related industries in this state. The recipient of these monies shall commission an audit of the expenditure of these monies and shall submit a copy of the audit to the department of health services on or before February 1, 2023. (General Appropriation Act footnote)

- 8/ 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 three 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)
- 9/ The department of health services may use up to four percent of the amount appropriated for nonrenal disease management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 10/ The sum of \$500,000 is appropriated from the state general fund in each of fiscal years 2020-2021 and 2021-2022 to the department of health services to provide student loan repayment options for health care professionals who provide prenatal care in a health professional shortage area in this state as defined in 42 Code of Federal Regulations part 5. (FY 2020 General Appropriation Act footnote)
- 11/ 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 thirtieth 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)
- ~~D/ On or before May 31, 2021, the department of health services shall submit a report to the joint legislative budget committee for review on the progress of the department's implementation of recommendations included in the auditor general's September 2019 report regarding the investigation of long-term care facility complaints and self-reports. The report shall include information regarding staff allocated to long-term care investigations since publication of the September 2019 audit, a summary of the department's implemented investigation time frames and updates to its investigation policies and procedures, and an assessment of the department's performance in investigating long-term care facility complaints and self-reports according to audit recommendations and the implemented investigation time frames. (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 \$50,878,000 and 336.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$16,543,000
Child Fatality Review Fund	99,200
Emergency Medical Services (EMS) Operating Fund	3,949,900
Environmental Laboratory Licensure Revolving Fund	952,000
Federal Child Care and Development Fund (CCDF) Block Grant	911,500
Health Services Licensing Fund	13,571,100
DHS Indirect Cost Fund	10,678,600
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,701,700

These amounts are unchanged from FY 2021.

**Arizona State Hospital**

**ASH - Operating**

The Baseline includes \$65,822,900 and 616.5 FTE Positions in FY 2022 for the ASH operating budget. These amounts consist of:

General Fund	63,189,500
ASH Fund	1,673,400
ASH Land Earnings Fund	650,000
Health Services Licensing Fund	310,000

These amounts are unchanged from FY 2021.

*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 2020, ASH had an average daily census of 100 patients in its civil commitment unit, 121 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 316 patients.

**ASH - Restoration to Competency**

The Baseline includes \$900,000 from the ASH Fund in FY 2022 for ASH - Restoration to Competency. This amount is unchanged from FY 2021.

*Background* – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2020, there was an average daily census of 4 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The Baseline continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

**ASH - Sexually Violent Persons**

The Baseline includes \$10,010,700 and 112.5 FTE Positions from the General Fund in FY 2022 for ASH - Sexually Violent Persons. These amounts are unchanged from FY 2021.

*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 2020, ASH had an average daily census of 95 Sexually Violent Persons (SVPs).

**Public Health/Family Health**

**Adult Cystic Fibrosis Care**

The Baseline includes \$105,200 from the General Fund in FY 2022 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2021.

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 2022 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2021.

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 3,600 clients in FY 2020.

**Alzheimer’s Disease Research**

The Baseline includes \$1,125,000 in FY 2022 for Alzheimer’s Disease Research. This amount consists of:

General Fund	125,000
TTHCF - Health Research Account	1,000,000

These amounts are unchanged from FY 2021.

*Background* – DHS distributes funding in the line item to the Arizona Alzheimer’s Consortium (AAC). The AAC

	<u>General Fund</u>	<u>Health Research Account</u>	<u>Prescription Drug Rebate Fund</u>	<u>TOTAL</u>
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	2,000,000	\$1,000,000	3,125,000
FY 2021	125,000	1,000,000	-	1,125,000
FY 2022	125,000	1,000,000	-	1,125,000

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.

### **Biomedical Research Support**

The Baseline includes \$2,000,000 from the TTHCF - Health Research Account in FY 2022 for Biomedical Research Support. This amount is unchanged from FY 2021.

*Background* – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, assists with disease outbreak investigations, and collaborates with universities, hospitals, and other bioscience and related industries in this state.

DHS distributed monies in this line item to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution. In addition to these monies, the budget includes \$3,000,000 from the General Fund to Northern Arizona University (NAU) for biotechnology. (*Please see the NAU narrative for more information.*)

### **Breast and Cervical Cancer and Bone Density Screening**

The Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2022 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2021.

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 2022 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2021.

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 2022 for the Emergency Medical Services Local Allocation line item. This amount is unchanged from FY 2021.

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 2022 for the Folic Acid Program. This amount is unchanged from FY 2021.

This line item provides funding for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2020, 30,311 women received folic acid education and multivitamins.

### **High Risk Perinatal Services**

The Baseline includes \$2,543,400 in FY 2022 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 2021.

This line item provides contracted transport services for high risk perinatal care, hospital services, inpatient physician follow-up services, and community health nurse visits for newborns who spent at least 5 days in a neonatal intensive care unit. The purpose of the visits is to identify developmental issues and provide early intervention services to ensure school readiness by age 5.

### **Homeless Pregnant Women Services**

The Baseline includes \$100,000 from the Health Services Lottery Monies Fund in FY 2022 for Homeless Pregnant Women Services. This amount is unchanged from FY 2021.

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 provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

**Newborn Screening Program**

The Baseline includes \$7,308,400 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2022 for the Newborn Screening Program. These amounts are unchanged from FY 2021.

*Background* – This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders. In FY 2020, the program provided screening for 78,327 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.

**Nonrenal Disease Management**

The Baseline includes \$198,000 from the General Fund in FY 2022 for Nonrenal Disease Management. This amount is unchanged from FY 2021.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

**Nursing Care Special Projects**

The Baseline includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2022 for special projects related to long-term care facilities. This amount is unchanged from FY 2021.

*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.

**Poison Control Centers Funding**

The Baseline includes \$990,000 from the General Fund in FY 2022 for Poison Control Centers. This amount is unchanged from FY 2021.

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 2020. 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 (UA) 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 UA Poison Control Center in FY 2020.

**Public Health Emergencies Fund Deposit**

The Baseline includes no funding in FY 2022 for a Public Health Emergencies Fund Deposit. This amount is unchanged from FY 2021.

Laws 2020, Chapter 6 appropriated \$55,000,000 from the Budget Stabilization Fund in FY 2020 for a one-time deposit to the Public Health Emergencies Fund for expenses related to the COVID-19 public health emergency.

DHS may only use monies in the Public Health Emergencies Fund on a declaration of a public health emergency by the Governor and must submit a report of any expenditures from the fund to the Joint Legislative Budget Committee.

In December 2020, DHS reported \$98,480,200 in expenditures currently charged to the fund. Although the fund commitments are greater than monies available in the fund, the department expects monies received through the Federal Emergency Management Agency (FEMA) public assistance program to reimburse the difference. *Table 2* displays expenses charged to the Public Health Emergencies Fund as of December 4, 2020.

COVID-19 Testing	\$31,623,600
Traveling Nurses	23,506,700
PPE Supplies	22,834,700
Communications	8,054,300
Post-Acute Bed Reserve	5,133,800
St. Luke's Hospital Build-Out	2,593,900
Arizona Surge Line	1,837,500
Vaccination System	986,400
Warehousing	614,800
Ventilators	384,200
Palliative Care	300,000
Contract Services	185,800
Other	424,500
<b>Total as of 12/4/20</b>	<b>\$98,480,200</b>

### **Renal Dental Care and Nutrition Supplements**

The Baseline includes \$300,000 from the TTHCF - Medically Needy Account in FY 2022 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2021.

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 2022 for Renal Transplant Drugs. This amount is unchanged from FY 2021.

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 2020, 89 people received anti-rejection medication assistance.

### **Rural Prenatal Services**

The Baseline includes \$500,000 from the General Fund in FY 2022 for Rural Prenatal Services. This amount is unchanged from FY 2021.

This line item provides medical student loan repayment options for rural prenatal health care providers practicing in medically underserved areas of the state. The FY 2020 General Appropriation Act appropriated these monies in FY 2021 and FY 2022, so these monies will not appear in the FY 2022 General Appropriation Act and will be removed in the FY 2023 budget.

DHS uses these monies to fund a portion of 2-year contracts for 24 prenatal care providers currently enrolled in the State Loan Repayment Program. In exchange for loan repayment assistance, the providers will work in a medically underserved area of the state for 2 years. *(Please see the State Loan Repayment Program line item for more information.)*

### **State Loan Repayment Program**

The Baseline includes \$1,000,000 from the EMS Operating Fund in FY 2022 for the State Loan Repayment Program. This amount is unchanged from FY 2021.

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 2020, this program funded 155 participants.

## **Bureau of Radiation Control**

### **Radiation Regulation**

The Baseline includes \$2,360,200 and 29 FTE Positions from the Health Services Licensing Fund in FY 2022 for Radiation Regulation. This amount is unchanged from FY 2021.

The Baseline eliminates a longstanding provision with a fee raising authority and exemption related to establishing fees for radiation regulation. The provision included an intent clause that limited additional revenues to \$1,900,000. The Governor's Regulatory Review Council approved a fee increase of \$2,108,600 for the Bureau of Radiation Control on November 3, 2020. DHS is required to deposit the first \$300,000 in radiation regulatory fees collected each fiscal year and 10% of the remaining fees to the General Fund. DHS estimates that of the total \$2,108,600 fee increase, \$210,800 will be deposited to the General Fund and \$1,897,800 will be available to spend for regulatory activities.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

### **Nuclear Emergency Management Program**

The Baseline includes no funding from the Nuclear Emergency Management Fund (NEMF) in FY 2022 for the Nuclear Emergency Management Program line item. FY 2022 adjustments are as follows:

#### **New NEMF Assessment**

The Baseline includes a decrease of \$(789,663) and (5.5) FTE Positions from the NEMF in FY 2022 for a new NEMF assessment.

Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the NEMF to the department in both FY 2020 and FY 2021.

As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services (DHS), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2021 - FY 2023 are displayed in *Table 3*. *(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. The legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2022 and FY 2023 NEMF funding levels for the 3 agencies as outlined in Table 3. The DEMA recommendation for FY 2022 and FY 2023 proposes that DEMA take over the offsite response activities from the Department of Health Services (DHS). This results in a shift of both funds and FTE Positions from DHS to DEMA.

The recommendations would include a decrease of \$(789,663) in FY 2022 for the Department of Health Services. The Baseline decreases NEMF funding to the department by \$(789,663) in FY 2022 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2021 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 assisted in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participated in the annual response exercises.

## Other Issues

This section includes information on the following topics:

- Statutory Changes
- COVID-Related Spending
- Proposition 207 - Recreational Marijuana
- Medical Marijuana Fund Balance
- Auditor General Report

### Statutory Changes

The Baseline would:

- As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- 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. *(See Homeless Pregnant Women Services for more information.)*
- As permanent law, require DHS to report on July 1 of each year to the Joint Legislative Budget Committee on its distribution of Proposition 207 monies, including monies in the Justice Reinvestment Fund and monies received from a \$19,000,000 fund transfer from the Medical Marijuana Fund. *(See the Other Issues-Proposition 207 section for more information.)*
- Eliminate a longstanding provision with a fee raising authority and exemption related to establishing fees for radiation regulation. The provision included an intent clause that limited additional revenues to \$1,900,000. The Governor's Regulatory Review Council approved a fee increase of \$2,108,600 for the Bureau of Radiation Control on November 3, 2020.

**Table 3**

#### Nuclear Emergency Management Fund

<u>Agency</u>	FY 2021		FY 2022		FY 2023	
	<u>FTEs</u>	<u>Approp.</u>	<u>FTEs</u>	<u>Approp.</u>	<u>FTEs</u>	<u>Approp.</u>
Emergency and Military Affairs <sup>1/</sup>	5.5	\$1,506,116	8.5	\$1,930,417	8.5	\$1,987,423
Health Services	5.5	789,663	0	0	0	0
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>201,468</u>	<u>2.88</u>	<u>206,968</u>
<b>Total</b>	<b>13.88</b>	<b>\$2,576,291</b>	<b>11.38</b>	<b>\$2,131,885</b>	<b>11.38</b>	<b>\$2,194,391</b>

<sup>1/</sup> The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

## COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included a total of \$6,537,600 for DHS-related programs. Of this amount, \$4,957,600 is from the Arizona Coronavirus Relief Fund for personal protective equipment and \$1,580,000 from the federal Coronavirus Relief Fund for the AZ Stay Connected Program.

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, DHS was reimbursed for a total of \$16,010,200 in expenditures. Of this amount, \$14,677,900 was for General Fund spending. This reduced spending increased the agency's General Fund reversion beyond what it would have otherwise been. The remaining \$1,332,300 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration. The projected FY 2021 ending fund balance for the Health Services Licensing Fund, Emergency Medical Services Operating Fund, and Vital Records Electronic Systems Fund is less than the federal reimbursement, so the state may not be able to transfer all of these reimbursements to the General Fund.

In FY 2021, DHS was reimbursed for \$4,013,500 in non-General Fund expenditures. As with FY 2020 spending, the FY 2021 non-General Fund offset savings could be transferred to the General Fund. The Baseline revenue estimates do not include these transfers.

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized \$22,400,000,000 for state testing, contact tracing and mitigation strategies, and an additional \$4,500,000,000 for state vaccine distribution. If Arizona's allocation is in the same proportion to its population and allocation of funds from prior federal relief bills, the state would receive approximately \$540,000,000. As of this writing, these monies have not yet been allocated.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

## Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax on all recreational marijuana. Before any distributions are made from the fund, state agencies receive monies based on self-determined "actual and reasonable" costs associated with certain requirements of the initiative:

- Department of Health Services: regulation of the recreational marijuana industry.
- Department of Revenue: collection of the 16.0% excise tax.
- The Supreme Court: processing expungement petitions for certain marijuana offenses.
- Department of Public Safety: amendments to its criminal records based on granted expungement petitions
- State Treasurer: Administration of the Smart and Safe Arizona Fund

The Department of Public Safety (DPS) initially estimated the costs of processing expungement petitions to be \$29,323,600, which is based off the total number of convictions for marijuana possession. Since expungement petitions are voluntary, the number of petitions filed in other states is significantly lower than the total number of charges, and Proposition 207 only allows petitions for those convicted of possession of 2.5 ounces or less, the DPS estimate is likely overstated. After adjusting for these factors, the JLBC Staff estimates that total state agency distributions will likely be no more than \$5,000,000. After state agency distributions, the remaining funds will be distributed accordingly:

- 33.0% to community college districts, including:
  - 4.95% divided equally among each district.
  - 0.165% divided equally among each provisional district.
  - 27.885% divided among the districts according to enrollment.
- 31.4% to municipal police and fire departments, divided according to the number of individuals from each department enrolled in the Public Safety Personnel Retirement System.
- 25.4% to the Highway User Revenue Fund.
- 10.0% to the Justice Reinvestment Fund, including:
  - 3.5% to county health departments.
  - 3.5% to DHS for grants to qualified non-profit organizations that provide justice reinvestment programs.

- 3.0% to DHS to address public health issues affecting that state.
- 0.2% to the Attorney General for enforcement.

The initiative also mandated a one-time transfer of \$45,000,000 from the Medical Marijuana Fund (see *Other Issues - Medical Marijuana Fund Balance for more information*). Of this amount, \$19,000,000 will be distributed to DHS for public health programs and enforcement of the initiative, \$15,000,000 will be deposited to the Arizona Teachers Academy Fund, \$10,000,000 will be distributed to the Governor's Office of Highway Safety for grants to reduce impaired driving, and \$1,000,000 will be deposited to the Smart and Safe Arizona Fund.

Among the western states that have legalized recreational marijuana, Colorado, Washington, and Oregon have 3 full years of sales data available. Each state had a different experience in how quickly its recreational program was fully implemented. As a result, the JLBC Staff's Proposition 207 fiscal note estimates were based on the third-year sales of these other states. Arizona's third-year excise tax revenue is estimated to be \$166,337,000. Please see *Table 4* for the estimated Smart and Safe Arizona Fund distributions in the third year of revenues.

**Medical Marijuana Fund Balance**

Proposition 203 passed in the 2010 General Election, creating the Medical Marijuana Program within DHS. In FY 2020, there were 259,840 cardholders and 7,820 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 non-appropriated Medical Marijuana Fund.

The Medical Marijuana Fund's balance has continued to grow since the program's inception in 2010 (see *Table 5*).

In FY 2020, the fund had revenues of \$41,002,100 compared to spending of \$17,225,800. Laws 2019, Chapter 318 extended expiration dates of patient cards from 1 year to 2 years. As a result, DHS estimates that annual fund revenue will decrease to \$24,687,900 in FY 2021, compared to \$22,191,400 in ongoing spending.

Along with surpluses from prior years, DHS forecasts the fund will have a balance of \$95,003,000 at the end of FY 2021.

Proposition 207, approved by voters in November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older and includes a one-time transfer of \$45,000,000 from the Medical Marijuana Fund. Of this amount, \$19,000,000 will be distributed to DHS for public health programs and enforcement of the initiative, \$15,000,000 will be deposited to the Arizona Teachers Academy Fund, \$10,000,000 will be distributed to the Governor's Office of Highway Safety for grants to reduce impaired driving, and \$1,000,000 will be deposited to the Smart and Safe Arizona Fund. The estimated FY 2021 ending fund balance after these withdrawals is estimated to be about \$50,000,000.

**Table 4**

**Distribution of Smart and Safe Arizona Fund**

Agency Distributions (estimated)	\$ 5,000,000
Community Colleges (33%)	53,241,200
Police, Fire, and Sheriff Departments (31.4%)	50,659,800
Highway User Revenue Fund (25.4%)	40,979,600
Justice Reinvestment Fund (10%)	16,133,700
AG Enforcement (0.2%)	<u>322,700</u>
<b>Smart and Safe Arizona Fund</b>	<b>\$166,337,000</b>

**Table 5**

**Medical Marijuana Fund History**

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenue	\$28,565,700	\$33,759,500	\$41,002,100
Spending	12,623,400	14,686,400	17,225,800
Ending Balance	49,654,300	68,727,400	92,503,700
Number of Cardholders	173,140	205,609	259,840
Number of Dispensary Agents	5,261	6,383	7,820

Proposition 105, approved by voters in 1998, sets limits on the Legislature's ability to modify statutory language in voter-approved ballot measures. Since the Medical Marijuana Fund was established by a ballot measure, using a portion of the remaining \$50,000,000 fund balance would require a new voter initiative or a three-fourths vote of each Legislative chamber that furthers the purpose of Proposition 203.

**Auditor General Report**

In September 2019, the Auditor General published a DHS performance audit that included recommendations for improvements to the department's policies and procedures for regulating long-term care facilities.

Specifically, the audit recommended DHS put policies in place to ensure complaints and self-reports for long-term facilities be prioritized, investigated, and resolved in a timely manner, and according to Center for Medicare and Medicaid Services (CMS) guidelines.

The audit's recommendations are based on findings from a sample of 33 complaints and 37 self-reports from 5 long-term care facilities, which showed that 42% of complaints were uninvestigated and had been open for between 229 and 851 days, and 65% of self-reports were uninvestigated and open for between 173 and 904 days. In DHS' response to the audit, it stated that the findings

are based on a "narrow non-representative sample" of the 4,959 complaints received by the department over a 2-year period.

In its response to the audit, DHS also reported that establishing investigation timeframes as recommended would require an additional appropriation of \$3,269,300 and 44 FTE Positions. The department requested this additional funding in its FY 2022 budget request. The audit also recommended the Legislature establish a task force to study and propose options for changes to the department's investigation process.

The FY 2021 budget included a footnote that requires DHS to report to the Joint Legislative Budget Committee for review by May 31, 2021 on its progress in implementing the audit recommendations, including information on the number of staff allocated to long-term care investigations since publication of the audit, a summary of the department's implemented investigation timeframes and updates to its policies and procedures, and an assessment of the department's performance in investigating complaints according to the implemented timeframes.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Alzheimer's Disease Research Fund (HSA2255/A.R.S. § 36-123.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 to the Alzheimer's Disease Research Fund.		
<b>Purpose of Fund:</b> To distribute monies to charitable organizations in Arizona that have been operating for at least 10 years and have member institutions working to end Alzheimer's Disease and educate Arizona residents about Alzheimer's Disease.		
<b>Funds Expended</b>	0	32,000
<b>Year-End Fund Balance</b>	0	115,600
<b>Arizona State Hospital Charitable Trust Fund (HSA9985/A.R.S. § 36-218)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from contracts and lease agreements on Arizona State Hospital property.		
<b>Purpose of Fund:</b> To benefit persons with mental illness in this state.		
<b>Funds Expended</b>	86,900	100,000
<b>Year-End Fund Balance</b>	34,600	24,600
<b>Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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, county payments, and other monies collected for services to clients at the state hospital.		
<b>Purpose of Fund:</b> To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
<b>Funds Expended</b>	2,391,300	2,573,400
<b>Year-End Fund Balance</b>	3,939,900	4,457,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>ASH Land Earnings Fund (HSA3128/A.R.S. § 36-211)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For the benefit and support of the Arizona State Hospital.		
<b>Funds Expended</b>	575,100	650,000
<b>Year-End Fund Balance</b>	1,713,900	2,062,800
<b>Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For breast and cervical cancer screening and diagnostic and outreach services.		
<b>Funds Expended</b>	57,000	400,000
<b>Year-End Fund Balance</b>	792,500	532,500
<b>Budget Stabilization Fund (HSA3034/A.R.S. § 35-144)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> Funds transferred from interest income earned on the Budget Stabilization Fund to the non-appropriated Public Health Emergencies Fund.		
<b>Funds Expended</b>	55,000,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	94,700	99,200
<b>Year-End Fund Balance</b>	103,600	104,400
<b>Coronavirus Relief Fund (HSA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	16,470,500	54,780,800
<b>Year-End Fund Balance</b>	17,063,400	54,782,600
<b>Disease Control Research Fund (HSA2090/A.R.S. § 36-274)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide funding for AIDS Reporting and Surveillance. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	986,200	1,000,000
<b>Year-End Fund Balance</b>	4,106,700	2,512,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Disease Control Research Fund (HSA2090/A.R.S. § 36-274)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	2,940,400	3,309,000
<b>Year-End Fund Balance</b>	4,106,700	2,512,000
<b>Donations - DHS (HSA3010/2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations for various health related purposes.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,138,700	525,000
<b>Year-End Fund Balance</b>	1,144,700	1,579,700
<b>Donations - Statewide (HSA2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations from employee recognition events.		
<b>Purpose of Fund:</b> Employee recognition purposes.		
<b>Funds Expended</b>	6,400	0
<b>Year-End Fund Balance</b>	9,800	9,800
<b>Drug Disposal Education and Awareness Fund (HSA2230/A.R.S. § 36-123.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations and contributions from private persons and organizations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	10,000	10,000
<b>Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund local and state emergency medical services systems.		
<b>Funds Expended</b>	4,911,700	5,841,900
<b>Year-End Fund Balance</b>	1,238,100	(990,600)
<b>Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
<b>Purpose of Fund:</b> For costs associated with licensing environmental laboratories by the Department of Health Services.		
<b>Funds Expended</b>	709,300	952,000
<b>Year-End Fund Balance</b>	544,500	297,700
<b>Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	882,600	911,500
<b>Year-End Fund Balance</b>	53,300	53,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Federal Funds (HSA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and reimbursements from the federal government.		
<b>Purpose of Fund:</b> To provide health services in accordance with the terms of each specific grant.		
<b>Funds Expended</b>	266,608,000	280,409,300
<b>Year-End Fund Balance</b>	11,473,100	6,573,000
<b>Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for health care institution licensing services, monies from the examination and licensing of hearing and speech professionals, and fees collected for regulation of individuals utilizing radiological materials.		
<b>Purpose of Fund:</b> To fund regulatory actions for health care institutions, hearing and speech professionals, and radiation regulation. A total of 90% of assurance and licensure fees are deposited into this fund with the remaining 10% deposited into the General Fund.		
<b>Funds Expended</b>	14,346,000	16,241,300
<b>Year-End Fund Balance</b>	3,553,000	(794,100)
<b>Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State Lottery monies.		
<b>Purpose of Fund:</b> To fund grants for homeless pregnant women services. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	74,900	100,000
<b>Year-End Fund Balance</b>	3,875,900	2,109,700
<b>Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> State Lottery monies.		
<b>Purpose of Fund:</b> To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	5,774,500	9,513,600
<b>Year-End Fund Balance</b>	3,875,900	2,109,700
<b>IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from intergovernmental agreements and interagency services agreements between the Department of Health Services and other state and local entities. The fund receives annual revenue from the Department of Economic Security (DES) to provide nutrition education in schools for grades 1-6 using funds from the Supplemental Nutrition Assistance Program (SNAP).		
<b>Purpose of Fund:</b> To fund services which DHS has agreed to perform in IGAs and ISAs with state and local public agencies.		
<b>Funds Expended</b>	14,230,600	2,257,000
<b>Year-End Fund Balance</b>	4,596,800	14,081,000
<b>Indirect Cost Fund (HSA9001/A.R.S. § 36-108)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
<b>Purpose of Fund:</b> To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
<b>Funds Expended</b>	8,785,800	10,678,600
<b>Year-End Fund Balance</b>	4,419,300	3,919,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Interagency Service Agreement for Behavioral Health Services Fund (HSA4502/A.R.S. § 36-108.01[REPEALED])</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Federal monies from the Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> 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 but unpaid claims and estimated incurred but unreported claims prior to June 30, 2016. The FY 2018 General Appropriations Act transferred \$35,000,000 from the fund to the state General Fund in FY 2017. The fund was repealed August 31, 2020.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Internal Services Fund (HSA4202/A.R.S. § 36-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges from other DHS funds.		
<b>Purpose of Fund:</b> Revolving Fund used by DHS warehouse for the purchase of goods.		
<b>Funds Expended</b>	39,800	0
<b>Year-End Fund Balance</b>	15,200	15,200
<b>Laser Safety Fund (HSA2388/A.R.S. § 32-3234)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
<b>Purpose of Fund:</b> To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health-related purposes.		
<b>Funds Expended</b>	39,500	52,000
<b>Year-End Fund Balance</b>	82,100	90,900
<b>Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	17,225,800	22,191,400
<b>Year-End Fund Balance</b>	92,503,800	95,000,300
<b>Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,900	50,000
<b>Year-End Fund Balance</b>	109,500	69,500
<b>Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,878,600	7,741,200
<b>Year-End Fund Balance</b>	2,654,900	2,041,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Nuclear Emergency Management Fund (HSA2138/A.R.S. § 26-306.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
<b>Purpose of Fund:</b> To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
<b>Funds Expended</b>	497,000	789,700
<b>Year-End Fund Balance</b>	354,800	354,800
<b>Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-431.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
<b>Purpose of Fund:</b> For the protection of the health and property of residents of nursing care facilities that are found deficient.		
<b>Funds Expended</b>	64,900	138,200
<b>Year-End Fund Balance</b>	2,426,000	2,444,200
<b>Oral Health Fund (HSA3038/A.R.S. § 36-138)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from AHCCCS contracts for dental services.		
<b>Purpose of Fund:</b> To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
<b>Funds Expended</b>	377,000	500,300
<b>Year-End Fund Balance</b>	834,400	444,900
<b>Prescription Drug Rebate Fund (HSA2546/A.R.S. § 36-2930)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Prescription drug rebate collections and interest from prescription drug rebate late payments.		
<b>Purpose of Fund:</b> 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. Monies appropriated to DHS are used for Alzheimer's Disease Research.		
<b>Funds Expended</b>	1,000,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Public Health Emergencies Fund (HSA2775/A.R.S. § 36-122)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To fund public health emergency responses in the state following an emergency declaration by the Governor. Expenditures are not displayed to avoid double counting.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	19,310,000	9,655,500
<b>Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	68,500	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,600,100	2,740,100
<b>Year-End Fund Balance</b>	975,300	975,200
<b>Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,302,200	17,500,000
<b>Year-End Fund Balance</b>	5,542,100	3,559,400
<b>Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
<b>Purpose of Fund:</b> For Alzheimer's Disease Research and Biomedical Research Support. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	3,498,800	3,000,000
<b>Year-End Fund Balance</b>	2,890,300	1,834,200
<b>Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
<b>Purpose of Fund:</b> Monies are used for research into the prevention and treatment of tobacco-related disease and addiction. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	7,300,800	5,709,600
<b>Year-End Fund Balance</b>	2,890,300	1,834,200
<b>Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the Folic Acid Program and Renal Dental Care and Nutrition Supplements line items.		
<b>Funds Expended</b>	467,000	700,000
<b>Year-End Fund Balance</b>	607,200	607,200
<b>Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To develop and operate a new vital records automated system.		
<b>Funds Expended</b>	3,100,200	3,701,700
<b>Year-End Fund Balance</b>	1,535,300	199,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Workforce Data Repository Fund (HSA9999/A.R.S. § 36-172)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, fees, grants, and donations.		
<b>Purpose of Fund:</b> To maintain a health professionals workforce data repository containing data transferred to the department from health regulatory boards.		
<b>Funds Expended</b>	0	98,300
<b>Year-End Fund Balance</b>	0	0

# Arizona Historical Society

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 <sup>1/</sup>
Personal Services	1,281,100	1,368,100	1,368,100
Employee Related Expenditures	494,900	579,400	579,400
Professional and Outside Services	36,100	0	0
Other Operating Expenditures	689,200	624,000	624,000
<b>OPERATING SUBTOTAL</b>	<b>2,501,300</b>	<b>2,571,500</b>	<b>2,571,500 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Field Services and Grants	65,900	65,800	65,800
Papago Park Museum	540,400	558,300	558,300
<b>AGENCY TOTAL</b>	<b>3,107,600</b>	<b>3,195,600</b>	<b>3,195,600</b>
<b>FUND SOURCES</b>			
General Fund	3,107,600	3,195,600	3,195,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,107,600</b>	<b>3,195,600</b>	<b>3,195,600</b>
Other Non-Appropriated Funds	1,167,400	1,027,600	1,027,600
<b>TOTAL - ALL SOURCES</b>	<b>4,275,000</b>	<b>4,223,200</b>	<b>4,223,200</b>

**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

<sup>1/</sup> Includes 10.5 GF FTE Positions funded from Special Line Items in FY 2022.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### Operating Budget

The Baseline includes \$2,571,500 and 40.4 FTE Positions from the General Fund in FY 2022. These amounts are unchanged from FY 2021.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

### Other Issues

### Field Services and Grants

The Baseline includes \$65,800 and 0.5 FTE Positions from the General Fund in FY 2022 for Field Services and Grants. These amounts are unchanged from FY 2021.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

### Museum Closures

In October 2020, the Society voted to vacate 3 memorandums of understanding for Riordan Mansion, Fort Lowell, and the Downtown Museum in Tucson. Riordan Mansion's responsibilities will be reverted back to the State Parks and Trails Department, while Fort Lowell and the Downtown Museum will be closed.

### Papago Park Museum

The Baseline includes \$558,300 and 10 FTE Positions from the General Fund in FY 2022 for the Papago Park Museum. These amounts are unchanged from FY 2021.

**Museum Attendance**

**Table 1**

**FY 2020 Museum Attendance**

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	9,241
Downtown History (Tucson)	2,037
Fort Lowell (Tucson)	2,640
Sosa Carrillo Fremont (Tucson)	0 <sup>1/</sup>
Sanguinetti House (Yuma)	2,873
Museum at Papago Park (Tempe)	10,393
Pioneer Museum (Flagstaff)	5,295
Riordan Mansion (Flagstaff)	12,804
<b>Total</b>	<b>45,283</b>

<sup>1/</sup> 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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For enhancing the programs of the society, or operating or improving its facilities.		
<b>Funds Expended</b>	704,300	523,800
<b>Year-End Fund Balance</b>	196,800	141,200
<b>Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reproduction charges.		
<b>Purpose of Fund:</b> To preserve and restore historic photographs.		
<b>Funds Expended</b>	31,300	26,400
<b>Year-End Fund Balance</b>	22,500	21,100
<b>Private Fund (HIA9447/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For operating expenses.		
<b>Funds Expended</b>	431,800	476,400
<b>Year-End Fund Balance</b>	1,299,000	1,201,400
<b>Trust Fund (HIA9450/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For operating expenses.		
<b>Funds Expended</b>	0	1,000
<b>Year-End Fund Balance</b>	147,000	147,800

## Prescott Historical Society of Arizona

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	539,600	540,000	540,000
Employee Related Expenditures	231,400	265,400	265,400
Other Operating Expenditures	61,600	62,300	62,300
<b>AGENCY TOTAL</b>	<b>832,600</b>	<b>867,700</b>	<b>867,700<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	832,600	867,700	867,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>832,600</b>	<b>867,700</b>	<b>867,700</b>
Other Non-Appropriated Funds	562,000	548,100	548,100
<b>TOTAL - ALL SOURCES</b>	<b>1,394,600</b>	<b>1,415,800</b>	<b>1,415,800</b>

**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 \$867,700 and 13 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
<b>Funds Expended</b>	562,000	548,100
<b>Year-End Fund Balance</b>	387,100	277,800

**Arizona Department of Homeland Security**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>FUND SOURCES</b>			
Federal Funds	24,282,500	25,138,200	25,138,200
<b>TOTAL - ALL SOURCES</b>	24,282,500	25,138,200	25,138,200

**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.

<b>SUMMARY OF FUNDS</b>	FY 2020 Actual	FY 2021 Estimate
<b>Federal Funds (HLA2000/A.R.S. § 41-4254)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants received from the U.S. Department of Homeland Security.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	24,282,500	25,138,200
<b>Year-End Fund Balance</b>	0	0

## Board of Homeopathic and Integrated Medicine Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	17,700	23,700	23,700
Employee Related Expenditures	5,900	5,900	5,900
Other Operating Expenditures	16,700	17,000	17,000
<b>AGENCY TOTAL</b>	<b>40,300</b>	<b>46,600</b>	<b>46,600<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	40,300	46,600	46,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>40,300</b>	<b>46,600</b>	<b>46,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>40,300</b>	<b>46,600</b>	<b>46,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>40,300</b>	<b>46,600</b>	<b>46,600</b>

**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 \$46,600 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate homeopaths, and for board administration.		
<b>Funds Expended</b>	40,300	46,600
<b>Year-End Fund Balance</b>	54,300	67,100

## Arizona Department of Housing

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	201,600	185,600	185,600
Employee Related Expenditures	74,700	72,500	72,500
Professional and Outside Services	0	3,400	3,400
Travel - In State	6,100	8,100	8,100
Other Operating Expenditures	36,700	61,400	61,400
Equipment	3,100	1,500	1,500
<b>OPERATING SUBTOTAL</b>	<b>322,200</b>	<b>332,500</b>	<b>332,500</b>
<b>SPECIAL LINE ITEMS</b>			
Housing Trust Fund Deposit	15,000,000	0	0
<b>AGENCY TOTAL</b>	<b>15,322,200</b>	<b>332,500</b>	<b>332,500<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	15,000,000	0	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	322,200	332,500	332,500
SUBTOTAL - Other Appropriated Funds	322,200	332,500	332,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>15,322,200</b>	<b>332,500</b>	<b>332,500</b>
Other Non-Appropriated Funds	19,748,900	19,033,500	19,033,500
Federal Funds	96,437,500	75,806,300	75,806,300
<b>TOTAL - ALL SOURCES</b>	<b>131,508,600</b>	<b>95,172,300</b>	<b>95,172,300</b>

**AGENCY DESCRIPTION** — The department annually administers approximately \$131,500,000 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 include the Office of Manufactured Housing.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

#### Operating Budget

The Baseline includes \$332,500 and 3 FTE Positions from the Housing Trust Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Housing Trust Fund Deposit

The Baseline includes no funding in FY 2022 for the Housing Trust Fund Deposit line item. This amount is unchanged from FY 2021.

The FY 2020 budget included \$15,000,000 from the General Fund. Of the \$15,000,000 amount, the Department of Housing (DOH) plans to award \$6,500,000 for SMI facilities and the remaining \$8,500,000 for non-

behavioral health facilities. Details on the specific projects funded from the Housing Trust Fund Deposit are provided below:

#### Behavioral Health Projects

- \$3,500,000 to develop a Secure Behavioral Health Residential Facility pursuant to the FY 2020 General Appropriation Act footnote. The funding will be used to develop a facility which provides residential treatment to SMI individuals who have been resistant to treatment and ordered to the facility by a court order. This funding has been transferred to the Arizona Health Care Cost Containment System (AHCCCS) to manage. AHCCCS will oversee facility construction and operational funding, and the Department of Health Services (DHS) will be responsible for the licensing. The grant for this

project was awarded to Recovery Health Partners in September.

- \$3,000,000 for Transitional Housing for Homeless with a behavioral health emphasis. Funding will be used by DOH and DHS on the renovation of an existing building on the State Hospital grounds in Central Phoenix. The facility will provide single rooms as transitional housing for homeless individuals diagnosed with a serious mental illness. DHS will select a licensed mental health services provider to operate the facility. There was one respondent to this request for proposal. This proposal is under review.

#### Non-Behavioral Health Projects

- \$3,000,000 for the development of Supportive Housing Units for formerly homeless individuals. These monies will be combined with \$7,000,000 in federal funding for a total of \$10,000,000 for the project, which will be built in multiple sites yet to be determined. Construction is expected to begin by winter 2021.
- \$2,500,000 to fund Center for Hope Apartments as part of the Center for Opportunity project to combat homelessness in the Tucson area. Funding will be used to convert an existing hotel tower into 100 one-bedroom affordable rental units for seniors and single residents. This project is expected to be completed by mid-calendar year 2021.
- \$3,000,000 for Fort Whipple Homeless Veterans housing. DOH will select a developer to partner with the U.S. Department of Veterans Affairs to redevelop 6 former officers' quarters on the Fort Whipple Veterans' Affairs campus in Prescott and build housing units on adjacent vacant land. The redeveloped facilities will provide housing for homeless veterans. Construction is expected to begin by winter 2021.

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#### *Other Issues*

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#### **COVID-Related Spending**

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included a total of \$20,150,000 for Department of Housing related programs. This entire amount is from the Crisis Contingency Safety Net Fund. The uses are as follows:

- \$5,000,000 for assistance to homeless shelters.
- \$250,000 for the St. Vincent de Paul Rental Assistance Program.

- \$5,000,000 for the Foreclosure Prevention Program, which was created to assist landlords whose tenants have been unable to pay rent due to the COVID-19 pandemic.
- \$650,000 for Temporary Rental Assistance Program staffing.
- \$250,000 for Chicanos Por La Causa for their statewide housing program that helps find housing for homeless individuals.
- \$2,000,000 for the Rental Eviction Assistance Program, which provided rent assistance to renters that had been negatively financially impacted by Covid-19.
- \$7,000,000 for the rental property owner preservation fund to assist rental property owners during the Covid-19 pandemic.

In addition to the monies allocated to the department by the Executive, DOH received additional federal grants totaling \$185,600,000. The uses are as follows:

- \$32,000,000 to the state and \$74,000,000 to local governments for community development block grants.
- \$22,000,000 to the state and \$50,000,000 to local governments for homeless assistance/emergency solutions grants.
- \$3,000,000 to local governments for public housing operating funds.
- \$3,000,000 to local governments for tenant-based rental assistance.
- \$700,000 to local governments for supportive housing for persons with disabilities.
- \$100,000 to the state and \$800,000 to local governments for housing opportunities for persons with AIDS.

The federal Consolidated Appropriations Act of 2021 authorized \$25,000,000,000 in COVID-related rental assistance nationwide. These monies will be disbursed to states and large local governments using the same methodology as the Coronavirus Relief Fund (CRF). Each state is guaranteed a minimum funding amount of \$200,000,000 combined between all jurisdictions. If Arizona's allocation is in the same proportion as its CRF allocation from the CARES Act, Arizona and its local jurisdictions would receive about \$470,000,000 in rental assistance under the Consolidated Appropriations Act of 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	273,300	8,600
<b>Year-End Fund Balance</b>	596,200	690,800
<b>Crisis Contingency and Safety Net Fund (HDA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Purpose of Fund:</b> Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,594,700	2,594,700
<b>DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues include fees collected from fingerprint clearance cards.		
<b>Purpose of Fund:</b> Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards.		
<b>Funds Expended</b>	6,200	5,400
<b>Year-End Fund Balance</b>	1,500	2,000
<b>Federal Funds (HDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Funds for affordable housing programs.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the federal grants.		
<b>Funds Expended</b>	96,437,500	75,806,300
<b>Year-End Fund Balance</b>	7,851,500	18,095,200
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	978,800	1,078,800
<b>Housing Program Fund (HDA2200/A.R.S. § 41-3957)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the costs of administering the programs from which the deposits are received and for other department programs.		
<b>Funds Expended</b>	8,042,500	7,572,400
<b>Year-End Fund Balance</b>	21,005,800	26,388,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Housing Trust Fund (HDA2235/A.R.S. § 41-3955)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. A.R.S. § 33-751 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.		
<b>Purpose of Fund:</b> The appropriated portion pays for administration expenses and may not exceed 10% of the Housing Trust monies. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	322,200	332,500
<b>Year-End Fund Balance</b>	51,132,000	58,182,400
<b>Housing Trust Fund (HDA2235/A.R.S. § 41-3955)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. A.R.S. § 33-751 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.		
<b>Purpose of Fund:</b> The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	7,228,800	5,192,100
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (HDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,983,500	5,872,400
<b>Year-End Fund Balance</b>	6,100	325,900
<b>Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	559,700	582,900
<b>Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	214,600	382,600
<b>Year-End Fund Balance</b>	7,700,400	7,477,800

## Independent Redistricting Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	0.0	3.0	3.0
Lump Sum Appropriation	0	500,000	3,000,000
<b>AGENCY TOTAL</b>	<b>0</b>	<b>500,000</b>	<b>3,000,000</b>

### FUND SOURCES

General Fund	0	500,000	3,000,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>500,000</b>	<b>3,000,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>500,000</b>	<b>3,000,000</b>

**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 \$3,000,000 and 3 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

#### Redistricting Cycle Funding

The Baseline includes an increase of \$2,500,000 from the General Fund in FY 2022 for redistricting cycle funding.

The commission will resume its constitutional duties in CY 2021, the start of the next 10-year redistricting cycle. Pursuant to Article 4 of the Arizona Constitution, the Arizona Department of Administration (ADOA) submitted to the Legislature a recommendation for funding for the IRC. ADOA recommended \$500,000 in FY 2021 using the amount from the previous redistricting cycle. Based on this previous amount, \$500,000 of funding was included for the IRC in the FY 2021 budget. The \$3,000,000 of funding for the IRC in FY 2022 is based on the initial second year appropriation provided in the previous redistricting cycle (see Table 1).

FY 2023 and FY 2024 funding remain undetermined in the Baseline's long-term spending estimates. New costs will depend on an updated estimate of redistricting expenses once the commission resumes its duties.

**Table 1**

### CY 2010 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2011 (Laws 2010, 7 <sup>th</sup> SS, Ch. 1)	\$ 500,000
FY 2012 (Laws 2011, Ch. 24)	3,000,000
FY 2012 (Laws 2012, Ch. 108)	700,000
FY 2013 (Laws 2012, Ch. 294)	1,457,300
FY 2013 (Laws 2013, Ch. 2)	500,000
FY 2013 (Laws 2013, Ch. 158)	635,226
FY 2014 (Laws 2013, 1 <sup>st</sup> SS, Ch. 1)	1,115,100
FY 2014 (Laws 2014, Ch. 3)	1,462,701
FY 2015 (Laws 2014, Ch. 18)	1,115,300
FY 2016 (Laws 2015, Ch. 8)	1,115,300
FY 2017 (Laws 2016, Ch. 117)	<u>1,115,300</u>
<b>Total</b>	<b>\$12,716,227</b>

## Industrial Commission of Arizona

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	235.6	235.6	235.6
Personal Services	9,094,900	9,711,700	9,711,700
Employee Related Expenditures	3,442,200	3,881,400	3,881,400
Professional and Outside Services	1,432,300	1,291,500	1,291,500
Travel - In State	100,700	135,200	135,200
Travel - Out of State	20,900	36,100	36,100
Other Operating Expenditures	3,752,800	5,496,500	5,496,500
Equipment	174,600	40,700	40,700
<b>AGENCY TOTAL</b>	<b>18,018,400</b>	<b>20,593,100</b>	<b>20,593,100 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Administrative Fund	18,018,400	20,593,100	20,593,100
SUBTOTAL - Other Appropriated Funds	18,018,400	20,593,100	20,593,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>18,018,400</b>	<b>20,593,100</b>	<b>20,593,100</b>
Other Non-Appropriated Funds	12,441,100	15,573,100	15,573,100
Federal Funds	2,726,900	3,171,700	3,171,700
<b>TOTAL - ALL SOURCES</b>	<b>33,186,400</b>	<b>39,337,900</b>	<b>39,337,900</b>

**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, and providing workers' compensation coverage for claimants of uninsured and self-insured employers.

#### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$20,593,100 and 235.6 FTE Positions from the Administrative Fund in FY 2022 for the operating budget. These numbers are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Administrative Fund (ICA2177/A.R.S. § 23-1081)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Annual tax on workers' compensation premiums that cannot exceed 3%.		
<b>Purpose of Fund:</b> For all expenses of the Industrial Commission in carrying out its powers and duties.		
<b>Funds Expended</b>	18,018,400	20,593,100
<b>Year-End Fund Balance</b>	9,527,300	5,157,100

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Federal Grants (ICA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,726,900	3,171,700
<b>Year-End Fund Balance</b>	376,400	376,300
<b>Revolving Fund (ICA2002/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	173,600	147,000
<b>Year-End Fund Balance</b>	272,700	272,700
<b>Special Fund (ICA2180/A.R.S. § 23-1065)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	12,267,500	15,426,100
<b>Year-End Fund Balance</b>	343,200	309,600

## Department of Insurance and Financial Institutions

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	151.4	152.4	151.4 <sup>1/</sup>
Personal Services	6,543,400	5,867,900	5,867,900
Employee Related Expenditures	2,489,500	2,359,400	2,359,400
Professional and Outside Services	519,900	587,400	587,400
Travel - In State	19,500	22,100	22,100
Travel - Out of State	18,800	13,500	13,500
Other Operating Expenditures	1,317,700	1,236,000	1,236,000
Equipment	93,700	114,100	114,100
<b>OPERATING SUBTOTAL</b>	<b>11,002,500</b>	<b>10,200,400</b>	<b>10,200,400</b>
<b>SPECIAL LINE ITEMS</b>			
Insurance Fraud Unit	0	1,848,000	1,848,000
Mental Health Omnibus	0	250,000	0 <sup>D/</sup>
Reimbursable Programs	0	50,000	50,000 <sup>2/</sup>
Local Grants	957,400	957,700	957,700 <sup>3/</sup>
Arizona Vehicle Theft Task Force	3,650,000	3,650,000	3,650,000 <sup>4/</sup>
ATA Operating Budget	0	672,300	672,300
<b>AGENCY TOTAL</b>	<b>15,609,900</b>	<b>17,628,400</b>	<b>17,378,400 <sup>5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	6,697,500	8,090,700	7,840,700
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	5,234,100	5,330,000	5,330,000
Financial Services Fund	3,676,400	4,157,400	4,157,400
Revolving Fund	1,900	50,300	50,300
SUBTOTAL - Other Appropriated Funds	8,912,400	9,537,700	9,537,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>15,609,900</b>	<b>17,628,400</b>	<b>17,378,400</b>
Other Non-Appropriated Funds	30,654,800	30,209,000	30,367,900
Federal Funds	181,500	0	0
<b>TOTAL - ALL SOURCES</b>	<b>46,446,200</b>	<b>47,837,400</b>	<b>47,746,300</b>

**AGENCY DESCRIPTION** — The Department of Insurance and Financial Institutions licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department also 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, banks, and real estate appraisal entities. The department also 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.

### FOOTNOTES

- <sup>1/</sup> Includes 9 GF and 6 OF FTE Positions from Special Line Items in FY 2022.
- <sup>D/</sup> ~~Laws 2020, Chapter 4 appropriates \$250,000 and 1 FTE Position from the General Fund in FY 2021 for DIFI to administer newly enacted mental health parity requirements for insurance coverage.~~
- <sup>2/</sup> The department of insurance and financial institutions shall submit a report to the joint legislative budget committee before spending any monies for the reimbursable programs line item. The department shall show sufficient monies collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- <sup>3/</sup> 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)

- 4/ Monies in the Arizona vehicle theft task force line item shall be used by the department of insurance and financial institutions to pay seventy-five percent of the personal services and employee related expenditures for city, town and county sworn officers who participate in the Arizona vehicle theft task force. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ Of the department fees required to be deposited in the state general fund by statute, the department of insurance and financial institutions shall assess and set the fees at a level to ensure that the monies deposited in the state general fund will equal or exceed the department's expenditure from the state general fund. (General Appropriation Act footnote)

Laws 2019, Chapter 252 merged the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renamed the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency retained all the same regulatory functions as the 3 separate agencies. Chapter 252 transferred all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

While the consolidation became effective on July 1, 2020, FY 2020 actual expenditures from all 3 agencies are shown in the table above together as DIFI expenditures.

Laws 2020, Chapter 37 enacted various changes to the DIFI agency structure, including the requirement that certain funding be displayed as a separate line item in the annual General Appropriation Act. Because this legislation was not yet effective at the time the FY 2021 General Appropriation Act was passed, the FY 2021 budget does not include these line item changes. However, the amounts displayed below adjust the DIFI line item format to match the requirements of Chapter 37.

**Operating Budget**

The Baseline includes \$10,200,400 and 136.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$5,992,700
Financial Services Fund	4,157,400
Department Revolving Fund	50,300

These amounts are unchanged from FY 2021.

**Insurance Fraud Unit**

The Baseline includes \$1,848,000 and 9 FTE Positions from the General Fund in FY 2022 for the Insurance Fraud Unit. These amounts are unchanged from FY 2021.

These monies were previously included in the Department of Insurance operating budget. The department levies a \$1,050 assessment on all licensed insurers to prosecute insurance fraud in the state. Laws 2020, Chapter 37 requires that all monies appropriated for fraud prevention be included as a line item and that all monies shall be used exclusively for insurance fraud prevention.

**Mental Health Omnibus**

The Baseline includes no funding in FY 2022 for costs associated with Laws 2020, Chapter 4, referred to as the mental health omnibus. FY 2022 adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(250,000) and (1) FTE Position from the General Fund in FY 2022. Chapter 4 requires insurers to comply with the federal Mental Health Parity and Addiction Equity Act and requires insurers financial requirements for mental health insurance benefits are not more restrictive than medical or surgical benefits. Chapter 4 also requires insurers to submit a report to DIFI displaying compliance with the law and requires DIFI to analyze and summarize the reports.

Section 10 of Chapter 4 appropriated this funding to DIFI, as a result these monies did not appear in the FY 2021 General Appropriation Act.

**Reimbursable Programs**

The Baseline includes \$50,000 from the ATA Fund in FY 2022 for Reimbursable Programs. This amount is unchanged from FY 2021.

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.

**Local Grants**

The Baseline includes \$957,700 from the ATA Fund in FY 2022 for Local Grants. This amount is unchanged from FY 2021.

This line item provides funding for the 4 categories of local grants that the DIFI administers: 1) Vertical Prosecution; 2) Law Enforcement; 3) Professional Training; and 4) Public Awareness grants. DIFI 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.)*

**Arizona Vehicle Theft Task Force**

The Baseline includes \$3,650,000 from the ATA Fund in FY 2022 for the Arizona Vehicle Theft Task Force. This amount is unchanged from FY 2021.

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.)*

**ATA Operating Budget**

The Baseline includes \$672,300 and 6 FTE Positions from the ATA Fund in FY 2022 for the Automobile Theft Authority Operating Budget. These amounts are unchanged from FY 2021.

**Other Issues**

**Automobile Theft Authority Grants**

DIFI was appropriated \$4,607,700 from the ATA Fund in FY 2021 for grants to state and local law enforcement entities. These grants are funded from the Arizona Vehicle Theft Task Force and Local Grants line items.

Table 1 displays the allocations of grants for FY 2020 and estimated FY 2021 distributions by recipient and category.

**COVID-Related Spending**

The Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the DIFI was reimbursed for \$181,500 in General Fund spending. This reduced spending increased the agency's General Fund reversion beyond what it would have otherwise been.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

Table 1

ATA Grant Recipients		
Recipient	FY 2020	FY 2021 est. <sup>1/</sup>
<b>Arizona Vehicle Theft Task Force (DPS)</b>	<b>\$3,650,000</b>	<b>\$3,650,000</b>
<b>Vertical Prosecution Grants</b>		
Maricopa County Attorney	\$ 235,800	\$ 235,800
Pima County Attorney	216,100	216,100
Pinal County Attorney	169,100	169,100
La Paz County Attorney	119,700	119,700
Mohave County Attorney	109,600	109,600
Santa Cruz County Attorney	<u>80,800</u>	<u>80,800</u>
<b>Subtotal</b>	<b>\$ 931,100</b>	<b>\$ 931,100</b>
<b>Law Enforcement Grants</b>		
Quartzite Police Department	\$ 2,800	-
Department of Public Safety	<u>14,000</u>	-
<b>Subtotal</b>	<b>\$ 16,800</b>	<b>\$ TBD</b>
<b>Public Awareness Grants</b>		
Camp Verde Marshall's Office	1,200	-
El Mirage Police Department	1,800	-
Gilbert Police Department	<u>6,600</u>	-
<b>Subtotal</b>	<b>\$ 9,600</b>	<b>\$ TBD</b>
<b>Professional Training Grants</b>	<b>\$ 0</b>	<b>\$ TBD</b>
<b>Unallocated</b>	<b>\$ 200</b>	<b>\$ 26,600</b>
<b>TOTAL</b>	<b>\$4,607,700</b>	<b>\$ 4,607,700</b>

<sup>1/</sup> Represents allocations as estimated by the Automobile Theft Authority. Specific awards are yet to be determined for some categories.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on property and casualty insurance, reimbursements from the sale of insolvent companies' assets by the department's Receivership Division, and investment income on the fund balance.		
<b>Purpose of Fund:</b> 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 and Financial Institutions. Within the fund there are 3 separate accounts: automobile insurance account, workers' compensation insurance account and an other account, which includes all other types of property and casualty insurance other than automobile and workers' compensation.		
<b>Funds Expended</b>	11,862,100	11,862,100
<b>Year-End Fund Balance</b>	212,860,600	212,860,600
<b>Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	103,500	0
<b>Year-End Fund Balance</b>	99,100	99,100
<b>Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,234,100	5,330,000
<b>Year-End Fund Balance</b>	6,033,100	7,548,900
<b>Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	370,700	412,000
<b>Year-End Fund Balance</b>	516,100	538,300
<b>Coronavirus Relief Fund (IDA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	181,500	0
<b>Year-End Fund Balance</b>	0	0
<b>Financial Services Fund (BDA1998/A.R.S. § 6-991.21)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
<b>Purpose of Fund:</b> To supervise and regulate loan originators and to be used for the general operating expenses of the department.		
<b>Funds Expended</b>	3,676,400	4,157,400
<b>Year-End Fund Balance</b>	11,003,400	12,377,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	488,600	549,800
<b>Year-End Fund Balance</b>	193,300	53,500
<b>Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	240,700	256,600
<b>Year-End Fund Balance</b>	125,400	173,100
<b>IGA and ISA Fund (IDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	542,900	0
<b>Year-End Fund Balance</b>	0	0
<b>Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
<b>Purpose of Fund:</b> 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 and Financial Institutions. Monies are also used to cover the department's related administrative costs.		
<b>Funds Expended</b>	2,591,800	2,816,100
<b>Year-End Fund Balance</b>	1,452,500	1,596,300
<b>Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
<b>Purpose of Fund:</b> 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 and Financial Institutions.		
<b>Funds Expended</b>	13,952,900	13,952,900
<b>Year-End Fund Balance</b>	19,322,100	19,322,100
<b>Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
<b>Purpose of Fund:</b> To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,562,500	2,816,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	126,600	143,200
<b>Year-End Fund Balance</b>	172,700	31,000
<b>Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
<b>Purpose of Fund:</b> Provide funding for the administration of receiverships.		
<b>Funds Expended</b>	68,100	10,600
<b>Year-End Fund Balance</b>	892,200	895,800
<b>Revolving Fund (BDA2126/A.R.S. § 6-135)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. The Appropriated portion of the fund is used for an interagency service agreement with the Attorney General's office to help oversee real estate appraisers. (Please see the Non-Appropriated portion of the fund for additional information.)		
<b>Funds Expended</b>	1,900	50,300
<b>Year-End Fund Balance</b>	202,000	200,000
<b>Revolving Fund (BDA2126/A.R.S. § 6-135)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. (Please see the Appropriated portion of the fund for additional information.)		
<b>Funds Expended</b>	306,900	204,300
<b>Year-End Fund Balance</b>	202,000	200,000
<b>Settlement Fund (ATA1991/A.R.S. § 41-3451)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues from settlements issued by the courts.		
<b>Purpose of Fund:</b> To provide grants to law enforcement agencies for metal management training.		
<b>Funds Expended</b>	0	1,400
<b>Year-End Fund Balance</b>	0	0

## Judiciary - Supreme Court

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	183.0	184.0	184.0 <sup>1/</sup>
Personal Services	7,357,900	7,445,300	7,445,300
Employee Related Expenditures	2,882,300	3,250,400	3,250,400
Professional and Outside Services	151,300	220,600	220,600
Travel - In State	128,100	144,600	144,600
Travel - Out of State	41,500	40,400	40,400
Other Operating Expenditures	4,365,600	4,961,100	4,961,100
<b>OPERATING SUBTOTAL</b>	<b>14,926,700</b>	<b>16,062,400</b>	<b>16,062,400 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
State Aid	3,919,500	5,735,800	5,735,800
County Reimbursements	187,900	187,900	187,900 <sup>3/</sup>
Automation	17,179,100	20,679,400	20,679,400 <sup>4/5/</sup>
State Foster Care Review Board	3,262,200	3,343,800	3,343,800
Court Appointed Special Advocate	3,447,500	3,544,900	3,544,900
Model Court	438,700	438,700	438,700
Domestic Relations	640,500	661,600	661,600
Judicial Nominations and Performance Review	540,900	553,000	553,000
Commission on Judicial Conduct	521,100	537,700	537,700
Courthouse Security	738,300	750,000	750,000
<b>AGENCY TOTAL</b>	<b>45,802,400</b>	<b>52,495,200</b>	<b>52,495,200 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	20,874,100	21,399,300	21,399,300
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	311,800	509,400	509,400
Court Appointed Special Advocate Fund	3,526,500	3,627,500	3,627,500
Criminal Justice Enhancement Fund	3,329,400	4,497,100	4,497,100
Defensive Driving School Fund	3,312,800	4,316,900	4,316,900
Judicial Collection Enhancement Fund	12,519,400	15,198,700	15,198,700
State Aid to the Courts Fund	1,928,400	2,946,300	2,946,300
SUBTOTAL - Other Appropriated Funds	24,928,300	31,095,900	31,095,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>45,802,400</b>	<b>52,495,200</b>	<b>52,495,200</b>
Other Non-Appropriated Funds	27,989,200	23,132,400	23,132,400
<b>TOTAL - ALL SOURCES</b>	<b>73,791,600</b>	<b>75,627,600</b>	<b>75,627,600</b>

**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 53.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2022.
- 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, 2021, 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 that receive or are

anticipated to receive state monies in the current or next two 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 \$16,062,400 and 108.7 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$12,119,700
Confidential Intermediary and Fiduciary Fund	509,400
Criminal Justice Enhancement Fund (CJEF)	7,900
Defensive Driving School Fund	733,300
Judicial Collection Enhancement Fund (JCEF)	2,692,100

These amounts are unchanged from FY 2021.

**State Aid**

The Baseline includes \$5,735,800 and 3.3 FTE Positions in FY 2022 for State Aid. These amounts consist of:

CJEF	2,789,500
State Aid to the Courts Fund	2,946,300

These amounts are unchanged from FY 2021.

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 2022 for County Reimbursements. This amount is unchanged from FY 2021.

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.

A General Appropriation Act footnote limits the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000. The Baseline continues this in FY 2022.

**Automation**

The Baseline includes \$20,679,400 and 13 FTE Positions in FY 2022 for Automation. These amounts consist of:

General Fund	3,556,900
Court Appointed Special Advocate (CASA) Fund	82,600
CJEF	1,699,700
Defensive Driving School Fund	3,583,600
JCEF	11,756,600

These amounts are unchanged from FY 2021.

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 \$3,343,800 and 40 FTE Positions from the General Fund in FY 2022 for the State Foster Care Review Board. These amounts are unchanged from FY 2021.

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 \$3,544,900 and 5.5 FTE Positions from the Court Appointed Special Advocate (CASA) Fund in FY 2022 for CASA. These amounts are unchanged from FY 2021.

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 \$438,700 from the General Fund in FY 2022 for Model Court. This amount is unchanged from FY 2021.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

#### **Domestic Relations**

The Baseline includes \$661,600 and 4.9 FTE Positions from the General Fund in FY 2022 for Domestic Relations. These amounts are unchanged from FY 2021.

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 \$553,000 and 4.6 FTE Positions from the General Fund in FY 2022 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2021.

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, Pinal, Coconino and Yavapai 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 \$537,700 and 4 FTE Positions from the General Fund in FY 2022 for the Commission on Judicial Conduct. These amounts are unchanged from FY 2021.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

#### **Courthouse Security**

The Baseline includes \$750,000 from JCEF in FY 2022 for Courthouse Security. This amount is unchanged from FY 2021.

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.

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#### **Other Issues**

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#### **Statutory Changes**

The Baseline would, as session law, amend Laws 2018, Chapter 278, Section 17 to allow the Supreme Court to spend money from the funds on a new appellate case management system in FY 2022 and reduce the total allowed expenditure from \$3,150,000 to \$2,600,000. The new system was scheduled to be ready at the end of FY 2021, but due to the impact of the COVID-19 pandemic on staffing, the go-live date was delayed to FY 2022.

#### **Proposition 207 – Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Supreme Court receives a self-determined amount from the fund for processing expungement petitions for certain

marijuana offenses. The Supreme Court has estimated annual spending of \$200,000 to \$800,000 to fulfill the initiative's requirements.

*(Please see the Department of Health Services - Other Issues Section for more information.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To supplement local courts' funding for alternative dispute resolution programs.		
<b>Funds Expended</b>	185,600	549,400
<b>Year-End Fund Balance</b>	469,600	265,900
<b>Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	575,100	810,600
<b>Year-End Fund Balance</b>	332,700	247,600
<b>Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees, costs and penalties relating to reporter certification.		
<b>Purpose of Fund:</b> For reporter certification.		
<b>Funds Expended</b>	44,900	123,600
<b>Year-End Fund Balance</b>	191,900	78,400
<b>Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	311,800	509,400
<b>Year-End Fund Balance</b>	827,300	642,500
<b>Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Revenues consist of 30% of the state lottery unclaimed prize monies.		
<b>Purpose of Fund:</b> For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
<b>Funds Expended</b>	3,526,500	3,627,500
<b>Year-End Fund Balance</b>	9,452,600	9,433,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,329,400	4,497,100
<b>Year-End Fund Balance</b>	2,245,400	1,153,200
<b>Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,312,800	4,316,900
<b>Year-End Fund Balance</b>	1,448,600	344,300
<b>Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	448,900	386,000
<b>Year-End Fund Balance</b>	0	0
<b>Grants and Special Revenue (SPA2084/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies provided from various sources, private and public, for specific programs and projects.		
<b>Purpose of Fund:</b> To expend grants as required by the contribution.		
<b>Funds Expended</b>	26,203,700	20,851,600
<b>Year-End Fund Balance</b>	19,055,400	13,640,700
<b>Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	12,519,400	15,198,700
<b>Year-End Fund Balance</b>	3,328,300	2,607,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Peace Officer Training Equipment Fund (SPA8888/A.R.S. § 41-1731)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
<b>Purpose of Fund:</b> For the purchase of peace officer training equipment.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	304,800	304,800
<b>Public Defender Training Fund (SPA3013/A.R.S. § 12-117)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	531,000	411,200
<b>Year-End Fund Balance</b>	2,900	2,900
<b>State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,928,400	2,946,300
<b>Year-End Fund Balance</b>	454,900	1,119,500

## Judiciary - Court of Appeals

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>PROGRAM BUDGET</b>			
Division I	11,541,700	11,895,500	11,895,500
Division II	5,167,700	5,284,100	5,284,100
<b>AGENCY TOTAL</b>	<b>16,709,400</b>	<b>17,179,600</b>	<b>17,179,600</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	136.8	136.8	136.8 <sup>1/</sup>
Personal Services	10,095,200	10,836,200	10,836,200
Employee Related Expenditures	4,143,800	4,503,100	4,503,100
Professional and Outside Services	707,300	8,800	8,800
Travel - In State	142,200	164,600	164,600
Travel - Out of State	18,100	10,800	10,800
Other Operating Expenditures	1,543,500	1,656,100	1,656,100
Equipment	59,300	0	0
<b>AGENCY TOTAL</b>	<b>16,709,400</b>	<b>17,179,600</b>	<b>17,179,600</b> <sup>2/</sup>
<b>FUND SOURCES</b>			
General Fund	16,709,400	17,179,600	17,179,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,709,400</b>	<b>17,179,600</b>	<b>17,179,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>16,709,400</b>	<b>17,179,600</b>	<b>17,179,600</b>

**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

- <sup>1/</sup> Of the 136.8 FTE positions for fiscal year 2021-2022, 98.3 FTE positions are for division one and 38.5 FTE positions are for division two. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

### Operating Budget

The Baseline includes \$17,179,600 and 136.8 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts include \$11,895,500 and 98.3 FTE Positions for Division I and \$5,284,100 and 38.5 FTE Positions for Division II. These amounts are unchanged from FY 2021.

## Judiciary - Superior Court

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	235.5	235.5	235.5 <sup>1/</sup>
Personal Services	2,468,000	2,525,800	2,525,800
Employee Related Expenditures	898,700	934,200	934,200
Professional and Outside Services	243,800	59,500	59,500
Travel - In State	22,600	17,700	17,700
Travel - Out of State	11,300	2,000	2,000
Other Operating Expenditures	1,000,700	1,280,500	1,280,500
<b>OPERATING SUBTOTAL</b>	<b>4,645,100</b>	<b>4,819,700</b>	<b>4,819,700</b> <sup>2/</sup>
<b>SPECIAL LINE ITEMS</b>			
Centralized Service Payments	3,054,000	3,605,500	3,605,500 <sup>3/</sup>
Judges Compensation	17,371,300	23,970,700	23,970,700 <sup>4/</sup>
Adult Standard Probation	19,874,400	20,055,500	20,055,500 <sup>5/</sup>
Adult Intensive Probation	10,974,200	11,528,900	11,528,900 <sup>5/</sup>
Community Punishment	1,148,200	2,310,300	2,310,300 <sup>5/</sup>
Interstate Compact	471,500	473,800	473,800 <sup>5/</sup>
Drug Court	1,036,400	1,033,100	1,033,100
Juvenile Standard Probation	3,554,600	3,674,700	3,674,700 <sup>5/</sup>
Juvenile Intensive Probation	5,682,000	5,635,500	5,635,500 <sup>5/</sup>
Juvenile Treatment Services	20,148,000	20,134,500	20,134,500 <sup>5/6/</sup>
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,609,000	8,559,700	8,559,700 <sup>5/6/</sup>
Juvenile Crime Reduction	1,251,800	3,327,000	3,327,000 <sup>5/</sup>
Special Water Master	487,000	244,800	244,800
Court-Ordered Removals	315,000	315,000	315,000
<b>AGENCY TOTAL</b>	<b>99,122,500</b>	<b>110,188,700</b>	<b>110,188,700</b> <sup>7/-10/</sup>
<b>FUND SOURCES</b>			
General Fund	92,008,900	98,194,300	98,194,300
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	2,142,400	5,475,800	5,475,800
Drug Treatment and Education Fund	499,900	503,400	503,400
Judicial Collection Enhancement Fund	4,471,300	6,015,200	6,015,200
SUBTOTAL - Other Appropriated Funds	7,113,600	11,994,400	11,994,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>99,122,500</b>	<b>110,188,700</b>	<b>110,188,700</b>
Other Non-Appropriated Funds	4,752,000	4,049,000	4,049,000
Federal Funds	997,000	986,000	986,000
<b>TOTAL - ALL SOURCES</b>	<b>104,871,500</b>	<b>115,223,700</b>	<b>115,223,700</b>

**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

<sup>1/</sup> Of the 235.5 FTE positions, 180 FTE positions represent superior court judges. This FTE position clarification does not limit the counties' ability to add judges pursuant to section 12-121, Arizona Revised Statutes. (General Appropriation Act footnote)

- 2/ All expenditures made by the administrative office of the courts to administer 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 fifty percent of superior court judges' salaries, elected officials' retirement plan costs and related state benefit costs for judges pursuant to section 12-128, Arizona Revised Statutes. 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)
- 6/ Monies appropriated to juvenile treatment services and juvenile diversion consequences shall be deposited in the juvenile probation services fund established by section 8-322, Arizona Revised Statutes. (General Appropriation Act footnote)
- 7/ Receipt of state probation monies by the counties is contingent on the county maintenance of fiscal year ~~2003-2004~~ 2019-2020 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, 2021, 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 fiscal year 2020-2021 actual, fiscal year 2021-2022 estimated and fiscal year 2022-2023 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. (General Appropriation Act footnote)
- 9/ On or before November 1, 2021, the administrative office of the courts shall submit a report for review by the joint legislative budget committee on the county-approved salary adjustments provided to probation officers since the last report on November 1, 2020. 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)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<b>Operating Budget</b>
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The Baseline includes \$4,819,700 and 55.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$4,464,600
Criminal Justice Enhancement Fund (CJEF)	338,700
Drug Treatment and Education Fund	3,200
Judicial Collection Enhancement Fund (JCEF)	13,200

These amounts are unchanged from FY 2021.

*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 \$3,605,500 in FY 2022 for centralized service payments. This amount consists of:

General Fund	3,155,600
JCEF	449,900

These amounts are unchanged from FY 2021.

*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 \$23,970,700 and 180 FTE Positions from the General Fund in FY 2022 for Judges Compensation. These amounts are unchanged from FY 2021.

*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 previously required 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.

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 \$20,055,500 in FY 2022 for Adult Standard Probation. This amount consists of:

General Fund	16,281,400
JCEF	3,774,100

These amounts are unchanged from FY 2021.

*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.

*(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)*

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 \$11,528,900 in FY 2022 for Adult Intensive Probation. This amount consists of:

General Fund	9,993,700
JCEF	1,535,200

These amounts are unchanged from FY 2021.

*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.

*(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)*

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 2022 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2021.

*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 \$473,800 in FY 2022 for Interstate Compact. This amount consists of:

General Fund	381,000
JCEF	92,800

These amounts are unchanged from FY 2021.

*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 of November 2020, AOC reported 202 active probationers under supervision under the Interstate Compact line item.

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 \$1,033,100 from the General Fund in FY 2022 for Drug Court programs. This amount is unchanged from FY 2021.

*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.

### **Juvenile Standard Probation**

The Baseline includes \$3,674,700 in FY 2022 for Juvenile Standard Probation. This amount consists of:

General Fund	3,524,700
JCEF	150,000

These amounts are unchanged from FY 2021.

*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.

*(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)*

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 \$5,635,500 from the General Fund in FY 2022 for Juvenile Intensive Probation. This amount is unchanged from FY 2021.

*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.

*(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)*

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 \$20,134,500 from the General Fund in FY 2022 for Juvenile Treatment Services. This amount is unchanged from FY 2021.

*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 2022 for Juvenile Family Counseling. This amount is unchanged from FY 2021.

*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 \$8,559,700 from the General Fund in FY 2022 for Juvenile Diversion Consequences. This amount is unchanged from FY 2021.

*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 most recent Juvenile Court Annual Report, there were approximately 7,750 juveniles diverted from formal court proceedings in FY 2019. 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 \$3,327,000 from CJEF in FY 2022 for Juvenile Crime Reduction. This amount is unchanged from FY 2021.

*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 \$244,800 from the General Fund in FY 2022 for the Special Water Master line item. This amount is unchanged from FY 2021.

*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 2020, 672 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 2020 Actual	FY 2021 Estimated <sup>1/</sup>	FY 2022 Estimated <sup>1/</sup>
<b>Gila River</b>			
Beginning Balance	\$205,700	\$197,600	\$188,200
Revenues <sup>2/</sup>	429,100	221,900	221,900
Expenditures	<u>437,200</u>	<u>231,300</u>	<u>245,300</u>
<b>Ending Balance</b>	<b>\$197,600</b>	<b>\$188,200</b>	<b>\$164,800</b>
<b>Little Colorado River</b>			
Beginning Balance	\$125,600	\$152,500	\$165,900
Revenues <sup>2/</sup>	76,800	39,100	39,100
Expenditures	<u>49,900</u>	<u>25,700</u>	<u>25,700</u>
<b>Ending Balance</b>	<b>\$152,500</b>	<b>\$165,900</b>	<b>\$179,300</b>

<sup>1/</sup> As reported by the Administrative Office of the Courts and adjusted by the JLBC.

<sup>2/</sup> Includes annual General Fund appropriation plus interest.

**Court-Ordered Removals**

The Baseline includes \$315,000 from the General Fund in FY 2022 for Court-Ordered Removals. This amount is unchanged from FY 2021.

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**

**Probation Caseloads**

AOC counts certain probationers as more than 1 case. For example, adult probationers charged with crimes against children are counted as 3 cases. As a result, reported probation counts do not represent actual headcounts.

Beginning January 1, 2020, the Courts also included the pre-release population in their caseloads. The pre-release population is defined as an inmate who will be released from prison directly into probation supervision within 90 days. The time inmates spend in probation supervision post-release is commonly known as a "probation tail."

Non-Maricopa County weighted probation caseloads from all categories grew by 0.1% from June 2019 to June 2020. The JLBC Staff estimates total FY 2021 and FY 2022 caseloads of 19,333 and 19,359 from all categories, respectively. This would represent growth of 0.1% in FY 2021 and 0.1% in FY 2022.

While the JLBS Staff estimates minimal growth in overall caseloads, the Adult Intensive caseloads are expected to increase by 6.4% in FY 2021 and 5.2% in FY 2022. As discussed in the Adult Intensive Probation line item, these cases require a lower probationer to probation officer ratio than standard probation, making intensive probation more expensive than standard probation.

Please see *Table 2* for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022. *(For more information, please see the [Judiciary – Probation Programs](#) program summary on the JLBC website.)*

**State-Funded Probation Officer Salary and Benefits**

The state funds probation officers in all counties except Maricopa. While these officers are funded with state monies, they are county employees and statute requires the county board of supervisors in each county to set the salary for probation officers.

Counties regularly award salary increases to probation officers, which can create a funding deficit relative to the appropriation. AOC annually evaluates these salary increases and requests an appropriation increase in the following fiscal year to pay for these deficits.

	<b>FY 2018</b> <b>Actual</b>	<b>FY 2019</b> <b>Actual</b>	<b>FY 2020</b> <b>Actual</b>	<b>FY 2021</b> <b>Estimate</b>	<b>FY 2022</b> <b>Estimate</b>
<b>Probation Category</b>					
Adult Standard <sup>2/</sup>	16,187	16,215	16,325	16,380	16,449
Adult Intensive	1,149	1,255	1,293	1,376	1,448
Juvenile Standard	1,506	1,439	1,386	1,324	1,264
Juvenile Intensive	<u>414</u>	<u>374</u>	<u>303</u>	<u>253</u>	<u>197</u>
<b>Total Caseload</b>	<b>19,256</b>	<b>19,283</b>	<b>19,307</b>	<b>19,333</b>	<b>19,359</b>

<sup>1/</sup> Numbers represent June probation caseloads. FY 2021 and FY 2022 represent JLBC Staff estimates.  
<sup>2/</sup> Does not include Interstate Compact participants.

In FY 2022, AOC is requesting a total of \$1,912,100 for unfunded probation salary increases approved in FY 2019 and FY 2020, and an additional \$2,339,400 for estimated FY 2021 and FY 2022 increases.

indicates the total FY 2020 payroll increase for salary was 5.0% for Adult probation officers and 2.0% for Juvenile probation officers. AOC projects total payroll increase for salary in will be 2.5% yearly in FY 2021 and FY 2022 for both Adult and Juvenile probation officers.

A General Appropriation Act footnote requires AOC to submit a report by November 1 of each year detailing county-approved salary increases. The most recent report

<b>SUMMARY OF FUNDS</b>	<b>FY 2020</b> <b>Actual</b>	<b>FY 2021</b> <b>Estimate</b>
<b>Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Discretionary fines imposed by the courts on drug offenders.		
<b>Purpose of Fund:</b> To provide drug treatment services to adult probationers through the Community Punishment Program.		
<b>Funds Expended</b>	50,900	52,000
<b>Year-End Fund Balance</b>	259,500	288,900
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	2,142,400	5,475,800
<b>Year-End Fund Balance</b>	3,730,900	3,137,800
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,730,900	3,137,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Drug and Gang Enforcement Fund (SPA2074/A.R.S. § 41-2402)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
<b>Purpose of Fund:</b> To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
<b>Funds Expended</b>	997,000	986,000
<b>Year-End Fund Balance</b>	5,400	21,700
<b>Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> The Community Punishment Program receives an annual appropriation from the fund. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	499,900	503,400
<b>Year-End Fund Balance</b>	1,284,200	1,427,800
<b>Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	3,704,700	3,626,300
<b>Year-End Fund Balance</b>	1,284,200	1,427,800
<b>Grants and Special Revenue (SPA2084/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies provided from various sources, private and public, for specific programs and projects.		
<b>Purpose of Fund:</b> To expend grants as required by the contribution.		
<b>Funds Expended</b>	996,400	370,700
<b>Year-End Fund Balance</b>	25,000	227,200
<b>Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,471,300	6,015,200
<b>Year-End Fund Balance</b>	819,000	945,700
<b>Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,333,200	2,837,100

## Department of Juvenile Corrections

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	20,385,300	23,755,000	23,755,000
Employee Related Expenditures	13,026,100	16,153,300	16,153,300
Professional and Outside Services	846,500	777,000	777,000
Travel - In State	222,200	296,400	296,400
Travel - Out of State	33,800	14,800	14,800
Other Operating Expenditures	4,933,900	4,598,100	4,598,100
Equipment	471,200	21,700	21,700
<b>AGENCY TOTAL</b>	<b>39,919,000</b>	<b>45,616,300</b>	<b>45,616,300 <sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	35,882,700	30,616,200	30,616,200
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	131,200	546,200	546,200
Department of Juvenile Corrections Local Cost Sharing Fund	0	8,450,900	8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	2,485,800	4,017,000	4,017,000
State Education Fund for Committed Youth	1,419,300	1,986,000	1,986,000
SUBTOTAL - Other Appropriated Funds	4,036,300	15,000,100	15,000,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>39,919,000</b>	<b>45,616,300</b>	<b>45,616,300</b>
Other Non-Appropriated Funds	163,200	157,200	157,200
Federal Funds	1,085,500	1,052,800	1,052,800
<b>TOTAL - ALL SOURCES</b>	<b>41,167,700</b>	<b>46,826,300</b>	<b>46,826,300</b>

**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

- <sup>1/</sup> 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 to support state juvenile institutions and reformatories. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$45,616,300 and 738.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$30,616,200
Criminal Justice Enhancement Fund (CJEF)	546,200
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900

State Charitable, Penal and Reformatory Institutions Land Fund 4,017,000  
State Education Fund for Committed Youth 1,986,000

These amounts are unchanged from FY 2021.

**Other Issues**

**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 2020 Criminal Justice BRB repealed the requirement in statute for all counties (except Maricopa and Pima) to pay their proportional share of \$11,260,000 according to their population. The FY 2020 Criminal Justice BRB also suspended the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020. The FY 2021 budget did not continue the suspension, thereby requiring Maricopa and Pima Counties to make deposits into the DJC Local Cost Sharing Fund in FY 2021. Maricopa County will contribute \$6,724,000 while Pima county will contribute \$1,726,900. The Baseline continues to require Maricopa and Pima Counties to pay their proportional share in FY 2022.

*(Please see the County Funding narrative for more information on state distributions to counties.)*

**Population Counts**

Table 1 lists the DJC population by category. The housed and parole populations within DJC have been relatively stable over the last 3 years with an increase in FY 2020. While there have been significant decreases in the past 10 years, Table 1 shows that the housed population within DJC has increased from 176 to 186, or 5.7%, from June

2018 through November 2020. During this time period, the total parole population has increased.

**COVID-Related Spending**

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Department of Juvenile Corrections was reimbursed for \$10,235,576 in General Fund spending. This reduced spending increased the agency's General Fund reversion beyond what it would have otherwise been.

**Proposition 208 – Education Funding**

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are by used by state agencies for administrative costs of the initiative, DJC will receive a distribution from the fund based on its weighted student count in the same manner as school districts and charter schools.

*(Please see the Department of Education - Other Issues Section for more information.)*

Table 1

	<b>DJC Census</b>			
	<b>Population as of June 2018</b>	<b>Population as of June 2019</b>	<b>Population as of June 2020</b>	<b>Population as of November 30, 2020</b>
<b>Housed Population</b>				
Adobe Mountain	176	216	217	186
<b>Parole Population</b>				
Parole	39	30	58	69
Interstate Compact (Inside Arizona) <sup>1/</sup>	<u>78</u>	<u>66</u>	<u>73</u>	<u>76</u>
Total Parole Population	<u>117</u>	<u>96</u>	<u>131</u>	<u>145</u>
<b>Total DJC Population</b>	<b>293</b>	<b>312</b>	<b>348</b>	<b>331</b>

<sup>1/</sup> 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 2020 and 0 parolees as of November 30, 2020.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For treatment and rehabilitation of youth who have committed drug-related offenses.		
<b>Funds Expended</b>	131,200	546,200
<b>Year-End Fund Balance</b>	1,183,700	1,088,400
<b>Department of Juvenile Corrections Local Cost Sharing Fund (DJA3007/A.R.S. § 41-2833)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Maricopa and Pima Counties are required to pay a proportional share of \$8,450,900 based on their share of the state population according to the 2010 decennial census.		
<b>Purpose of Fund:</b> To fund the operational costs of DJC.		
<b>Funds Expended</b>	0	8,450,900
<b>Year-End Fund Balance</b>	8,569,600	8,569,600
<b>DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	46,100	46,100
<b>Year-End Fund Balance</b>	94,900	63,000
<b>Employee Recognition Fund (DJA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
<b>Funds Expended</b>	2,900	2,700
<b>Year-End Fund Balance</b>	500	300
<b>Federal Funds (DJA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Grants.		
<b>Purpose of Fund:</b> For the National School Breakfast and Lunch Program, Special Education, Career Technology Education, substance abuse, and other federal programs.		
<b>Funds Expended</b>	1,085,500	1,052,800
<b>Year-End Fund Balance</b>	267,300	273,900
<b>Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	206,600	206,600
<b>Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
<b>Purpose of Fund:</b> For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
<b>Funds Expended</b>	19,600	13,800
<b>Year-End Fund Balance</b>	35,300	43,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To help defray costs of operating juvenile correctional facilities.		
<b>Funds Expended</b>	2,485,800	4,017,000
<b>Year-End Fund Balance</b>	4,271,300	4,224,200
<b>State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
<b>Purpose of Fund:</b> To help provide for the education of committed youth.		
<b>Funds Expended</b>	1,419,300	1,986,000
<b>Year-End Fund Balance</b>	(121,800)	(833,300)
<b>State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	93,000	93,000
<b>Year-End Fund Balance</b>	358,700	379,700
<b>Statewide Donations Fund (DJA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs or for the specified purpose for which they were donated.		
<b>Funds Expended</b>	1,600	1,600
<b>Year-End Fund Balance</b>	1,300	1,200

## State Land Department

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	6,034,000	6,751,400	6,751,400
Employee Related Expenditures	2,364,800	2,704,900	2,704,900
Professional and Outside Services	3,330,900	3,987,000	3,987,000
Travel - In State	129,200	129,000	129,000
Travel - Out of State	10,500	9,500	9,500
Other Operating Expenditures	3,346,900	3,028,400	3,028,400
Equipment	0	68,000	68,000
<b>OPERATING SUBTOTAL</b>	<b>15,216,300</b>	<b>16,678,200</b>	<b>16,678,200</b>
<b>SPECIAL LINE ITEMS</b>			
CAP User Fees	1,796,300	1,796,300	1,700,000 <sup>1/</sup>
Due Diligence Fund Deposit	130,900	500,000	500,000
Fire Suppression	800,000	800,000	800,000
Natural Resource Conservation Districts	534,300	650,000	650,000 <sup>2/</sup>
Streambed Navigability Litigation	20,000	220,000	220,000
<b>AGENCY TOTAL</b>	<b>18,497,800</b>	<b>20,644,500</b>	<b>20,548,200 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	11,655,300	12,563,800	12,467,500
<u>Other Appropriated Funds</u>			
Due Diligence Fund	130,900	500,000	500,000
Environmental Special Plate Fund	148,100	260,600	260,600
Trust Land Management Fund	6,563,500	7,320,100	7,320,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>6,842,500</b>	<b>8,080,700</b>	<b>8,080,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>18,497,800</b>	<b>20,644,500</b>	<b>20,548,200</b>
Other Non-Appropriated Funds	682,300	852,800	852,800
<b>TOTAL - ALL SOURCES</b>	<b>19,180,100</b>	<b>21,497,300</b>	<b>21,401,000</b>

**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

- 1/ The appropriation includes \$1,700,000 for CAP user fees in fiscal year 2021-2022. For fiscal year 2021-2022, 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 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 fiscal year 2021-2022, \$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 \$16,678,200 and 129.7 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$10,157,500
Environmental Special Plate Fund	600
Trust Land Management Fund	6,520,100

These amounts are unchanged from FY 2021.

### **CAP User Fees**

The Baseline includes \$1,700,000 from the General Fund in FY 2022 for Central Arizona Project (CAP) User Fees. FY 2022 adjustments are as follows:

#### **CAP Rate Adjustment**

The Baseline includes a decrease of \$(96,300) from the General Fund in FY 2022 to realign the funding level for CAP User Fees with the FY 2021 final CAP User Fee rates. This funding level is based on the final FY 2021 rate of \$53 per acre-foot on 32,076 acre-feet of water that the department will be billed for "capital charges" in FY 2021. This amount is \$(96,300) below the FY 2021 appropriation of \$1,796,300. The original FY 2021 appropriation reflected capital charges of \$56 per acre-foot, but CAP rates are not determined until June 15 of each year and the final rate for FY 2021 ended up being \$53 per acre-foot. As a result, the Baseline also includes a \$(96,300) reduction of General Fund monies to the CAP User Fees line item in FY 2022 to realign CAP funding to the final FY 2021 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 2022 for this line item. This amount is unchanged from FY 2021.

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 2022 for the Fire Suppression line item. This amount is unchanged from FY 2021.

In accordance with an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management, \$800,000 of fire suppression activity on state trust lands will be funded by the Trust Land Management Fund. *(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 2022 for Natural Resource Conservation Districts (NRCs). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2021.

This line item funds natural resource research, activities, and staff at the state's 30 NRCs. 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 NRC and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCs be used to provide grants to NRC environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCs. 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 2020 totaled \$172,600 and was not 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 2022 for Streambed Navigability Litigation. This amount is unchanged from FY 2021.

Pursuant to A.R.S. §§ 37-1123 and 37-1124, the State 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 State 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.

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### **Other Issues**

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### **Proposition 123**

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1<sup>st</sup> 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 \$218,226,100 in incremental land trust funds to K-12 schools in FY 2020 and \$228,292,000 in FY 2021. The 4.4% incremental funding increase will provide \$236,951,100 in incremental funds in FY 2022. *(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 generated \$25,756,600 in FY 2020 and is expected to generate \$26,769,000 in FY 2021 for the beneficiaries. In FY 2022, non-K-12 beneficiaries are expected to receive \$27,817,200. 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. In comparison, non-K-12 beneficiaries are expected to receive an estimated \$41,046,200 in FY 2022 through a combination of lease revenues and distributions from the Treasurer. *(Please see Table 1.)*

K-12 schools, the universities, and the Arizona State 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> <sup>1/</sup>	<u>FY 2021 Ending Balance</u>	<u>FY 2022 Total Revenue</u> <sup>2/</sup>	<u>FY 2022 Appropriation</u>
Universities <sup>3/</sup>				
Military Institute	\$ 83,800		\$ 97,200	
Normal Schools ASU/NAU	296,600		545,500	
A & M Colleges	445,100		1,215,900	
School of Mines	499,800		1,199,900	
University Fund	2,175,400		3,400,800	
U of A Land - 1881	<u>1,659,400</u>		<u>7,765,300</u>	
<b>Subtotal</b>	<b>\$ 5,160,100</b>		<b>\$14,224,600</b>	
Schools for the Deaf and the Blind <sup>4/</sup>	\$ 424,400		\$ 687,200	
State Hospital	\$ 701,000	\$ 2,062,800	\$ 1,048,300	\$ 650,000
Legislative, Executive, & Judicial Buildings <sup>5/</sup>	\$ 386,300	\$ 2,382,300	\$ 897,700	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 1,112,400	\$ 2,833,400	\$ 2,804,000
State Charitable (25%)	<u>1,452,500</u>	<u>1,009,900</u>	<u>4,383,200</u>	<u>2,661,800</u>
<b>Subtotal</b>	<b>\$ 2,835,100</b>	<b>\$ 2,122,300</b>	<b>\$ 7,216,600</b>	<b>\$ 5,465,800</b>
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 9,708,100	\$ 3,822,200	\$ 2,137,500
State Charitable (50%)	<u>2,905,000</u>	<u>12,752,700</u>	<u>8,766,400</u>	<u>4,658,500</u>
<b>Subtotal</b>	<b>\$ 4,886,400</b>	<b>\$22,460,800</b>	<b>\$12,588,600</b>	<b>\$ 6,796,000</b>
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 4,224,200	\$ 4,383,200	\$ 4,017,000
<b>Non-K-12 Beneficiaries Total</b>	<b>\$15,845,800</b>		<b>\$41,046,200</b>	

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 2022 lease revenues reflect actual FY 2020 amounts and do not incorporate potential revenue impacts caused by the COVID-19 pandemic.

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 2021 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.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements to the state for water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	9,900	9,900
<b>Due Diligence Fund (LDA2526/A.R.S. § 37-110)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
<b>Purpose of Fund:</b> To prepare land for sales, leases, rights-of-ways, or other use-permits.		
<b>Funds Expended</b>	130,900	500,000
<b>Year-End Fund Balance</b>	244,500	0
<b>Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for environmental license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	148,100	260,600
<b>Year-End Fund Balance</b>	57,900	0
<b>Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from lessees and interest.		
<b>Purpose of Fund:</b> To make payments for federal reclamation project assessments when state land lessees are delinquent.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	46,300	46,800
<b>IGA and ISA Fund (LDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	24,000	24,000
<b>Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue comes from other agencies that use State Land Department services or products and is used for services or products provided by other agencies.		
<b>Purpose of Fund:</b> To pay for joint projects based upon interagency agreements with other state agencies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	136,200	136,200
<b>Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The State 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.		
<b>Purpose of Fund:</b> To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
<b>Funds Expended</b>	331,100	410,900
<b>Year-End Fund Balance</b>	415,300	597,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Receipts from the provision of Geographic Information Systems (GIS) products and services.		
<i>Purpose of Fund:</i> To offset the costs of GIS supplies and support.		
Funds Expended	11,800	85,800
Year-End Fund Balance	175,900	170,100
<b>Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
<b>State Land Department Fund (LDA2451/A.R.S. § 37-107)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
<i>Purpose of Fund:</i> To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	339,100	356,100
Year-End Fund Balance	16,015,300	21,961,200
<b>Statewide Employee Recognition Gifts/Donations Fund (LDA2449/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> This fund receives monies through gifts and donations.		
<i>Purpose of Fund:</i> This fund is used to conduct employee recognition programs.		
Funds Expended	300	0
Year-End Fund Balance	0	0
<b>Trust Land Management Fund (LDA3146/A.R.S. § 37-527)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
Funds Expended	6,563,500	7,320,100
Year-End Fund Balance	8,309,700	5,797,100

**Legislature - Auditor General**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	200.8	200.8	200.8
Personal Services	13,438,200	14,112,100	14,112,100
Employee Related Expenditures	4,671,500	4,974,900	4,974,900
Professional and Outside Services	385,900	431,500	431,500
Travel - In State	81,300	92,800	92,800
Travel - Out of State	12,000	5,500	5,500
Other Operating Expenditures	1,357,600	1,348,700	1,348,700
Equipment	282,800	26,000	26,000
<b>OPERATING SUBTOTAL</b>	<b>20,229,300</b>	<b>20,991,500</b>	<b>20,991,500 <sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Career Technical Education District Study	400,000	0	0
<b>AGENCY TOTAL</b>	<b>20,629,300</b>	<b>20,991,500</b>	<b>20,991,500 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	20,629,300	20,991,500	20,991,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>20,629,300</b>	<b>20,991,500</b>	<b>20,991,500</b>
Other Non-Appropriated Funds	1,656,000	1,310,300	1,310,300
<b>TOTAL - ALL SOURCES</b>	<b>22,285,300</b>	<b>22,301,800</b>	<b>22,301,800</b>

**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**

- <sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**Operating Budget**

The Baseline includes \$20,991,500 and 200.8 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

**Other Issues**

**Proposition 208 – Education Funding**

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is

used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Auditor General receives a self-determined amount from the fund to adjust the Uniform System of Financial Records to implement the required reporting of monies received by school districts, charter schools, and career technical education districts. The Auditor General has estimated a one-time cost of \$38,880 to initially implement the initiative's requirements. (Please see the Department of Education - Other Issues Section for more information.)

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)</b>		<b>Non-Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> 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.</p>		
<b>Funds Expended</b>	1,656,000	1,310,300
<b>Year-End Fund Balance</b>	137,700	1,282,600

## Legislature - House of Representatives

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	15,591,700	16,830,000	16,830,000
<b>AGENCY TOTAL</b>	<b>15,591,700</b>	<b>16,830,000</b>	<b>16,830,000</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	15,591,700	16,830,000	16,830,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>15,591,700</b>	<b>16,830,000</b>	<b>16,830,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>15,591,700</b>	<b>16,830,000</b>	<b>16,830,000</b>

**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 section 35-190, Arizona Revised Statutes relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$16,830,000 for fiscal year 2021-2022 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 \$16,830,000 from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

**Legislature - Joint Legislative Budget Committee**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,645,600	1,963,200	1,963,200
Employee Related Expenditures	499,100	744,800	744,800
Professional and Outside Services	87,900	125,000	125,000
Travel - In State	100	500	500
Travel - Out of State	800	0	0
Other Operating Expenditures	65,400	99,200	99,200
Equipment	16,300	2,000	2,000
<b>AGENCY TOTAL</b>	<b>2,315,200</b>	<b>2,934,700</b>	<b>2,934,700 <sup>1/2</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,315,200	2,934,700	2,934,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,315,200</b>	<b>2,934,700</b>	<b>2,934,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,315,200</b>	<b>2,934,700</b>	<b>2,934,700</b>

**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 section 35-190, Arizona Revised Statutes, 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 \$2,934,700 and 29 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

## Legislature - Legislative Council

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	55.0	55.0	55.0 <sup>1/</sup>
Personal Services	3,048,900	3,373,000	3,373,000
Employee Related Expenditures	1,078,200	1,232,600	1,232,600
Professional and Outside Services	9,300	110,000	110,000
Travel - In State	0	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	384,000	860,700	860,700
Equipment	896,900	2,527,000	2,527,000
<b>OPERATING SUBTOTAL</b>	<b>5,417,300</b>	<b>8,121,800</b>	<b>8,121,800</b>
<b>SPECIAL LINE ITEMS</b>			
Ombudsman-Citizens Aide Office	886,000	904,800	904,800 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>6,303,300</b>	<b>9,026,600</b>	<b>9,026,600</b> <sup>3/4/5/</sup>
<b>FUND SOURCES</b>			
General Fund	6,303,300	9,026,600	9,026,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,303,300</b>	<b>9,026,600</b>	<b>9,026,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>6,303,300</b>	<b>9,026,600</b>	<b>9,026,600</b>

**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 2022.
- 2/ The legislature intends that the ombudsman-citizens aide prioritize investigating and processing 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 section 35-190, Arizona Revised Statutes, 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 \$8,121,800 and 46 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Ombudsman-Citizens Aide Office

The Baseline includes \$904,800 and 9 FTE Positions from the General Fund in FY 2022 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2021.

## Legislature - Senate

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	10,560,200	13,253,900	13,253,900
<b>AGENCY TOTAL</b>	<b>10,560,200</b>	<b>13,253,900</b>	<b>13,253,900</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	10,560,200	13,253,900	13,253,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>10,560,200</b>	<b>13,253,900</b>	<b>13,253,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>10,560,200</b>	<b>13,253,900</b>	<b>13,253,900</b>

**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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$13,253,900 for fiscal year 2021-2022 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 \$13,253,900 from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

## Department of Liquor Licenses and Control

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,331,400	1,440,600	1,440,600
Employee Related Expenditures	941,800	1,161,900	1,161,900
Professional and Outside Services	282,600	217,400	217,400
Travel - In State	81,200	81,100	81,100
Travel - Out of State	500	6,500	6,500
Other Operating Expenditures	590,600	590,700	590,700
Equipment	52,900	0	0
<b>AGENCY TOTAL</b>	<b>3,281,000</b>	<b>3,498,200</b>	<b>3,498,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,281,000	3,498,200	3,498,200
SUBTOTAL - Other Appropriated Funds	3,281,000	3,498,200	3,498,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,281,000</b>	<b>3,498,200</b>	<b>3,498,200</b>
Other Non-Appropriated Funds	897,400	1,002,800	1,002,800
Federal Funds	392,600	0	0
<b>TOTAL - ALL SOURCES</b>	<b>4,571,000</b>	<b>4,501,000</b>	<b>4,501,000</b>

**AGENCY DESCRIPTION** — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$3,498,200 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

### Other Issues

### COVID-Related Spending

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund

to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Department of Liquor Licenses and Control was reimbursed for \$126,700 in non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
<b>Purpose of Fund:</b> To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
<b>Funds Expended</b>	4,200	0
<b>Year-End Fund Balance</b>	100	100

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
<b>Purpose of Fund:</b> To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
<b>Funds Expended</b>	117,500	122,800
<b>Year-End Fund Balance</b>	162,900	227,400
<b>Coronavirus Relief Fund (LLA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	126,700	0
<b>Year-End Fund Balance</b>	0	0
<b>Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged by the director for the issuance of a direct shipment license.		
<b>Purpose of Fund:</b> Administrative costs associated with the direct shipment license.		
<b>Funds Expended</b>	24,800	50,900
<b>Year-End Fund Balance</b>	238,500	245,700
<b>Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged by the director for the renewal of a direct shipment license.		
<b>Purpose of Fund:</b> Administrative costs associated with the direct shipment licensing, auditing, and enforcement.		
<b>Funds Expended</b>	98,600	0
<b>Year-End Fund Balance</b>	291,600	445,700
<b>DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fingerprint fees collected as part of the application process.		
<b>Purpose of Fund:</b> Fingerprint fees are transferred to the Department of Public Safety.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	13,900	13,900
<b>Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
<b>Purpose of Fund:</b> For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
<b>Funds Expended</b>	291,100	395,800
<b>Year-End Fund Balance</b>	190,400	172,900
<b>Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A \$35 surcharge on liquor license renewals.		
<b>Purpose of Fund:</b> To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
<b>Funds Expended</b>	361,200	433,300
<b>Year-End Fund Balance</b>	219,400	225,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Federal Grants (LLA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal revenues received through the Governor's Office of Highway Safety.		
<i>Purpose of Fund:</i> To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	265,900	0
Year-End Fund Balance	2,400	2,400
<b>Growlers Fund (LLA1997/A.R.S. § 4-116.01)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Fees received from growler permit applications.		
<i>Purpose of Fund:</i> To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	0	0
Year-End Fund Balance	61,300	97,200
<b>IGA and ISA Fund (LLA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies received through intergovernmental and interagency agreements.		
<i>Purpose of Fund:</i> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	0	0
Year-End Fund Balance	67,300	67,300
<b>Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
<i>Purpose of Fund:</i> 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.		
Funds Expended	3,281,000	3,498,200
Year-End Fund Balance	92,800	92,800
<b>Sampling Privileges Fund (LLA1998/A.R.S. § 4-116.01)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Fees received from sampling privilege permit applications.		
<i>Purpose of Fund:</i> To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	0	0
Year-End Fund Balance	61,400	91,400

## Arizona State Lottery Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,426,500	4,812,000	4,812,000
Employee Related Expenditures	1,812,300	2,052,600	2,052,600
Professional and Outside Services	724,300	386,800	386,800
Travel - In State	177,900	271,600	271,600
Travel - Out of State	(7,500)	16,800	16,800
Other Operating Expenditures	1,647,800	1,958,900	1,958,900
Equipment	71,400	0	0
<b>OPERATING SUBTOTAL</b>	<b>8,852,700</b>	<b>9,498,700</b>	<b>9,498,700</b>
<b>SPECIAL LINE ITEMS</b>			
Advertising	12,199,500	15,500,000	15,500,000
Charitable Commissions <sup>1/</sup>	1,085,500	1,297,200	1,311,400 <sup>2/</sup>
Instant Tickets <sup>1/</sup>	22,253,500	37,494,900	34,507,200 <sup>3/</sup>
On-Line Vendor Fees <sup>1/</sup>	9,561,900	10,480,300	10,720,100 <sup>4/</sup>
Retailer Commissions <sup>1/</sup>	71,046,900	85,846,100	80,658,500 <sup>5/</sup>
<b>AGENCY TOTAL</b>	<b>125,000,000</b>	<b>160,117,200</b>	<b>152,195,900 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
State Lottery Fund	125,000,000	160,117,200	152,195,900
SUBTOTAL - Other Appropriated Funds	125,000,000	160,117,200	152,195,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>125,000,000</b>	<b>160,117,200</b>	<b>152,195,900</b>
Other Non-Appropriated Funds	758,567,900	880,045,300	823,792,800
<b>TOTAL - ALL SOURCES</b>	<b>883,567,900</b>	<b>1,040,162,500</b>	<b>975,988,700</b>

**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 twenty percent of tab ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,311,400 in fiscal year 2021-2022. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6 percent of actual instant ticket sales is appropriated to print instant tickets or to pay contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$34,507,200 in fiscal year 2021-2022. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual online game sales as determined by contract is appropriated to pay online vendor fees. This amount is currently estimated to be \$10,720,100, or 4.256 percent of actual online ticket sales, in fiscal year 2021-2022. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5 percent of gross lottery game sales, minus charitable tab tickets, is appropriated to pay sales commissions to ticket retailers. An additional amount not to exceed 0.5 percent of gross lottery game sales is appropriated to pay sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7 percent of total ticket sales, or \$80,658,500, in fiscal year 2021-2022. (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 \$9,498,700 and 98.8 FTE Positions from the State Lottery Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

### **Advertising**

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2022 for Advertising. This amount is unchanged from FY 2021.

Monies in this line item are used to promote and market Lottery games.

### **Charitable Commissions**

The Baseline includes \$1,311,400 from the State Lottery Fund in FY 2022 for Charitable Commissions. FY 2022 adjustments are as follows:

#### **Tab Ticket Increase**

The Baseline includes an increase of \$14,200 from the State Lottery Fund in FY 2022 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 \$34,507,200 from the State Lottery Fund in FY 2022 for Instant Tickets. FY 2022 adjustments are as follows:

#### **Instant Ticket Sales Increase**

The Baseline includes a decrease of \$(2,987,700) from the State Lottery Fund in FY 2022 for Instant Tickets due to lower 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 amount displayed is derived by applying the approved spending percentage of 3.6% to the forecasted sales total.

### **On-Line Vendor Fees**

The Baseline includes \$10,720,100 from the State Lottery Fund in FY 2022 for On-Line Vendor Fees. FY 2022 adjustments are as follows:

#### **On-Line Sales Increase**

The Baseline includes an increase of \$239,800 from the State Lottery Fund in FY 2022 for On-Line Vendor Fees due to higher 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 \$80,658,500 from the State Lottery Fund in FY 2022 for Retailer Commissions. FY 2022 adjustments are as follows:

#### **Retailer Commissions Increase**

The Baseline includes a decrease of \$(5,187,600) from the State Lottery Fund in FY 2022 for Retailer Commissions due to lower 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 17.3% increase in overall Lottery ticket sales in FY 2021, followed by a (6.0)% decrease in FY 2022. For FY 2021 and FY 2022, the Baseline assumes Lottery ticket sales of \$1,287,771,500 and \$1,210,414,600, respectively. The high projected ticket

sales growth in FY 2021 is driven by higher-than-expected ticket sales during the COVID-19 pandemic. From April to September 2020, Scratch ticket sales increased by 49.2% compared to the same span in the prior year. We do not know how long these increased sales will persist. As such, the FY 2022 sales forecast assumes return to pre-pandemic levels with some natural growth, which equates to a reduction in total sales in FY 2022.

The FY 2021 forecasted sales and Special Line Items expenditures are higher than the amounts included as part of the *FY 2021 Appropriations Report*. This increase is due to a revised FY 2021 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2021 General Appropriation Act footnotes. The final FY 2021 expenditures will be determined by the actual Lottery ticket sales during FY 2021.

### **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 2020 and the JLBC Staff projected distributions for FY 2021 and FY 2022. 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, 6<sup>th</sup> 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, ADOA refinanced these bonds. 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 \$11,476,800 in each FY 2021 and FY 2022. (See *FY 2020 Appropriations Report for additional background.*)

#### 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 2021 and FY 2022 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$34,509,800 in FY 2021 and \$34,512,500 in FY 2022 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 2020 and FY 2022, 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 \$22,232,700 in FY 2021 and \$22,800,800 in FY 2022. 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.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2021 and FY 2022.

#### 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 2021 and FY 2022.

### 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 2021 and FY 2022, 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 2021 and FY 2022.

### 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 \$39,436,700 in FY 2020. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$38,405,600 in FY 2021 and \$40,613,800 in FY 2022 to make the expected 80% level of debt service payments. *(Please see the FY 2022 Arizona Board of Regents Capital Outlay section for more details.)*

### Current Year/Deferred General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. Due to the timing of Lottery profit transfers, the Deferred General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. In past years, the Deferred General Fund - Part 3 transfer made up the entire General Fund - Part 3 bucket. However, due to high ticket sales during the first part of FY 2021, all Lottery distribution allocations are expected to be made by the third quarter transfer, allowing for a partial Current Year General Fund - Part 3 deposit to occur in FY 2021.

The Baseline forecast assumes that by the end of FY 2022, the Deferred General Fund - Part 3 transfer will once again include the entire General Fund - Part 3 allocation. In the example of the FY 2022 Deferred General Fund - Part 3 allocation of \$44,767,100, that will be transferred to the General Fund in FY 2023.

### Total Distributions to the General Fund

Total FY 2022 distributions to the General Fund consist of the FY 2022 General Fund Part 1 and Part 2 profit transfers plus the delayed prior year Part 3 transfer from FY 2021. With a FY 2022 Part 1 transfer of \$49,637,500, a Part 2 FY 2022 transfer of \$15,490,000 and a delayed FY 2021 Part 3 transfer of \$46,583,200, total FY 2022

distributions to the General Fund are forecast to be \$111,710,700. *(See Table 1 for more information.)*

Table 1

**Forecast of Lottery Revenue Distribution**  
(\$ in Millions)

<u>Sales</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Instant Sales	\$856.5	\$1,041.5	\$958.5
On-Line Sales	<u>241.5</u>	<u>246.3</u>	<u>251.9</u>
Total Sales	\$1,098.0	\$1,287.8	\$1,210.4
<i>Less:</i>			
Operating Budget	\$ 125.0	\$ 160.1	\$ 152.2
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer <sup>1/</sup>	0.4	0.2	0.3
Prizes <sup>2/</sup>	<u>755.8</u>	<u>880.1</u>	<u>823.8</u>
<b>Net Profit <sup>3/4/</sup></b>	<b>\$216.5</b>	<b>\$247.1</b>	<b>\$233.8</b>
<b>Profit Transfers <sup>5/</sup></b>			
Debt Service Fund	\$ 34.5	\$ 34.5	\$ 34.5
Maricopa County Mass Transit	11.5	11.5	11.5
General Fund - Part 1	49.6	49.6	49.6
Heritage	10.0	10.0	10.0
Health and Welfare Programs	21.9	22.2	22.8
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	39.4	38.4	40.6
Current Year General Fund - Part 3	0.0	14.3	0.0
Deferred General Fund - Part 3	<u>29.6</u>	<u>46.6</u>	<u>44.8</u>
<b>Total Transfers</b>	<b>\$216.5</b>	<b>\$247.1</b>	<b>\$233.8</b>
<b>General Fund</b>			
Delayed Prior Year Transfer <sup>5/</sup>	38.5	29.6	46.6
General Fund - Part 1	49.6	49.6	49.6
General Fund - Part 2	15.5	15.5	15.5
General Fund - Part 3	<u>0.0</u>	<u>14.3</u>	<u>0.0</u>
<b>Total General Fund <sup>6/</sup></b>	<b>\$103.6</b>	<b>\$109.0</b>	<b>\$111.7</b>

<sup>1/</sup> 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 (ICACEF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICACEF 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 ICACEF and VREF from unclaimed prize monies in the State Lottery Fund. In FY 2020, \$394,200 was distributed to the ICACEF/VREF from the sale of tab tickets. An estimated \$177,300 and \$328,200 will be distributed in FY 2021 and FY 2022, respectively. (See Footnote 4.)

<sup>2/</sup> Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICACEF/VREF sales transfer from total Lottery sales.

<sup>3/</sup> 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 2020 was 19.79%. The estimated total profit margin is 19.23% in FY 2021 and 19.37% in FY 2022.

<sup>4/</sup> 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 \$822,700 in FY 2021 and \$671,800 in FY 2022 of unclaimed prizes to ICACEF and VREF.

<sup>5/</sup> Due to the timing of Lottery profit transfers, all or part of the General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. As such, the General Fund total reflects deposits that actually occur within the fiscal year, whereas the Net Profit and Total Transfers lines reflect figures reported by the Lottery that are derived from ticket sales that occur during the fiscal year. In FY 2021, due to high ticket sales in the first part of the year, all statutory distributions will likely be met by the third quarter profit transfer, including some part of the General Fund - Part 3 transfer. The remaining General Fund - Part 3 generated from fourth quarter sales will be delayed to FY 2022.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>State Lottery Fund (LOA2122/A.R.S. § 5-571)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Sales of lottery tickets, retailer license fees, and interest earnings.		
<b>Purpose of Fund:</b> To pay for all costs of the Arizona State Lottery Commission. After all Lottery Commission expenses are paid, including the prize monies displayed in the Non-Appropriated funds expended, Lottery profits are distributed to a number of different functions. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	125,000,000	160,117,200
<b>Year-End Fund Balance</b>	74,144,700	33,825,000
<b>State Lottery Fund (LOA2122/A.R.S. § 5-571)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales of lottery tickets, retailer license fees, and interest earnings.		
<b>Purpose of Fund:</b> For payment of prizes to the holders of winning tickets from games administered by the Arizona State Lottery Commission. After all Lottery Commission expenses are paid, including prize monies, Lottery profits are distributed to a number of different functions. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	758,567,900	880,045,300
<b>Year-End Fund Balance</b>	74,144,700	33,825,000

## Board of Massage Therapy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	237,100	242,000	242,000
Employee Related Expenditures	107,400	111,800	111,800
Professional and Outside Services	20,700	30,800	30,800
Travel - In State	1,500	1,500	1,500
Other Operating Expenditures	87,400	100,000	100,000
Equipment	11,900	0	0
<b>AGENCY TOTAL</b>	<b>466,000</b>	<b>486,100</b>	<b>486,100<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Massage Therapy Fund	466,000	486,100	486,100
SUBTOTAL - Other Appropriated Funds	466,000	486,100	486,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>466,000</b>	<b>486,100</b>	<b>486,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>466,000</b>	<b>486,100</b>	<b>486,100</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$486,100 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate massage therapists, and for board administration.		
<b>Funds Expended</b>	466,000	486,100
<b>Year-End Fund Balance</b>	1,444,700	1,369,700

## Arizona Medical Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,110,300	3,266,400	3,266,400
Employee Related Expenditures	1,131,700	1,224,800	1,224,800
Professional and Outside Services	1,027,300	1,217,500	1,217,500
Travel - In State	13,400	13,300	13,300
Travel - Out of State	14,400	13,300	13,300
Other Operating Expenditures	1,036,500	1,271,900	1,271,900
Equipment	198,800	54,900	54,900
<b>OPERATING SUBTOTAL</b>	<b>6,532,400</b>	<b>7,062,100</b>	<b>7,062,100</b> <sup>1/</sup>
<b>SPECIAL LINE ITEMS</b>			
Employee Performance Incentive Program	159,000	165,600	165,600
<b>AGENCY TOTAL</b>	<b>6,691,400</b>	<b>7,227,700</b>	<b>7,227,700</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	6,691,400	7,227,700	7,227,700
SUBTOTAL - Other Appropriated Funds	6,691,400	7,227,700	7,227,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,691,400</b>	<b>7,227,700</b>	<b>7,227,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>6,691,400</b>	<b>7,227,700</b>	<b>7,227,700</b>

**AGENCY DESCRIPTION** — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### **Operating Budget**

The Baseline includes \$7,062,100 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### **Employee Performance Incentive Program**

The Baseline includes \$165,600 from the Arizona Medical Board Fund in FY 2022 for the Employee Performance Incentive Program. This amount is unchanged from FY 2021.

The program was previously funded by a footnote allowing the Arizona Medical Board to use up to 7% of the prior year balance from the Arizona Medical Board Fund. The FY 2019 General Appropriation Act removed that footnote and instead added a line item for the incentive program.

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.

#### **Other Issues**

#### **Large Fund Balances**

The JLBC Staff has identified several regulatory agencies as having a large fund balance above \$5,000,000. The Arizona Medical Board Fund had an ending fund balance of \$7,849,800 at the end of FY 2020, or 117% of their total FY 2020 expenditures of \$6,691,400. Ongoing FY 2021 revenues are projected to be \$7,693,500 in comparison to an FY 2021 appropriation of \$7,227,700. Therefore, the fund balance will likely continue to rise.

The Legislature may consider the following options to address the board's fund balance: 1) allow the agency to retain the current balance; 2) increase the agency's

spending authority to spend down a portion of the balance; 3) require the agency to adopt a fee holiday to limit revenue collections for a period of time; and/or 4) transfer a portion of the fund balance to the General Fund.

In FY 2021, the board requested \$2,275,000 from the Arizona Medical Board Fund for IT platform migration and modernization. The FY 2021 Executive Budget subsequently included a one-time deposit from the Arizona Medical Board Fund to the Automation Projects Fund for the board to transition its e-licensing system. The board did not receive any additional funding in the FY 2021 budget. In FY 2022, the board is requesting \$450,000 for operation and maintenance of a cloud-hosted database and enhancements to telecommuting capabilities. This proposal would not significantly reduce the fund balance.

Additionally, Executive Order 2020-17 instructed regulatory agencies to waive licensing fees at their

discretion due to the impacts of COVID-19. This executive order is up for review every two weeks and is currently still in effect. The board has implemented a fee moratorium for physician licenses during the COVID-19 state of emergency. Initial approval of temporary emergency licenses expires after 90 days, after which the license may be renewed until the end of the state of emergency in Arizona. The board does not expect the above fund revenues to be impacted by this moratorium.

In FY 2008 and FY 2009, the budget transferred a portion of regulatory board fund balances to the General Fund. The affiliated professional associations filed a lawsuit against the state to recover the transferred funds. The case was ruled in favor of the state in the Superior Court and Court of Appeals. The Supreme Court declined to hear the case.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate physicians, and for board administration costs.		
<b>Funds Expended</b>	6,691,400	7,227,700
<b>Year-End Fund Balance</b>	7,849,800	8,315,600

## State Mine Inspector

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	426,500	520,000	520,000
Employee Related Expenditures	212,700	291,700	291,700
Professional and Outside Services	9,100	7,500	7,500
Travel - In State	60,000	62,400	62,400
Travel - Out of State	0	7,500	7,500
Other Operating Expenditures	165,700	214,600	214,600
Equipment	33,400	3,500	3,500
<b>OPERATING SUBTOTAL</b>	<b>907,400</b>	<b>1,107,200</b>	<b>1,107,200</b>
<b>SPECIAL LINE ITEMS</b>			
Abandoned Mines	171,700	194,700	194,700
Aggregate Mining Land Reclamation	22,800	112,900	112,900 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>1,101,900</b>	<b>1,414,800</b>	<b>1,414,800</b> <sup>2/</sup>
<b>FUND SOURCES</b>			
General Fund	1,079,100	1,301,900	1,301,900
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	22,800	112,900	112,900
SUBTOTAL - Other Appropriated Funds	22,800	112,900	112,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,101,900</b>	<b>1,414,800</b>	<b>1,414,800</b>
Federal Funds	401,100	537,700	537,700
<b>TOTAL - ALL SOURCES</b>	<b>1,503,000</b>	<b>1,952,500</b>	<b>1,952,500</b>

**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 fiscal year 2021-2022 are appropriated to the aggregate mining land reclamation line item. Before spending any aggregate mining reclamation fund monies in excess of \$112,900 in fiscal year 2021-2022, 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 \$1,107,200 and 14 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Abandoned Mines

The Baseline includes \$194,700 from the General Fund in FY 2022 for the Abandoned Mines line item. This amount is unchanged from FY 2021.

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 2022 for the Aggregate Mining Land Reclamation line item. This amount is unchanged from FY 2021.

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.

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.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants and contributions. The Legislature may appropriate matching monies.		
<b>Purpose of Fund:</b> To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	134,800	134,800
<b>Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected from exploration and aggregate mining operations.		
<b>Purpose of Fund:</b> To review aggregate mining land reclamation plans and to enforce compliance with the plans.		
<b>Funds Expended</b>	22,800	112,900
<b>Year-End Fund Balance</b>	141,300	47,400
<b>Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees for education and training of mine employees required under federal regulation.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	60,000	0
<b>Year-End Fund Balance</b>	294,800	342,800
<b>Federal Grants (MIA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	341,100	537,700
<b>Year-End Fund Balance</b>	191,300	185,800

## Naturopathic Physicians Medical Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	74,000	79,000	79,000
Employee Related Expenditures	32,000	32,000	32,000
Professional and Outside Services	19,000	29,000	29,000
Travel - In State	1,200	11,400	11,400
Other Operating Expenditures	46,200	46,200	46,200
<b>AGENCY TOTAL</b>	<b>172,400</b>	<b>197,600</b>	<b>197,600 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	172,400	197,600	197,600
SUBTOTAL - Other Appropriated Funds	172,400	197,600	197,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>172,400</b>	<b>197,600</b>	<b>197,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>172,400</b>	<b>197,600</b>	<b>197,600</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$197,600 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate naturopathic physicians, and naturopathic medical assistants and for board administration.		
<b>Funds Expended</b>	172,400	197,600
<b>Year-End Fund Balance</b>	134,100	134,200

## Arizona Navigable Stream Adjudication Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	70,800	70,000	70,000
Employee Related Expenditures	31,000	30,000	30,000
Professional and Outside Services	47,300	200,000	200,000
Other Operating Expenditures	19,000	19,000	19,000
Equipment	0	14,000	14,000
<b>AGENCY TOTAL</b>	<b>168,100</b>	<b>333,000</b>	<b>333,000</b> <sup>1/</sup>
<b>FUND SOURCES</b>			
General Fund	120,800	133,000	133,000
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	47,300	200,000	200,000
SUBTOTAL - Other Appropriated Funds	47,300	200,000	200,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>168,100</b>	<b>333,000</b>	<b>333,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>168,100</b>	<b>333,000</b>	<b>333,000</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$333,000 and 2 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$133,000
Arizona Water Banking Fund	200,000

These amounts are unchanged from FY 2021.

### Other Issues

### Statutory Changes

The Baseline would, as session law, continue to allow use of the Water Banking Fund for commission's legal obligations.

### Background

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. *(Please see the [ANSAC Program Summary](#) located on the JLBC website for additional information on ANSAC related litigation.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Water Banking Fund (NSA2110/A.R.S. § 45-2425)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users (see Department of Water Resources narrative for more information).		
<b>Purpose of Fund:</b> To fund outside legal counsel and court reporters for court hearings.		
<b>Funds Expended</b>	47,300	200,000
<b>Year-End Fund Balance</b>	0	0

# State Board of Nursing

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	48.5	48.5	48.5
Personal Services	2,542,000	2,762,400	2,762,400
Employee Related Expenditures	907,600	1,001,200	1,001,200
Professional and Outside Services	188,300	213,300	213,300
Travel - In State	4,700	4,700	4,700
Travel - Out of State	2,100	2,100	2,100
Other Operating Expenditures	309,200	339,500	339,500
Equipment	65,900	65,900	65,900
<b>OPERATING SUBTOTAL</b>	<b>4,019,800</b>	<b>4,389,100</b>	<b>4,389,100</b>
<b>SPECIAL LINE ITEMS</b>			
Certified Nursing Assistant Credentialing Program	499,400	538,400	538,400
<b>AGENCY TOTAL</b>	<b>4,519,200</b>	<b>4,927,500</b>	<b>4,927,500 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,519,200	4,927,500	4,927,500
SUBTOTAL - Other Appropriated Funds	4,519,200	4,927,500	4,927,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,519,200</b>	<b>4,927,500</b>	<b>4,927,500</b>
Federal Funds	414,700	414,700	414,700
<b>TOTAL - ALL SOURCES</b>	<b>4,933,900</b>	<b>5,342,200</b>	<b>5,342,200</b>

**AGENCY DESCRIPTION** — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

## FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### Operating Budget

The Baseline includes \$4,389,100 and 48.5 FTE Positions from the Board of Nursing Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

### Certified Nursing Assistant Credentialing Program

The Baseline includes \$538,400 from the Board of Nursing Fund in FY 2022 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2021.

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.

Monies in this line item fund CNA Credentialing Program costs not paid by federal monies.

### Other Issues

### Large Fund Balances

The JLBC Staff has identified several regulatory agencies as having a large fund balance above \$5,000,000. The Board of Nursing Fund had an ending fund balance of \$7,319,000 at the end of FY 2020, or 162% of their total FY 2020 expenditures of \$4,519,200. Ongoing FY 2021 revenues are projected to be \$7,030,900 in comparison to an FY 2021 appropriation of \$4,927,500. Therefore, the fund balance will likely continue to rise.

The Legislature may consider the following options to address the board's fund balance: 1) allow the agency to retain the current balance; 2) increase the agency's

spending authority to spend down a portion of the balance; 3) require the agency to adopt a fee holiday to limit revenue collections for a period of time; and/or 4) transfer a portion of the fund balance to the General Fund.

In FY 2021, the board requested \$62,900 and 1 FTE Position from the Board of Nursing Fund for a legal secretary. The FY 2021 Executive Budget subsequently included \$513,600 and 6 FTE Positions from the Board of Nursing Fund for investigators, professional consultants, and legal secretaries. The board did not receive any additional funding in the FY 2021 budget. In FY 2022, the board is requesting \$342,000 and 3.5 FTE Positions. This proposal would not significantly reduce the fund balance.

Additionally, Executive Order 2020-17 instructed regulatory agencies to waive licensing fees at their discretion due to the impacts of COVID-19. This executive order is up for review every 2 weeks and is currently still in effect. The board has not provided information on whether they plan to implement a fee moratorium.

In FY 2008 and FY 2009, the budget transferred a portion of regulatory board fund balances to the General Fund. The affiliated professional associations filed a lawsuit against the state to recover the transferred funds. The case was ruled in favor of the state in the Superior Court and Court of Appeals. The Supreme Court declined to hear the case.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,519,200	4,927,500
<b>Year-End Fund Balance</b>	7,319,000	9,422,400
<b>Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
<b>Purpose of Fund:</b> To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
<b>Funds Expended</b>	414,700	414,700
<b>Year-End Fund Balance</b>	0	0
<b>Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
<b>Purpose of Fund:</b> To assist in carrying out the purposes of the agency.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	24,500	24,500

**Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	241,800	265,300	265,300
Employee Related Expenditures	107,600	114,900	114,900
Professional and Outside Services	2,400	1,800	1,800
Travel - In State	3,200	5,000	5,000
Travel - Out of State	600	2,000	2,000
Other Operating Expenditures	63,200	67,900	67,900
Equipment	9,200	13,500	13,500
<b>AGENCY TOTAL</b>	<b>428,000</b>	<b>470,400</b>	<b>470,400<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	428,000	470,400	470,400
SUBTOTAL - Other Appropriated Funds	428,000	470,400	470,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>428,000</b>	<b>470,400</b>	<b>470,400</b>
<b>TOTAL - ALL SOURCES</b>	<b>428,000</b>	<b>470,400</b>	<b>470,400</b>

**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**

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**Operating Budget**

The Baseline includes \$470,400 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certificate (NCA2043/A.R.S. § 36-446.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
<b>Funds Expended</b>	428,000	470,400
<b>Year-End Fund Balance</b>	434,500	487,800

## Board of Occupational Therapy Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	91,100	99,800	99,800
Employee Related Expenditures	43,800	52,200	52,200
Travel - In State	500	1,300	1,300
Other Operating Expenditures	34,000	49,400	49,400
Equipment	4,200	2,000	2,000
<b>AGENCY TOTAL</b>	<b>173,600</b>	<b>204,700</b>	<b>204,700<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Occupational Therapy Fund	173,600	204,700	204,700
SUBTOTAL - Other Appropriated Funds	173,600	204,700	204,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>173,600</b>	<b>204,700</b>	<b>204,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>173,600</b>	<b>204,700</b>	<b>204,700</b>

**AGENCY DESCRIPTION** — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$204,700 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
<b>Funds Expended</b>	173,600	204,700
<b>Year-End Fund Balance</b>	857,900	857,200

## State Board of Dispensing Opticians

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	79,900	81,600	81,600
Employee Related Expenditures	25,300	26,000	26,000
Professional and Outside Services	0	1,000	1,000
Travel - In State	1,600	8,500	8,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	29,600	40,600	40,600
Equipment	5,700	0	0
<b>AGENCY TOTAL</b>	<b>142,100</b>	<b>159,700</b>	<b>159,700<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	142,100	159,700	159,700
SUBTOTAL - Other Appropriated Funds	142,100	159,700	159,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>142,100</b>	<b>159,700</b>	<b>159,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>142,100</b>	<b>159,700</b>	<b>159,700</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

#### Operating Budget

The Baseline includes \$159,700 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

In its response to the audit, the board agreed with the findings of the Auditor General and plans to conduct regular reviews of its fees to determine appropriateness.

#### Other Issues

#### Auditor General Report

In November 2020, the Auditor General published a State Board of Dispensing Opticians audit that included recommendations for improvements to the board's policies and procedures to ensure applicants meet all statutory and rule requirements and licensed business inspections are conducted and documented appropriately. The audit also found that the board has not evaluated the appropriateness of its license and registration fees and included a recommendation that the board regularly conduct reviews and adjust its fees accordingly.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
<b>Funds Expended</b>	142,100	159,700
<b>Year-End Fund Balance</b>	344,300	344,000

# State Board of Optometry

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	107,300	109,200	109,200
Employee Related Expenditures	48,500	52,000	52,000
Professional and Outside Services	2,100	2,500	2,500
Travel - In State	300	500	500
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	52,400	75,000	75,000
Equipment	0	4,000	4,000
<b>AGENCY TOTAL</b>	<b>210,600</b>	<b>248,200</b>	<b>248,200<sup>1/</sup></b>

## FUND SOURCES

### Other Appropriated Funds

Board of Optometry Fund	210,600	248,200	248,200
SUBTOTAL - Other Appropriated Funds	210,600	248,200	248,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>210,600</b>	<b>248,200</b>	<b>248,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>210,600</b>	<b>248,200</b>	<b>248,200</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### **Operating Budget**

The Baseline includes \$248,200 and 2 FTE Positions from the Board of Optometry Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate optometrists, and for board administration.		
<b>Funds Expended</b>	210,600	248,200
<b>Year-End Fund Balance</b>	422,900	475,400

## Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	8.0	8.0	8.0
Personal Services	444,400	508,700	508,700
Employee Related Expenditures	145,300	206,400	206,400
Professional and Outside Services	121,100	158,700	158,700
Travel - In State	1,100	2,500	2,500
Travel - Out of State	4,500	5,500	5,500
Other Operating Expenditures	186,800	156,200	156,200
Equipment	39,500	0	0
<b>AGENCY TOTAL</b>	<b>942,700</b>	<b>1,038,000</b>	<b>1,038,000 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	942,700	1,038,000	1,038,000
SUBTOTAL - Other Appropriated Funds	942,700	1,038,000	1,038,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>942,700</b>	<b>1,038,000</b>	<b>1,038,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>942,700</b>	<b>1,038,000</b>	<b>1,038,000</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,038,000 and 8 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund (OSA2048/A.R.S. § 32-1805)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
<b>Funds Expended</b>	942,700	1,038,000
<b>Year-End Fund Balance</b>	2,655,100	2,730,000

**Arizona Parents Commission on Drug Education and Prevention**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	5,063,700	5,780,700	5,780,700
<b>TOTAL - ALL SOURCES</b>	5,063,700	5,780,700	5,780,700

**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.

<b>SUMMARY OF FUNDS</b>	FY 2020 Actual	FY 2021 Estimate
<b>Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
<b>Funds Expended</b>	5,063,700	5,780,700
<b>Year-End Fund Balance</b>	936,800	690,400

## Arizona State Parks Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 <sup>1/</sup>
Personal Services	5,180,100	5,761,400	5,761,400
Employee Related Expenditures	2,730,000	3,063,600	3,063,600
Professional and Outside Services	365,000	249,200	249,200
Travel - In State	7,000	7,000	7,000
Other Operating Expenditures	4,494,300	4,650,600	4,650,600
Equipment	453,000	300,000	300,000
<b>OPERATING SUBTOTAL</b>	<b>13,229,400</b>	<b>14,031,800</b>	<b>14,031,800<sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Trail	74,500	0	0
Buckskin Fire District	225,000	0	0
Kartchner Caverns State Park	2,140,800	2,441,000	2,441,000
<b>AGENCY TOTAL</b>	<b>15,669,700</b>	<b>16,472,800</b>	<b>16,472,800<sup>3/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
State Lake Improvement Fund	225,000	0	0
State Parks Revenue Fund	15,444,700	16,472,800	16,472,800
SUBTOTAL - Other Appropriated Funds	15,669,700	16,472,800	16,472,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>15,669,700</b>	<b>16,472,800</b>	<b>16,472,800</b>
Other Non-Appropriated Funds	10,504,500	13,320,500	13,320,500
Federal Funds	2,483,900	3,437,000	3,437,000
<b>TOTAL - ALL SOURCES</b>	<b>28,658,100</b>	<b>33,230,300</b>	<b>33,230,300</b>

**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 2022.
- 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 fiscal year 2021-2022, an additional ten percent of this increase of Fool Hollow receipts is appropriated from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes, 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 \$14,031,800 and 127.2 FTE Positions from the State Parks Revenue Fund (SPRF) in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Great Western Trail

The Baseline includes no funding in FY 2022 for the Great Western Trail. This amount is unchanged from FY 2021.

The FY 2020 budget included \$692,100 from the Off-Highway Vehicle Recreation Fund for the Great Western Trail line item. Monies in the line item were intended to be used to connect the fragmented sections of the Great

Western Trail into a single unified trail. Due to matters regarding federal jurisdiction and clearance issues, ASPB was not able to expend any of the appropriated amount before the expenditure authority lapsed.

The Great Western Trail is a 4,455 mile-long, vehicle accessible roadway available for hiking as well as motorized travel. Beginning near the U.S.-Canada border and continuing through Idaho, Wyoming, Utah, and Arizona, the fragmented trail could potentially run 800 miles north-south through Arizona if the roadway were fully connected. However, the current traversable sections of the Great Western Trail total to only 360 miles.

### **Kartchner Caverns State Park**

The Baseline includes \$2,441,000 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2022 for Kartchner Caverns State Park. These amounts are unchanged from FY 2021.

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.

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### **Other Issues**

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### **COVID-Related Spending**

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2021, the ASPB was reimbursed for \$318,771 in non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration. *(Please see the COVID-Related Spending Summary at the front of this book for more information.)*

### **Status of Capital Projects**

For FY 2017 through FY 2020, ASPB developed capital plans at a cost of \$24,107,500, of which \$18,207,500 has received JCCR review. Of the amount reviewed by the JCCR, \$13,407,500 has been allocated for major capital projects with the remaining \$4,800,000 allocated for statewide maintenance and other smaller projects. In July 2020, ASPB provided an update on its capital projects. In the July report, ASPB stated that as of June 2020, of the

reviewed amount, \$5,921,700 has been expended on major projects while an additional \$3,747,800 was spent on statewide park maintenance and other small projects.

The appropriation authority for Rockin' River Ranch Park, Oracle Park, Buckskin Park and prior year statewide maintenance funding expired at the end of FY 2020 resulting in the lapsing of approximately \$10,000,000 in ASPB capital appropriation authority back to the State Parks Revenue Fund. The agency will need to request additional appropriation authority to continue work on the 3 previously mentioned parks as well as any unfinished statewide maintenance projects.

ASPB is required to provide an updated report on the status of all capital projects to the JLBC on January 31 and July 31 of each year. *Table 1* provides the status of the agency's major capital projects as of the most recent ASPB report.

The FY 2019 budget included \$400,000 from SPRF for 6 months of operational costs at Rockin' River Ranch State Park and at 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.

While the Cattail Cove State Park is open to the public, certain sections of the park are still undergoing repairs and remain closed for visitation and therefore does not need the full operating cost. The Rockin' River Ranch State Park is also not currently operational. The FY 2022 Baseline retains the 6-month operational costs for Rockin' River Ranch and Cattail Cove.

### **State Parks Operations**

As of December 2020, 28 state parks are open to the public. Twenty-three parks are funded and operated by the state with existing state funds. Five open parks are operated through agreements between the State Parks Board and local governments. *(Please see the ASPB [Visitation and Revenue Program Summary](#) available on the JLBC website for additional information on the parks, visitation, and operations.)*

**Table 1**

**Status of Major Capital Projects as of June 2020**

<b>Park Project</b>	<b>FY Funded</b>	<b>JCCR Review</b>	<b>Appropriated/ Budgeted</b>	<b>Total Expenditures Through June '20</b>	<b>Status</b>
Annual Statewide Maintenance	'17	9/16	\$1,500,000	\$1,087,800 <sup>1/2/</sup>	Appropriation has lapsed
Annual Statewide Maintenance	'18	9/17	\$1,300,000	\$1,300,000	Appropriation has lapsed
Annual Statewide Maintenance	'19	7/19	<u>\$2,000,000</u>	<u>\$1,360,000</u> <sup>1/</sup>	Appropriation has lapsed
<b>Total</b>			<b>\$4,800,000</b>	<b>\$3,747,800</b>	
Cabin Installation	'17/'18	9/16 & 9/17	\$1,700,000	\$1,668,600 <sup>1/3/</sup>	Installations Completed <sup>4/</sup>
Cattail Cove Renovations	'17	9/16	\$5,307,500 <sup>5/</sup>	\$3,550,000	Construction
Rockin' River Ranch Renovations	'18	9/17	\$4,000,000	\$550,300 <sup>1/</sup>	Finalizing Preliminary Design
Buckskin Mountain Renovations	'19	4/19 <sup>6/</sup>	\$2,500,000 <sup>1/</sup>	\$77,300 <sup>1/</sup>	Developing Renovation Plan
Oracle Renovations	'19	4/19 <sup>6/</sup>	\$4,000,000	\$75,500 <sup>1/</sup>	Developing Renovation Plan
Tonto Natural Bridge	'20	6/19	<u>\$1,800,000</u> <sup>8/</sup>	<u>\$</u> <sup>0</sup>	Construction
<b>Total</b>			<b>\$19,307,500</b>	<b>\$5,921,700</b>	

- <sup>1/</sup> The expenditure authority for the remaining appropriation amount has lapsed.
- <sup>2/</sup> This amount includes funding from projects that were reviewed prior to September 2016 but subsequently canceled. ASPB used the reallocated funding to supplement the \$1,500,000 amount budgeted for statewide health and safety maintenance work.
- <sup>3/</sup> ASPB also used a portion of its FY 2017 operating budget to supplement funding for the cabin installation project.
- <sup>4/</sup> ASPB ended the cabin installation project after completion of 25 cabins.
- <sup>5/</sup> The Cattail Cove Renovations project is funded entirely by the non-appropriated State Lake Improvement Fund. As a result, this funding is not subject to the lapsing of expenditure authority.
- <sup>6/</sup> At the April 2019 committee meeting, the JCCR reviewed \$150,000 of the total appropriated amount for the use of developing the parks' master plan. The remaining monies were not reviewed by the JCCR prior to the lapsing of expenditure authority.
- <sup>7/</sup> Includes \$1,000,000 from the non-appropriated State Lake Improvement Fund. As a result, only the \$1,422,700 in appropriated funding is subject to lapsing spending authority.
- <sup>8/</sup> This amount includes \$550,000 in contingency funding from the agency's FY 2020 operating budget.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Arizona State Parks' Heritage Fund (PRA2296/A.R.S. § 41-502)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, grants and donations.		
<b>Purpose of Fund:</b> Monies in the Heritage Fund are to be used as follows: 50% on parks for outdoor recreation and open space development, restoration or renovation; 30% on historic preservation, administered through the State Historic Preservation Officer; 10% on nonmotorized trails; and 10% on outdoor and environmental education.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and donations.		
<b>Purpose of Fund:</b> To maintain and preserve the Arizona trail.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Coronavirus Relief Fund (PRA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	318,700	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Federal Funds (PRA2000/A.R.S. § 41-511.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,165,200	3,437,000
<b>Year-End Fund Balance</b>	291,000	354,100
<b>Land Conservation Fund - Administration Account - NA (PRA2432/A.R.S. § 41-511.23)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For operating expenses.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	94,800	94,800
<b>Land Conservation Fund - Donation Account (PRA2432 B/A.R.S. § 41-511.23)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations from public and private entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Land Conservation Fund - Public Conservation Account (PRA2432 C/A.R.S. § 41-511.23)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
<b>Purpose of Fund:</b> Appropriated monies are used to fund the Great Western Trail line item. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	10,068,300	6,286,900
<b>Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	562,700	2,381,400
<b>Year-End Fund Balance</b>	10,068,300	6,286,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Partnership Fund (PRA2448/A.R.S. § 41-511.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; to operate 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.		
<b>Funds Expended</b>	3,679,700	2,590,600
<b>Year-End Fund Balance</b>	627,100	786,500
<b>State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> Appropriated monies are used to fund the Buckskin Fire District line item. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	225,000	0
<b>Year-End Fund Balance</b>	8,646,200	5,497,700
<b>State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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). Please see the Appropriated portion of the fund for additional information. Funds Expended totals exclude capital spending.		
<b>Funds Expended</b>	6,261,100	8,347,500
<b>Year-End Fund Balance</b>	8,646,200	5,497,700
<b>State Parks Fund (PRA3117/A.R.S. § 41-511.11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private gifts, grants, and donations.		
<b>Purpose of Fund:</b> To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
<b>Funds Expended</b>	1,000	1,000
<b>Year-End Fund Balance</b>	531,900	618,900
<b>State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
<b>Purpose of Fund:</b> To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. Funds Expended totals exclude capital spending.		
<b>Funds Expended</b>	15,444,700	16,472,800
<b>Year-End Fund Balance</b>	28,006,600	32,407,000
<b>Sustainable State Parks and Roads Fund (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
<b>Purpose of Fund:</b> To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	186,600	263,300

## State Personnel Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	2.0	2.0
Personal Services	58,000	110,600	110,600
Employee Related Expenditures	27,900	37,000	37,000
Professional and Outside Services	30,400	132,600	132,600
Travel - In State	200	600	600
Other Operating Expenditures	127,100	46,700	46,700
Equipment	0	5,000	5,000
<b>AGENCY TOTAL</b>	<b>243,600</b>	<b>332,500</b>	<b>332,500<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	243,600	332,500	332,500
SUBTOTAL - Other Appropriated Funds	243,600	332,500	332,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>243,600</b>	<b>332,500</b>	<b>332,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>243,600</b>	<b>332,500</b>	<b>332,500</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$332,500 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund Personnel Board operations.		
<b>Funds Expended</b>	243,600	332,500
<b>Year-End Fund Balance</b>	390,000	581,600

# Arizona State Board of Pharmacy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	22.4	22.4	22.4
Personal Services	1,278,300	1,515,200	1,515,200
Employee Related Expenditures	457,900	549,700	549,700
Professional and Outside Services	178,100	157,000	157,000
Travel - In State	62,700	65,200	65,200
Travel - Out of State	4,300	4,200	4,200
Other Operating Expenditures	420,900	344,300	344,300
Equipment	75,200	4,000	4,000
<b>OPERATING SUBTOTAL</b>	<b>2,477,400</b>	<b>2,639,600</b>	<b>2,639,600</b>
<b>SPECIAL LINE ITEMS</b>			
Prescriber Report Card	0	50,000	50,000
<b>AGENCY TOTAL</b>	<b>2,477,400</b>	<b>2,689,600</b>	<b>2,689,600 <sup>1/2/</sup></b>

## FUND SOURCES

### Other Appropriated Funds

Arizona State Board of Pharmacy Fund	2,477,400	2,689,600	2,689,600
SUBTOTAL - Other Appropriated Funds	2,477,400	2,689,600	2,689,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,477,400</b>	<b>2,689,600</b>	<b>2,689,600</b>
Other Non-Appropriated Funds	1,787,100	362,400	362,400
<b>TOTAL - ALL SOURCES</b>	<b>4,264,500</b>	<b>3,052,000</b>	<b>3,052,000</b>

**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/ **NEW** On or before September 30, 2021, the state board of pharmacy shall submit a report to the joint legislative budget committee on the progress of the department's implementation of recommendations included in the auditor general's September 2020 report, including recommendations regarding policies and procedures for verifying possession of fingerprint clearance cards, ensuring continuing education requirements are met, documenting complaint jurisdiction, meeting inspection time frames, and enforcement of compliance with the Controlled Substances Prescription Monitoring Program requirements. The report shall include information regarding the board's review of its direct and indirect costs and its determination of the appropriate license and permit fees.
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$2,639,600 and 22.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

### **Prescriber Report Card**

The Baseline includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2022 for the Prescriber

Report Card program. This amount is unchanged from FY 2021.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

**Other Issues**

**Auditor General Report**

In September 2020, the Auditor General published a Board of Pharmacy audit that included recommendations for improvements to the board's policies and procedures for verifying possession of fingerprint clearance cards, ensuring continuing education requirements are met, documenting complaint jurisdiction, meeting inspection time frames, and enforcement of compliance with CSPMP requirements.

The audit also found that the board does not charge license and permit fees based on the cost of providing services and included a recommendation that the board conduct a review and adjust its fees accordingly. This was based on an examination of the board's fees for each license type compared to the potential workload required for processing each type of application, a lack of documentation from the board on its overall fee-setting process, and the board's current fee revenue compared to its expenditures.

In its response to the audit, the board agreed with the findings of the Auditor General and plans to implement new policies and procedures to address different outcomes. Specifically, the board will work to review the direct and indirect costs for its regulatory processes and determine the appropriate license and permit fees.

**Large Fund Balances**

The JLBC Staff has identified several regulatory agencies as having a large fund balance above \$5,000,000. The Board of Pharmacy Fund had an ending fund balance of \$8,669,300 at the end of FY 2020, or 350% of their total FY 2020 expenditures of \$2,477,400. Ongoing FY 2021 revenues are projected to be \$3,207,400, in comparison

to an FY 2021 appropriation of \$2,689,600. Therefore, the fund balance will likely continue to rise.

The Legislature may consider the following options to address the board's fund balance: 1) allow the agency to retain the current balance; 2) increase the agency's spending authority to spend down a portion of the balance; 3) require the agency to adopt a fee holiday to limit revenue collections for a period of time; and/or 4) transfer a portion of the fund balance to the General Fund.

In FY 2021, the board requested \$163,700 and 1 FTE Position from the Board of Pharmacy Fund to fund pay raises for board employees, building security costs, one-time employee training costs, and to hire a legal secretary. The board did not receive any additional funding in the FY 2021 budget. In FY 2022, the board is requesting \$597,900 and 3 FTE Positions to fund additional compliance officers and for performance-based compensation adjustments. This proposal would not significantly reduce the fund balance.

Additionally, Executive Order 2020-17 instructed regulatory agencies to waive licensing fees at their discretion due to the impacts of COVID-19. This executive order is up for review every 2 weeks and is currently still in effect. The board has not provided information on whether they plan to implement a fee moratorium.

In FY 2008 and FY 2009, the budget transferred a portion of regulatory board fund balances to the General Fund. The affiliated professional associations filed a lawsuit against to the state to recover the transferred funds. The case was ruled in favor of the state in the Superior Court and Court of Appeals. The Supreme Court declined to hear the case.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,477,400	2,689,600
<b>Year-End Fund Balance</b>	8,669,300	8,487,100

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Includes a distribution of CDC grant monies received through the Arizona Department of Health Services. 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,787,100	362,400
<b>Year-End Fund Balance</b>	983,200	2,806,100
<b>Federal Grants (PMA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Direct federal reimbursements and grants.		
<b>Purpose of Fund:</b> Reimbursements for services provided to the federal government.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,800	4,800

## Board of Physical Therapy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	205,600	207,100	207,100
Employee Related Expenditures	73,500	101,800	101,800
Professional and Outside Services	64,300	68,600	68,600
Travel - In State	2,100	2,100	2,100
Other Operating Expenditures	88,500	129,300	129,300
Equipment	4,300	5,000	5,000
<b>AGENCY TOTAL</b>	<b>438,300</b>	<b>513,900</b>	<b>513,900<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Physical Therapy Fund	438,300	513,900	513,900
SUBTOTAL - Other Appropriated Funds	438,300	513,900	513,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>438,300</b>	<b>513,900</b>	<b>513,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>438,300</b>	<b>513,900</b>	<b>513,900</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$513,900 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
<b>Funds Expended</b>	438,300	513,900
<b>Year-End Fund Balance</b>	1,137,600	1,653,300

# Arizona Pioneers' Home

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,677,000	3,665,200	3,665,200
Employee Related Expenditures	1,813,200	1,690,400	1,690,400
Professional and Outside Services	19,500	95,800	95,800
Travel - In State	12,000	26,700	26,700
Other Operating Expenditures	677,700	1,097,800	1,297,800
Equipment	148,600	20,100	20,100
<b>OPERATING SUBTOTAL</b>	<b>6,348,000</b>	<b>6,596,000</b>	<b>6,796,000</b>
<b>SPECIAL LINE ITEMS</b>			
Prescription Drugs	199,500	200,000	0
<b>AGENCY TOTAL</b>	<b>6,547,500</b>	<b>6,796,000</b>	<b>6,796,000 <sup>1/2/</sup></b>

## FUND SOURCES

### Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund	2,052,700	2,137,500	2,137,500
State Charitable Fund	4,494,800	4,658,500	4,658,500
SUBTOTAL - Other Appropriated Funds	6,547,500	6,796,000	6,796,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,547,500</b>	<b>6,796,000</b>	<b>6,796,000</b>
Other Non-Appropriated Funds	693,400	0	0
<b>TOTAL - ALL SOURCES</b>	<b>7,240,900</b>	<b>6,796,000</b>	<b>6,796,000</b>

**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 \$6,796,000 and 106.3 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
Miners' Hospital for Miners with Disabilities Land Fund	\$2,137,500
State Charitable Fund	4,658,500

FY 2022 adjustments are as follows:

#### Consolidate Funding

The Baseline includes an increase of \$200,000 from the State Charitable Fund in FY 2022 to consolidate the Prescription Drugs line item into the operating budget.

### Prescription Drugs

The Baseline includes no funding from the State Charitable Fund in FY 2022 for Prescription Drugs. FY 2022 adjustments are as follows:

#### Consolidate Funding

The Baseline includes a decrease of \$(200,000) from the State Charitable Fund in FY 2022 to consolidate the Prescription Drugs line item into the operating budget to simplify the budget display.

This line item was previously used to provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

**Other Issues**

**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. Proposition 123 expires in FY 2025, but it could be extended if the referendum is returned to voters.

The JLBC Staff projects that the Miners' Hospital Fund will have an FY 2021 ending balance of \$9,708,100. FY 2021 ongoing revenues are projected to be \$3,960,400 compared to an FY 2021 appropriation of \$2,137,500.

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 2021 ending balance of \$12,752,700. FY 2021 ongoing revenues are projected to be \$5,999,100 compared to an FY 2021 appropriation of \$4,658,500. The State Charitable Fund may be used for any charitable purpose within a state institution.

There are several options to reduce the land trust fund balances. In its FY 2022 budget submittal, the Pioneers' Home requested an additional \$70,200 for deferred maintenance projects and new computer equipment. These one-time costs would absorb a small portion of the agency's fund balances. In addition, as its uses are more flexible, the State Charitable Fund appropriation could be decreased with a respective increase in the Miners' Hospital Fund appropriation. The freed-up State Charitable Fund monies could then be used for other state charitable purposes.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide a continuous source of funds to benefit the Arizona Pioneers' Home. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	2,052,700	2,137,500
<b>Year-End Fund Balance</b>	7,756,800	9,708,100
<b>Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide a continuous source of funds to benefit the Arizona Pioneers' Home. The Legislature makes annual appropriations from the fund for a portion of the Home's operating costs. The Executive authorized non-appropriated spending from the fund in FY 2020. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	595,100	0
<b>Year-End Fund Balance</b>	7,756,800	9,708,100
<b>Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
<b>Purpose of Fund:</b> To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	319,100	380,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations or contributions from private sources.		
<b>Purpose of Fund:</b> To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
<b>Funds Expended</b>	15,100	0
<b>Year-End Fund Balance</b>	167,500	171,500
<b>State Charitable Fund (PIA3129/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
<b>Purpose of Fund:</b> For the operation of the Pioneers' Home. Please see the Non-Appropriated portion of fund for additional information.		
<b>Funds Expended</b>	4,494,800	4,658,500
<b>Year-End Fund Balance</b>	10,394,700	12,752,700
<b>State Charitable Fund (PIA3129/A.R.S. § 37-525)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
<b>Purpose of Fund:</b> For the operation of the Pioneers' Home. The Legislature makes annual appropriations from the fund for a portion of the Home's operating costs. The Executive authorized non-appropriated spending from the fund in FY 2020. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	83,200	0
<b>Year-End Fund Balance</b>	10,394,700	12,752,700
<b>Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts, or contributions from public or private sources.		
<b>Purpose of Fund:</b> For the conduct of employee recognition programs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## State Board of Podiatry Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	70,200	80,700	80,700
Employee Related Expenditures	22,700	30,800	30,800
Professional and Outside Services	4,000	5,500	5,500
Travel - In State	3,100	2,200	2,200
Travel - Out of State	100	1,500	1,500
Other Operating Expenditures	38,600	50,900	50,900
Equipment	1,900	0	0
<b>AGENCY TOTAL</b>	<b>140,600</b>	<b>171,600</b>	<b>171,600<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Podiatry Fund	140,600	171,600	171,600
SUBTOTAL - Other Appropriated Funds	140,600	171,600	171,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>140,600</b>	<b>171,600</b>	<b>171,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>140,600</b>	<b>171,600</b>	<b>171,600</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

#### **Operating Budget**

The Baseline includes \$171,600 and 1 FTE Position from the Podiatry Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Podiatry Fund (POA2055/A.R.S. § 32-806)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate podiatrists, and for board administration.		
<b>Funds Expended</b>	140,600	171,600
<b>Year-End Fund Balance</b>	169,900	148,500

## Commission for Postsecondary Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 <sup>1/</sup>
Personal Services	71,700	125,100	125,100
Employee Related Expenditures	25,000	53,900	53,900
Travel - Out of State	100	0	0
Other Operating Expenditures	51,500	47,700	47,700
<b>OPERATING SUBTOTAL</b>	<b>148,300</b>	<b>226,700</b>	<b>226,700</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona College and Career Guide	0	21,300	21,300 <sup>2/</sup>
Arizona Minority Educational Policy Analysis Center	30,200	100,700	100,700 <sup>2/</sup>
Arizona Teacher Student Loan Program	426,000	426,000	426,000
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500 <sup>3/</sup>
Twelve Plus Partnership	24,500	130,400	130,400 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>2,948,500</b>	<b>3,224,600 <sup>4/</sup></b>	<b>3,224,600 <sup>5/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,680,000	1,680,900	1,680,900
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,268,500	1,543,700	1,543,700
SUBTOTAL - Other Appropriated Funds	1,268,500	1,543,700	1,543,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,948,500</b>	<b>3,224,700</b>	<b>3,224,600</b>
Other Non-Appropriated Funds	981,700	869,500	61,200
Federal Funds	138,300	193,000	193,000
<b>TOTAL - ALL SOURCES</b>	<b>4,068,500</b>	<b>4,287,200</b>	<b>3,478,800</b>

**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 2022.
- 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 fiscal year 2021-2022. 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 this 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 twelve percent of the monies in fiscal year 2021-2022. (General Appropriation Act footnote)
- 4/ The addition of the line items in the FY 2020 General Appropriation Act yield a result \$100 more than the total line in the General Appropriation Act.
- 5/ Any unencumbered balance remaining in the postsecondary education fund established by section 15-1853, Arizona Revised Statutes, on June 30, 2021, 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 sections 15-1851 and 15-1852, Arizona Revised Statutes. (General Appropriation Act footnote)

**Operating Budget**

The Baseline includes \$226,700 and 4.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$34,100
Postsecondary Education Fund	192,600

These amounts are unchanged from FY 2021.

**Arizona College and Career Guide**

The Baseline includes \$21,300 from the Postsecondary Education Fund in FY 2022 for the Arizona College and Career Guide line item. This amount is unchanged from FY 2021.

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 \$100,700 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2022 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. These amounts are unchanged from FY 2021.

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 2022 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2021.

This program offers forgivable loans to resident students pursuing a teaching degree at a public or private postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. Students in the program are required to teach for 1 year for each year that they receive the loan, plus 1 additional year. Teachers must practice in rural, low-income, or 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. *(Please see the Other Issues section for more information.)*

**Leveraging Educational Assistance Partnership**

The Baseline includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2022. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2021.

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 2019, awards were provided to 81 recipients at 8 different postsecondary institutions. Of the total funding distributed, 77.7% went to public universities, 2.5% to community colleges, and 19.8% to private institutions.

**Twelve Plus Partnership**

The Baseline includes \$130,400 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2022 for the Twelve Plus Partnership (TPP). FY 2022 adjustments are as follows:

**General Appropriation Act Correction**

The Baseline includes a decrease of \$(100) from the Postsecondary Education Fund in FY 2022 to correct an error made in the FY 2021 General Appropriation Act, which included \$100 more than the amount funded in the FY 2021 Baseline for this line item. The FY 2022 Baseline corrects this error and brings the appropriation to the intended funding level of \$130,400 for this line item.

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.

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**Other Issues**

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**ATA and ATSLP Comparison**

The Arizona Board of Regents oversees the Arizona Teachers Academy (ATA), which offers tuition waivers for resident and non-resident students enrolled in education and non-education majors at one of the 3 in-state universities, community college, post-baccalaureate students seeking a teacher certification and national board certification students.

The Arizona Student Teacher Loan Program (ATSLP) offers up to \$7,000 in loans per student each year funded by a \$426,000 General Fund appropriation. The ATA offers scholarships of \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college students, and \$2,500 for national board certification students. The ATA receives an annual General Fund appropriation of \$15,000,000.

For each year that a student receives an ATA tuition waiver, they are required to teach 1 year in a public school in Arizona. For each year a student receives an ATSLP loan, they must teach 1 year in a rural, low-income, or tribal school in Arizona plus 1 additional year.

Students are eligible for the ATSLP for 5 years, while the ATA has a tuition waiver limit of 2 years for graduate students, 4 years for undergraduate students, 2 years for community college students, and one-time-only for national board certification.

As of FY 2019, there were 81 participants in the ATSLP and the average student age was 30 years old. In FY 2019, 77.7% of ATSLP students were enrolled in public institutions in Arizona. In FY 2019 there were 464 students enrolled in the ATA. ([See Arizona Teachers Academy Program Summary for more information.](#))

**Family College Savings Program Transfer**

Laws 2020, Chapter 88 transfers the Family College Savings Program (FCSP) and all funds in the Family College Savings Program Trust Fund from the Commission for Postsecondary Education to the State Treasurer's Office as of September 30, 2020. Background on this program can be found in the FY 2020 Appropriations Report.

The transfer of the FCSP resulted in financial difficulty for the Commission. Of the Commission's total operating budget, 63% of salaries and 46% of fixed costs were charged to the FCSP Trust Fund in FY 2020. The FCSP transfer resulted in a shortfall of \$(368,100) in FY 2021, increasing to \$(441,400) in each subsequent year. There has been discussion about using Workforce Innovation and Opportunity Act (WIOA) monies, consolidating staff work, eliminating positions, and relocating office space in order to cover the shortfall through calendar year 2020.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Teacher Student Loan Fund (PEA2358/A.R.S. § 15-1784)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and repayments of principal and interest of issued loans.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	647,000	674,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by financial institutions which are contracted to serve as program managers of assets.		
<b>Purpose of Fund:</b> For operating expenses and administrative costs of the Arizona Family College Savings Program. This program enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Pursuant to Laws 2020, Chapter 88, this program transferred from the Commission for Postsecondary Education to the Treasurer's Office on October 1, 2020.		
<b>Funds Expended</b>	915,500	808,300
<b>Year-End Fund Balance</b>	565,300	0
<b>Federal Grants (PEA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant revenue.		
<b>Purpose of Fund:</b> Federal grant revenues to be used by the commission as specified by the grant(s).		
<b>Funds Expended</b>	138,300	193,000
<b>Year-End Fund Balance</b>	47,200	64,000
<b>Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature and monies received from state agencies and political subdivisions of the state.		
<b>Purpose of Fund:</b> For designated purposes.		
<b>Funds Expended</b>	1,268,500	1,543,700
<b>Year-End Fund Balance</b>	62,000	62,100
<b>Private Donations Fund (PEA2402/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from private gifts, grants and donations.		
<b>Purpose of Fund:</b> Monies 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.		
<b>Funds Expended</b>	66,200	61,200
<b>Year-End Fund Balance</b>	78,000	50,300
<b>Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature. Program is not currently funded.		
<b>Purpose of Fund:</b> For tuition vouchers 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,200	1,200

## Arizona Power Authority

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	34,026,000	22,504,000	22,504,000
<b>TOTAL - ALL SOURCES</b>	34,026,000	22,504,000	22,504,000

**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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Arizona Power Authority Fund (PAA9506/A.R.S. § 30-202)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Energy sales to any of the authority's 39 customers.		
<b>Purpose of Fund:</b> To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
<b>Funds Expended</b>	14,520,500	3,012,000
<b>Year-End Fund Balance</b>	6,975,600	6,975,600
<b>Hoover Uprating Fund (PAA1113/A.R.S. § 30-202)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The sale of hydro-electricity from Hoover Dam to APA customers.		
<b>Purpose of Fund:</b> To purchase hydro-electricity from Hoover Dam for APA customers.		
<b>Funds Expended</b>	19,403,800	19,470,200
<b>Year-End Fund Balance</b>	0	0
<b>Interest Income Fund (PAA1112/A.R.S. § 30-203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest income from investments with the Arizona State Treasurer.		
<b>Purpose of Fund:</b> To pay for the operating expenses of the Power Authority.		
<b>Funds Expended</b>	101,700	21,800
<b>Year-End Fund Balance</b>	0	0

## State Board for Private Postsecondary Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	223,800	247,700	247,700
Employee Related Expenditures	82,900	89,800	89,800
Professional and Outside Services	13,800	14,000	14,000
Travel - Out of State	1,000	2,000	2,000
Other Operating Expenditures	70,800	77,000	77,000
Equipment	2,000	5,800	5,800
<b>AGENCY TOTAL</b>	<b>394,300</b>	<b>436,300</b>	<b>436,300<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board for Private Postsecondary Education Fund	394,300	436,300	436,300
SUBTOTAL - Other Appropriated Funds	394,300	436,300	436,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>394,300</b>	<b>436,300</b>	<b>436,300</b>
Other Non-Appropriated Funds	334,300	264,300	264,300
<b>TOTAL - ALL SOURCES</b>	<b>728,600</b>	<b>700,600</b>	<b>700,600</b>

**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 \$436,300 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
<b>Funds Expended</b>	394,300	436,300
<b>Year-End Fund Balance</b>	241,600	150,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
<b>Funds Expended</b>	334,300	264,300
<b>Year-End Fund Balance</b>	87,700	(600)

## State Board of Psychologist Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	249,800	269,900	269,900
Employee Related Expenditures	100,300	103,700	103,700
Professional and Outside Services	39,400	40,200	40,200
Travel - In State	3,100	2,200	2,200
Travel - Out of State	1,700	8,600	8,600
Other Operating Expenditures	85,500	95,100	95,100
Equipment	8,500	10,200	10,200
<b>AGENCY TOTAL</b>	<b>488,300</b>	<b>529,900</b>	<b>529,900<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	488,300	529,900	529,900
SUBTOTAL - Other Appropriated Funds	488,300	529,900	529,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>488,300</b>	<b>529,900</b>	<b>529,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>488,300</b>	<b>529,900</b>	<b>529,900</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$529,900 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
<b>Funds Expended</b>	488,300	529,900
<b>Year-End Fund Balance</b>	1,522,300	1,750,200

## Department of Public Safety

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,014.7	2,014.7	2,014.7 <sup>1/</sup>
Personal Services	76,629,100	127,110,400	127,110,400
Employee Related Expenditures	70,065,200	111,335,400	111,335,400
Professional and Outside Services	2,599,500	2,776,900	2,776,900
Travel - In State	449,700	553,300	553,300
Travel - Out of State	348,800	530,600	530,600
Other Operating Expenditures	44,172,800	35,109,000	35,109,000
Equipment	20,667,400	10,352,200	10,352,200
<b>OPERATING SUBTOTAL</b>	<b>214,932,500</b>	<b>287,767,800</b>	<b>287,767,800</b>
<b>SPECIAL LINE ITEMS</b>			
ACTIC	1,263,800	1,450,000	1,450,000
Border Strike Task Force Local Support	524,400	1,261,700	1,261,700 <sup>2/3/4/</sup>
Border Strike Task Force Ongoing	5,465,800	8,623,900	8,623,900
Civil Air Patrol	75,000	150,000	150,000
GIITEM	18,048,900	27,083,300	27,083,300 <sup>5/6/</sup>
GIITEM Subaccount	1,161,900	2,411,600	2,411,600
Motor Vehicle Fuel	4,408,400	5,454,600	5,454,600
Peace Officer Training Equipment	599,500	0	0 <sup>7/</sup>
Pharmaceutical Diversion and Drug Theft Task Force	368,300	660,800	660,800
Public Safety Equipment	2,848,400	2,890,000	2,890,000
Public Safety Interoperability Fund	0	0	0
<b>AGENCY TOTAL</b>	<b>249,696,900 <sup>8/</sup></b>	<b>337,753,700</b>	<b>337,753,700 <sup>9/10/</sup></b>
<b>FUND SOURCES</b>			
General Fund	71,923,000	91,138,000	251,847,300
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	147,595,200	200,822,700	32,262,500
Concealed Weapons Permit Fund	2,341,700	2,831,200	2,831,200
Criminal Justice Enhancement Fund	1,191,900	2,999,700	2,999,700
DPS Forensics Fund	12,813,100	23,235,600	23,235,600
Fingerprint Clearance Card Fund	1,087,500	1,596,100	1,596,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	2,207,400	2,411,600	2,411,600
Motor Vehicle Liability Insurance Enforcement Fund	944,100	1,302,700	1,302,700
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	3,011,700	4,175,500	4,175,500
Peace Officer Training Equipment Fund	599,500	0	0
Public Safety Equipment Fund	2,852,100	2,893,700	2,893,700
Risk Management Revolving Fund	1,349,300	1,408,600	1,408,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	623,000	1,715,100	1,715,100
State Aid to Indigent Defense Fund	634,200	700,000	700,000
State Highway Fund	318,200	318,200	8,169,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>177,773,900</b>	<b>246,615,700</b>	<b>85,906,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>249,696,900</b>	<b>337,753,700</b>	<b>337,753,700</b>
Other Non-Appropriated Funds	38,539,000	45,332,100	45,332,100
Federal Funds	135,269,700	81,707,800	81,707,800
<b>TOTAL - ALL SOURCES</b>	<b>423,505,600</b>	<b>464,793,600</b>	<b>464,793,600</b>

**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 OF FTE Positions funded from Special Line Items in FY 2022.
- 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 twenty-five percent of the cost of the services, and the department shall provide not more than seventy-five percent 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, 2021, the department of public safety shall submit an expenditure plan for the border strike task force local support line item to the joint legislature budget committee and 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 \$27,083,300 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM fund established by section 41-1724, Arizona Revised Statutes, and is appropriated for the purposes of that section. The \$1,403,400 is exempt from the provisions of section 35-190, Arizona Revised Statutes, 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 \$27,083,300 appropriated to the GIITEM line item, \$15,029,400 shall be used for one hundred department of public safety GIITEM personnel. The additional staff shall include at least fifty sworn department of public safety positions to be used for immigration enforcement and border security and fifty department of public safety positions to assist GIITEM in various efforts, including:
  - 1. Strictly enforcing 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, strictly enforcing Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act" and 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** Notwithstanding Laws 2019, chapter 263, section 80, the \$1,047,500 appropriated to the department of public safety by Laws 2019, chapter 263, section 80 for the peace officer training equipment line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, ~~2021~~ 2022. Any monies remaining unexpended on June 30, ~~2021~~ 2022 revert to the fund from which the monies were appropriated. (Revising FY 2021 General Appropriation Act footnote)
- 8/ **NEW** In addition to the FY 2020 appropriated spending amount displayed, \$76,933,500 of FY 2020 expenditures were shifted to Federal Funds on a one-time basis.
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 10/ Any monies remaining in the department of public safety joint account on June 30, 2022 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 \$287,767,800 and 1,837.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$209,918,400
Arizona Highway Patrol Fund	30,341,400
Concealed Weapons Permit Fund	2,831,200

Criminal Justice Enhancement Fund (CJEF)	2,865,400
DPS Forensics Fund	23,235,600
Fingerprint Clearance Card Fund	1,596,100
Motor Vehicle Liability Insurance Enforcement Fund	1,302,700
Motorcycle Safety Fund	205,000
Parity Compensation Fund	4,175,500
Public Safety Equipment Fund	3,700
Risk Management Revolving Fund	1,408,600
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	1,715,100
State Highway Fund	8,169,100

FY 2022 adjustments are as follows:

**Highway Safety Fee Repeal Budget Shift**

The Baseline includes a decrease of \$(168,560,200) from the Arizona Highway Patrol Fund in FY 2022 and a corresponding increase of \$160,709,300 from the General Fund and \$7,850,900 from the State Highway Fund in FY 2022 due to the repeal of the Highway Safety Fee. These amounts were assumed in the FY 2021 budget's 3-year spending plan.

The FY 2020 Criminal Justice Budget Reconciliation Bill (BRB) repealed the Highway Safety Fee at the end of FY 2021. The budget shift will backfill the DPS Highway Patrol budget after the repeal of the Highway Safety Fee on June 30, 2021.

**ACTIC**

The Baseline includes \$1,450,000 in FY 2022 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 2021.

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 2022 for the costs of BSTF Local Support. This amount is unchanged from FY 2021.

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 9 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 \$8,623,900 and 37 FTE Positions from the General Fund in FY 2022 for the Border Strike Task Force (BSTF). These amounts are unchanged from FY 2021.

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 2022 for funding of the Civil Air Patrol (CAP). This amount is unchanged from FY 2021.

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 \$27,083,300 and 136.8 FTE Positions in FY 2022 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

General Fund	26,679,700
Arizona Highway Patrol Fund	403,600

These amounts are unchanged from FY 2021.

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) \$15,029,400 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 2021 Criminal Justice BRB allocated \$400,000 to the Pima County Sheriff's Office in FY 2021. 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 2022.

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. *(For more information, please see the [State Immigration Enforcement Assistance to Local Governments](#) program summary on the JLBC website.)*

#### **GIITEM Subaccount**

The Baseline includes \$2,411,600 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2022 for the GIITEM Subaccount, to be used for equipment and supplies for border security. This amount is unchanged from FY 2021.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,767,100 in FY 2022. The monies in the GIITEM 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 24, 2020 meeting, the JLBC gave a favorable review to a partial GIITEM Subaccount expenditure plan for FY 2021. The plan includes \$456,800 for detention liaison officers, \$554,800 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit (as later adjusted by DPS pursuant to a Committee provision), and \$350,000 for the Pima County Border Crimes Unit. At the September 23, 2020 JLBC meeting, the Committee gave a

favorable review of the remaining \$1,050,000 expenditures plan for grants to county sheriffs for border security. The expenditure plan consisted of \$250,000 for Cochise, Santa Cruz, and Yuma Counties and \$100,000 for Graham, Greenlee, and La Paz Counties. *(For more information, please see the [State Immigration Enforcement Assistance to Local Governments](#) program summary on the JLBC website.)*

#### **Motor Vehicle Fuel**

The Baseline includes \$5,454,600 in FY 2022 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
Arizona Highway Patrol Fund	936,100
CJEF	134,300

These amounts are unchanged from FY 2021.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

#### **Peace Officer Training Equipment**

The Baseline includes no funding in FY 2022 for Peace Officer Training Equipment. This amount is unchanged from FY 2021.

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 Glendale Regional Training Academy); Laws 2019, Chapter 283 modified the appropriation by replacing Yuma County Sheriff's Office with the Glendale Regional Training Academy as the third recipient of the virtual training simulators.
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.

The FY 2020 budget appropriated \$1,047,800 from the fund.

The State Treasurer administers the fund and disburses the monies to the recipients listed above. These appropriations will be made in the above order as revenue is received in the fund. *(Please see the Supreme Court section for more information.)*

Laws 2018, Chapter 312 increases the assessment on civil traffic violations, local motor vehicle citations, and criminal motor vehicle citations by \$4. This new revenue is to be deposited into the new Peace Officer Training Equipment Fund.

Through FY 2020, DPS has expended \$797,300 from the Peace Officer Training Equipment Fund. These expenditures include the \$500,000 for employee overtime pay as well as approximately \$300,000 for 1 virtual training simulator.

Current revenue projections from the department estimate annual revenues of \$1,220,600, with an annual decline of (3)%. By the end of FY 2022, the fund is estimated to collect a total of approximately \$3,858,600, compared to an appropriated spending amount of \$4,120,800 (\$3,073,000 in FY 2019 and \$1,047,800 in FY 2020). Since the fund's total revenues through the end of FY 2022 are not projected to exceed the \$4,120,800 in appropriations, the budget includes no new funding. The Baseline, however, makes the FY 2020 appropriation non-lapsing through FY 2022.

Once these appropriations are completed, the Peace Officer Training Equipment Advisory Commission established by Chapter 312 will make annual recommendations on how the funding should be spent. Before spending any of the FY 2020 appropriation from the fund, DPS must submit an expenditure plan to JLBC for review.

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 \$660,800 and 3 FTE Positions in FY 2022 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	79,400
Arizona Highway Patrol Fund	581,400

These amounts are unchanged from FY 2021.

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 2022 to equip DPS officers. This amount is unchanged from FY 2021.

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.

**Public Safety Interoperability Fund Deposit**

The Baseline includes no funding from the General Fund in FY 2022 to the Public Safety Interoperability Fund. This amount is unchanged from FY 2021.

Given the deposit made in FY 2020, the Public Safety Interoperability Fund contains a \$1,500,000 balance. Those monies cannot be spent without an appropriation. The fund may be used only for interoperable communication systems.

**Other Issues**

**Statutory Changes**

The Baseline would:

- As session law, continue to allow the State Aid to Indigent Defense Fund to be used for DPS operating expenses.
- As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.

### **Proposition 207 - Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Department of Public Safety receives a self-determined amount from the fund for costs associated with amending its criminal records based on expungement petitions approved by a Court. The department has estimated one-time costs of \$29,000,000 to fulfill the initiative's requirements. The JLBC Staff believe the DPS estimate to be substantially overstated, particularly in regard to the cost of expungement. *(Please see the Department of Health Services - Other Issues Section for more information.)*

### **COVID-Related Spending**

The Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, DPS was reimbursed for a total of \$76,933,500 in expenditures. Of this amount, \$8,266,800 was for General Fund spending. This reduced spending increased the agency's General Fund revertment beyond what it would have otherwise been. The remaining \$68,666,700 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration. The projected FY 2021 ending fund balance for the Fingerprint Clearance Card Fund is less than the federal reimbursement, so the state may not be able to transfer all of these reimbursements to the General Fund.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

### **Highway Safety Fee/HURF Shift**

#### **Recent History of HURF/SHF Usage**

The FY 2020 budget eliminated the remaining DPS HURF appropriation in FY 2020. This funding was replaced by the Highway Safety Fee, which was in effect for part of FY 2019, all of FY 2020 and FY 2021, with a scheduled repeal date of June 30, 2021. *(See the FY 2021 Appropriations Report for more information on the Highway Safety Fee in*

*FY 2020 and FY 2021, 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.

#### **Highway Safety Fee – FY 2022 Budget**

The FY 2022 Baseline will not include Highway Safety Fee revenues as the fee is set to be repealed on June 30, 2021. The FY 2022 Baseline includes an increase of \$160,709,300 from the General Fund and \$7,850,900 from the State Highway Fund to backfill the lost revenues from the Highway Safety Fee in the Highway Patrol budget.

#### **Highway Patrol Fund Balances**

In their FY 2022 budget request, DPS forecasts that the Highway Safety Fee will generate annual revenues in FY 2021 of \$207,000,000. Given the department's most recent forecast, the Highway Patrol Fund is projected to have an estimated cash balance of \$70,500,000 at the end of FY 2022.

*Table 1* displays the sources and uses of the Highway Patrol Fund from FY 2020 through FY 2022. The Highway Patrol Fund currently receives revenues from several sources, the foremost revenues coming from the Highway Safety Fee in Line 2 and the Insurance Premium Tax (IPT) in Line 3. Line 5 represents transfers of \$(15,500,000) in FY 2020 and FY 2021, from the "Excess" 10% of Highway Safety Fee revenue to the General Fund as required by the 3-year spending plan from the FY 2020 budget. Lines 7 and 8 reflect the ongoing and one-time amounts of the Highway Patrol budget funded from the Highway Patrol Fund. Line 9 reflects a one-time offsetting transfer from the Coronavirus Relief Fund (CRF). Line 10 represents an administrative adjustment for FY 2019 obligations.

Highway Safety Fee monies can be spent only on Article 9, Section 14 uses, which consists of highway patrol costs and transportation projects.

Due to the ongoing COVID-19 pandemic and resulting economic impact, actual Highway Safety Fee revenues could differ from the displayed forecast and impact the projected FY 2022 ending balance of \$70,500,000 displayed in *Table 1*.

Table 1

## Highway Patrol Fund – Sources and Uses (\$ in Millions)

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
(1) <b>Beginning Balance</b>	23.3	47.1	66.1
<u>Revenue</u>			
(2) Highway Safety Fee	207.0	207.0	
(3) Insurance Premium Tax	26.5	26.8	27.7
(4) Other Revenues	1.5	1.5	1.5
(5) Enacted Transfers	(15.5)	(15.5)	
(6) <i>Total - Revenue</i>	242.8	266.9	95.3
<u>Spending</u>			
(7) DPS Budget - Ongoing	146.6	193.3	24.8 <sup>1/</sup>
(8) DPS Budget - One-Time	1.0	7.5	
(9) CRF Offset Transfer to Joint Fund	49.6		
(10) Administrative Adjustment	(1.5)		
(11) <i>Total - Spending</i>	195.7	200.8	24.8
(12) <b>Cash Balance</b>	<b>47.1</b>	<b>66.1</b>	<b>70.5</b>

<sup>1/</sup> FY 2022 ongoing budget estimate does not include 27<sup>th</sup> pay period (\$6.2 million) and HITF (\$1.3 million).

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,178,500	4,558,700
<b>Year-End Fund Balance</b>	11,544,800	12,598,800
<b>Arizona Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. In the past, the fund has been used for IT projects.		
<b>Funds Expended</b>	147,595,200	200,822,700
<b>Year-End Fund Balance</b>	47,047,800	64,894,200
<b>Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by fingerprint clearance card applicants.		
<b>Purpose of Fund:</b> To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
<b>Funds Expended</b>	3,274,900	690,600
<b>Year-End Fund Balance</b>	1,254,500	1,283,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Penalties and fees collected for parking violations on state property.		
<b>Purpose of Fund:</b> For Capitol Police Department law enforcement purposes.		
<b>Funds Expended</b>	13,600	9,300
<b>Year-End Fund Balance</b>	23,800	14,800
<b>Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> Funds the costs associated with administering the concealed weapons permit process. In the past, the fund has been used for IT projects and DPS operating expenses.		
<b>Funds Expended</b>	2,341,700	2,831,200
<b>Year-End Fund Balance</b>	1,397,500	1,551,700
<b>Coronavirus Relief Fund (PSA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	74,705,300	0
<b>Year-End Fund Balance</b>	0	0
<b>Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	1,191,900	2,999,700
<b>Year-End Fund Balance</b>	941,000	111,700
<b>Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	941,000	111,700
<b>DPS Administration Fund (PSA2322/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> State and local grants and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,754,800	2,931,200
<b>Year-End Fund Balance</b>	3,377,200	4,096,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>DPS Forensics Fund (PSA9990/A.R.S. § 41-1730)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 19.09% allocation of the Criminal Justice Enhancement Fund, a 6% court surcharge for criminal offenses and civil traffic violations of motor vehicle statutes, and the first \$10.4 million of revenue generated from the defensive driving school fee.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	12,813,100	23,235,600
<b>Year-End Fund Balance</b>	2,522,900	(3,359,200)
<b>DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected from Private Investigator and Security Guard license applicants.		
<b>Purpose of Fund:</b> For the operational and equipment costs of regulating the private investigator and security guard industry.		
<b>Funds Expended</b>	1,017,100	1,125,900
<b>Year-End Fund Balance</b>	547,900	627,200
<b>Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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, while 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,121,300	1,297,100
<b>Year-End Fund Balance</b>	925,300	828,200
<b>Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	239,900	238,900
<b>Year-End Fund Balance</b>	42,900	42,900
<b>Federal Grants (PSA2000/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	60,564,400	81,707,800
<b>Year-End Fund Balance</b>	2,048,400	2,603,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Fingerprint Clearance Card Fund (PSA2433/A.R.S § 41-1758.06)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<b>Purpose of Fund:</b> Appropriated revenues may be used for DPS crime lab expenses. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	1,087,500	1,596,100
<b>Year-End Fund Balance</b>	1,877,900	(406,300)
<b>Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<b>Purpose of Fund:</b> To centralize fingerprinting services for state agencies. Non-Appropriated revenues pay for the processing and issuance of fingerprint clearance cards. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	5,406,300	6,878,900
<b>Year-End Fund Balance</b>	1,877,900	(406,300)
<b>Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
<b>Purpose of Fund:</b> To provide funding to county sheriffs and municipal police departments for law enforcement purposes relating to border security including border personnel. The fund is also used to cover costs related to increases in the employer contribution rate for the Public Safety Personnel Retirement System.		
<b>Funds Expended</b>	2,207,400	2,411,600
<b>Year-End Fund Balance</b>	2,338,200	2,519,500
<b>Gang and Immigration Intelligence Team Enforcement Mission Fund (PSA2396/A.R.S. § 41-1724)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. 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.		
<b>Purpose of Fund:</b> 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%.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (PSA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	9,848,500	11,340,500
<b>Year-End Fund Balance</b>	3,197,300	3,633,800
<b>Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	1,694,800	3,245,300
<b>Year-End Fund Balance</b>	2,926,600	1,840,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	26,500	29,400
<b>Motor Vehicle Liability Insurance Enforcement Fund (PSA2285/A.R.S. § 28-4151)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For ADOT to enforce mandatory motor vehicle liability insurance laws. The fund is also used for DPS operating expenses.		
<b>Funds Expended</b>	944,100	1,302,700
<b>Year-End Fund Balance</b>	0	0
<b>Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives \$1 of each motorcycle registration fee.		
<b>Purpose of Fund:</b> To implement and support voluntary motorcycle safety, education and awareness programs.		
<b>Funds Expended</b>	205,000	205,000
<b>Year-End Fund Balance</b>	93,400	78,400
<b>Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
<b>Purpose of Fund:</b> To fund salary and benefit adjustments for law enforcement personnel.		
<b>Funds Expended</b>	3,011,700	4,175,500
<b>Year-End Fund Balance</b>	4,092,700	3,917,200
<b>Peace Officer Training Equipment Fund (PSA8888/A.R.S. § 41-1731)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Revenues from a \$4 fee for any criminal violation of motor vehicle statutes relating to the stopping, standing or operation of a vehicle, civil traffic violations, and local motor vehicle citations.		
<b>Purpose of Fund:</b> To fund the purchase of peace officer training 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.		
<b>Funds Expended</b>	599,500	0
<b>Year-End Fund Balance</b>	(1,526,900)	(1,390,700)
<b>Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,600,000	6,034,900
<b>Year-End Fund Balance</b>	4,033,300	2,964,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	2,852,100	2,893,700
<b>Year-End Fund Balance</b>	747,100	83,100
<b>Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. The Treasurer is required to deposit any revenues in excess of \$1,200,000 directly into the General Fund.		
<b>Purpose of Fund:</b> To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	1,025,000	1,200,000
<b>Year-End Fund Balance</b>	747,100	83,100
<b>Public Safety Interoperability Fund (PSA9900/A.R.S. § 41-1733)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To fund upgrades to public safety interoperable communication systems.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,500,000	1,500,000
<b>Records Processing Fund (PSA2278/A.R.S. § 41-1750)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For fingerprint processing and department administrative costs.		
<b>Funds Expended</b>	5,321,600	4,745,100
<b>Year-End Fund Balance</b>	479,000	340,600
<b>Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Transfer from the Arizona Department of Administration Risk Management Fund.		
<b>Purpose of Fund:</b> For the costs of a disaster recovery program for the DPS mainframe data center and the operational costs of the Capitol Police.		
<b>Funds Expended</b>	1,349,300	1,408,600
<b>Year-End Fund Balance</b>	19,000	19,000
<b>Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount (PSA2108/A.R.S. § 28-6547)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 Department of Public Safety and Department of Transportation each have subaccounts within the Safety Enforcement and Transportation Infrastructure Fund and revenues are divided between the 2 subaccounts with the Department of Public Safety Subaccount receiving 45% of revenues and the Department of Transportation Subaccount receiving 55% of revenues to the fund.		
<b>Purpose of Fund:</b> To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. (See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.)		
<b>Funds Expended</b>	623,000	1,715,100
<b>Year-End Fund Balance</b>	207,200	(522,400)

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>State Aid to Indigent Defense Fund (PSA2445/A.R.S. § 11-588)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Currently, the fund is used for DPS operating costs.		
<b>Funds Expended</b>	634,200	700,000
<b>Year-End Fund Balance</b>	318,700	318,700
<b>State Highway Fund (PSA2030/A.R.S. § 28-6991)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
<b>Purpose of Fund:</b> To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
<b>Funds Expended</b>	318,200	318,200
<b>Year-End Fund Balance</b>	0	0
<b>State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
<b>Purpose of Fund:</b> To establish and maintain a public education campaign for highway work zone safety.		
<b>Funds Expended</b>	19,500	15,000
<b>Year-End Fund Balance</b>	33,800	20,800
<b>Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,023,200	1,020,700
<b>Year-End Fund Balance</b>	1,515,100	1,574,500

## Public Safety Personnel Retirement System

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>SPECIAL LINE ITEMS</b>			
EORP Fund Deposit	5,000,000	5,000,000	5,000,000
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>6,000,000</b>
<b>FUND SOURCES</b>			
General Fund	6,000,000	6,000,000	6,000,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>6,000,000</b>
Other Non-Appropriated Funds	14,851,700	24,423,900	17,138,100
<b>TOTAL - ALL SOURCES</b>	<b>20,851,700</b>	<b>30,423,900</b>	<b>23,138,100</b>

**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).

### FOOTNOTES

<sup>1/</sup> The FY 2020 General Appropriation Act appropriated \$1,000,000 from the state General Fund in each of FY 2020, FY 2021, FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026 to the Public Safety Personnel Retirement System to be deposited in the employer account of the Prescott Fire Department Group to offset increased pension liability.

#### **EORP Fund Deposit**

The Baseline includes \$5,000,000 from the General Fund in FY 2022 as part of the closure of the Elected Officials Retirement Plan (EORP). This amount is unchanged from FY 2021. (See the *FY 2017 Appropriations Report and the Consolidated Retirement Report section in the FY 2020 Appropriations Report for more information.*)

The annual \$5,000,000 General Fund appropriation is authorized in permanent law through FY 2043 (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 \$1,000,000 from the General Fund in FY 2022 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2021.

The FY 2020 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of

the Prescott Fire Department each year from FY 2020 through FY 2026 to offset increased pension liabilities associated with the Yarnell Hill Fire. Because these funds were already appropriated in the FY 2020 budget, monies in the line item are not included in the General Appropriation Act.

In June 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. The survivors of 10 firefighters ultimately qualified for PSPRS benefits. Their survivors qualify for 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, FY 2019, and FY 2020 budgets were intended to offset these increased pension liabilities.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. As of June 2020, PSPRS re-estimated this liability to be \$10,998,000.

See the *Consolidated Retirement Report* section for more information on PSPRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Employee and employer contributions for certain Tier 3 PSPRS and CORP members, abandoned Disability Program monies, and interest earnings.		
<b>Purpose of Fund:</b> Paying benefits and administration costs for the Defined Contribution Retirement Plan Disability Program established under Tier 3 of PSPRS and CORP. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (No Fund Number/A.R.S. § 38-643)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of employer contributions of \$50 per active employee participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year. Statute authorizes PSPRS to charge an employer premium of up to \$180 per active employee. Statute also authorizes Correctional Officers Retirement Plan (CORP) employer groups to opt-in to the plan.		
<b>Purpose of Fund:</b> 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 (or CORP). The plan benefits include an upfront cash payment upon diagnosis, along with coverage for various out-of-pocket medical expenses (after any primary insurance), with an overall maximum lifetime benefit limit of \$100,000. Insurance policy payouts are made from a separate fund. The plan is not a Worker's Compensation plan and does not satisfy any requirement for coverage by Worker's Compensation insurance. The displayed expenditures for this fund reflect PSPRS administrative expenses allocated to this fund. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses. The PSPRS estimate is adjusted to exclude \$143,100 of net fees applied to investments in FY 2020 and FY 2021.		
<b>Funds Expended</b>	35,600	58,600
<b>Year-End Fund Balance</b>	0	0
<b>Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Public Safety Personnel Retirement System Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
<b>Purpose of Fund:</b> 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. The PSPRS estimate is adjusted to exclude \$59,687,800 of net fees applied to investments in FY 2020 and FY 2021.		
<b>Funds Expended</b>	14,816,100	24,365,300
<b>Year-End Fund Balance</b>	0	0
<b>Retiree Pool Account (No Fund Number/A.R.S. § 38-846.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## State Real Estate Department

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,406,700	1,700,700	1,700,700
Employee Related Expenditures	511,700	656,200	656,200
Professional and Outside Services	88,000	95,000	95,000
Travel - In State	12,100	13,000	13,000
Travel - Out of State	3,200	3,000	3,000
Other Operating Expenditures	336,800	484,700	484,700
Equipment	109,300	45,000	45,000
<b>AGENCY TOTAL</b>	<b>2,467,800</b>	<b>2,997,600</b>	<b>2,997,600 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,467,800	2,997,600	2,997,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,467,800</b>	<b>2,997,600</b>	<b>2,997,600</b>
Other Non-Appropriated Funds	65,500	207,800	207,800
<b>TOTAL - ALL SOURCES</b>	<b>2,533,300</b>	<b>3,205,400</b>	<b>3,205,400</b>

**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 also oversees dispute resolution for condominium and planned community organizations. 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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$2,997,600 and 37 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Condominium and Planned Community Hearing Office Fund (REA2537/A.R.S. § 32-2199.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	33,100	33,100
<b>Year-End Fund Balance</b>	8,400	8,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Education Revolving Fund (REA4011/A.R.S. § 32-2107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of the department's educational publications, primarily the Real Estate Lawbook.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	32,400	154,700
<b>Year-End Fund Balance</b>	34,500	15,000
<b>Recovery Fund (REA3119/A.R.S. § 32-2186)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	20,000
<b>Year-End Fund Balance</b>	957,800	874,100

## Residential Utility Consumer Office

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	530,300	757,700	757,700
Employee Related Expenditures	197,400	294,000	294,000
Professional and Outside Services	0	2,400	2,400
Travel - In State	3,400	8,600	8,600
Travel - Out of State	4,900	7,000	7,000
Other Operating Expenditures	169,800	174,200	174,200
<b>OPERATING SUBTOTAL</b>	<b>905,800</b>	<b>1,243,900</b>	<b>1,243,900</b>
<b>SPECIAL LINE ITEMS</b>			
Professional Witnesses	48,300	145,000	145,000 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>954,100</b>	<b>1,388,900</b>	<b>1,388,900</b> <sup>2/</sup>

### FUND SOURCES

#### Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	954,100	1,388,900	1,388,900
SUBTOTAL - Other Appropriated Funds	954,100	1,388,900	1,388,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>954,100</b>	<b>1,388,900</b>	<b>1,388,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>954,100</b>	<b>1,388,900</b>	<b>1,388,900</b>

**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 section 35-190, Arizona Revised Statutes, 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 \$1,243,900 and 11 FTE Positions from the RUCO Revolving Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2022 for Professional Witnesses. This amount is unchanged from FY 2021.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To operate the Residential Utility Consumer Office.		
<b>Funds Expended</b>	954,100	1,388,900
<b>Year-End Fund Balance</b>	0	0

## Board of Respiratory Care Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	165,400	185,600	185,600
Employee Related Expenditures	67,200	70,300	70,300
Professional and Outside Services	3,200	6,500	6,500
Travel - In State	1,000	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	63,500	67,400	67,400
Equipment	600	0	0
<b>AGENCY TOTAL</b>	<b>300,900</b>	<b>333,300</b>	<b>333,300<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Respiratory Care Examiners Fund	300,900	333,300	333,300
SUBTOTAL - Other Appropriated Funds	300,900	333,300	333,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>300,900</b>	<b>333,300</b>	<b>333,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>300,900</b>	<b>333,300</b>	<b>333,300</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$333,300 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
<b>Funds Expended</b>	300,900	333,300
<b>Year-End Fund Balance</b>	191,400	113,100

## Arizona State Retirement System

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	240.9	240.9	240.9
Personal Services	11,867,400	13,635,900	13,635,900
Employee Related Expenditures	4,507,500	5,437,800	5,437,800
Professional and Outside Services	3,233,600	3,055,400	3,055,400
Travel - In State	17,000	30,000	30,000
Travel - Out of State	16,600	49,000	49,000
Other Operating Expenditures	2,842,800	2,323,200	2,323,200
Equipment	362,200	389,500	389,500
<b>AGENCY TOTAL</b>	<b>22,847,100</b>	<b>24,920,800</b>	<b>24,920,800<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	1,418,300	1,800,000	1,800,000
State Retirement System Administration Account	21,428,800	23,120,800	23,120,800
SUBTOTAL - Other Appropriated Funds	22,847,100	24,920,800	24,920,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>22,847,100</b>	<b>24,920,800</b>	<b>24,920,800</b>
Other Non-Appropriated Funds	18,031,100	5,051,800	5,051,800
<b>TOTAL - ALL SOURCES</b>	<b>40,878,200</b>	<b>29,972,600</b>	<b>29,972,600</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$24,920,800 and 240.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
Arizona State Retirement System Administration Account	\$23,120,800
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

These amounts are unchanged from FY 2021.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer from the State Retirement Fund.		
<b>Purpose of Fund:</b> Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. The ASRS estimate has been adjusted to exclude \$159,203,800 and \$103,795,300 of net fees applied to investments in FY 2020 and FY 2021.		
<b>Funds Expended</b>	18,031,100	5,051,800
<b>Year-End Fund Balance</b>	0	0
<b>Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Long-Term Disability (LTD) Trust Fund.		
<b>Purpose of Fund:</b> To pay for the cost of administering the LTD program.		
<b>Funds Expended</b>	1,418,300	1,800,000
<b>Year-End Fund Balance</b>	0	0
<b>State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Transfer from the State Retirement Fund.		
<b>Purpose of Fund:</b> To pay the Arizona State Retirement System's administrative expenses.		
<b>Funds Expended</b>	21,428,800	23,120,800
<b>Year-End Fund Balance</b>	0	0

## Department of Revenue

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	880.8	880.8	880.8 <sup>1/</sup>
Personal Services	26,019,000	30,326,900	30,326,900
Employee Related Expenditures	10,330,300	12,699,600	12,699,600
Professional and Outside Services	7,300,800	9,197,000	9,197,000
Travel - In State	66,200	52,800	52,800
Travel - Out of State	45,500	0	0
Other Operating Expenditures	13,942,600	14,934,900	14,934,900
Equipment	2,338,500	309,000	309,000
<b>OPERATING SUBTOTAL</b>	<b>60,042,900</b>	<b>67,520,200</b>	<b>67,520,200 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
BRITS Operational Support	6,690,600	7,723,700	7,723,700
Out of State TPT Administration	1,344,600	0	0
Tax Fraud Prevention	3,126,000	3,150,000	3,150,000 <sup>3/4/</sup>
TPT Simplification	996,800	1,020,000	1,020,000
Unclaimed Property Administration and Audit	1,467,800	1,368,800	1,467,800 <sup>5/</sup>
<b>AGENCY TOTAL</b>	<b>73,668,700</b>	<b>80,782,700</b>	<b>80,881,700 <sup>6/7/8/</sup></b>
<b>FUND SOURCES</b>			
General Fund	27,289,400	31,799,500	31,799,500
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	45,166,200	47,473,000	47,572,000
Liability Setoff Program Revolving Fund	705,100	815,500	815,500
Tobacco Tax and Health Care Fund	508,000	694,700	694,700
SUBTOTAL - Other Appropriated Funds	46,379,300	48,983,200	49,082,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>73,668,700</b>	<b>80,782,700</b>	<b>80,881,700</b>
Other Non-Appropriated Funds	1,231,900	1,434,800	1,434,800
Federal Funds	109,000	0	0
<b>TOTAL - ALL SOURCES</b>	<b>75,009,600</b>	<b>82,217,500</b>	<b>82,316,500</b>

**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

- <sup>1/</sup> Includes 70 GF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> The operating lump sum appropriation includes \$2,000,000 and 25 FTE positions for additional audit and collections staff. (General Appropriation Act footnote)
- <sup>3/</sup> 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)
- <sup>4/</sup> On or before November 1, 2021, the department shall report the results of private fraud prevention investigation services during fiscal year 2020-2021 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 fiscal year 2020-2021. (General Appropriation Act footnote)
- <sup>5/</sup> If the total value of properties retained by unclaimed property contract auditors exceeds \$1,467,800, the excess amount is transferred from the state general fund to the department of revenue administrative fund, established by section 42-1116.01, Arizona Revised Statutes, and is 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 fiscal year 2021-2022 to the joint legislative budget committee on or before September 30, 2021. On or before September 30, 2022, 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 fiscal year 2021-2022. The reports shall compare projected and actual state general fund, total state tax, total county tax and total municipal tax revenue enforcement collections for fiscal year 2020-2021 and fiscal year 2021-2022, 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 fiscal year 2020-2021. (General Appropriation Act footnote)
- 7/ On or before March 31, 2022, the department shall submit a report to the joint legislative budget committee for its review on the progress of the department's implementation of recommendations included in the auditor general's March 2019 report regarding transaction privilege tax administration and enforcement. The report shall assess the effectiveness of the department's efforts to reduce the risk of misreporting and underreporting transaction privilege tax through information technology controls and data analysis and the department's progress in identifying and fixing errors in the department's tax system TPT licensing information. (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 \$67,520,200 and 810.8 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$25,530,000
DOR Administrative Fund	40,480,000
Liability Setoff Program Revolving Fund	815,500
Tobacco Tax and Health Care Fund	694,700

These amounts are unchanged from FY 2021.

**Business Reengineering/Integrated Tax System (BRITS)  
Operational Support**

The Baseline includes \$7,723,700 and 51 FTE Positions in FY 2022 for operational support of BRITS. These amounts consist of:

General Fund	2,099,500
DOR Administrative Fund	5,624,200

These amounts are unchanged from FY 2021.

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.

**Tax Fraud Prevention**

The Baseline includes \$3,150,000 from the General Fund in FY 2022 for Tax Fraud Prevention. This amount is unchanged from FY 2021.

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 \$20.1 million in fraudulent returns in Individual Income Tax returns in FY 2020, compared to \$7.7 million in FY 2019, \$11.3 million in FY 2018, \$25.0 million in FY 2017 and \$78.5 million in FY 2016. DOR has also expanded the program to include other tax types.

**TPT Simplification**

The Baseline includes \$1,020,000 and 19 FTE Positions from the General Fund in FY 2022 for TPT Simplification responsibilities. These amounts are unchanged from FY 2021.

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 previously administered their own TPT taxes. These monies allow DOR to fund the additional staffing associated with these TPT oversight responsibilities.

### **Unclaimed Property Administration and Audit**

The Baseline includes \$1,467,800 from the DOR Administrative Fund in FY 2022 for Unclaimed Property Administration and Audit. FY 2022 adjustments are as follows:

#### **Increase Audit Funding**

The Baseline includes an increase of \$99,000 from the DOR Administrative Fund in FY 2022 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 \$1,467,800 based on the level of contract audit fees during FY 2020.

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### **Other Issues**

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### **Statutory Changes**

The Baseline would, as session law, continue the 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).

### **Decennial Census**

As noted above, an annual BRB provisions outlines the legislative intent for the local cost assessment charged by DOR to cities, towns, counties, and councils of governments. This current BRB provision uses the phrase "the most recent United States decennial census" as the basis for allocating the fee to cities, towns and counties. Since the assessment's creation, this has meant the 2010 Decennial Census.

In order to continue the current policy, the Baseline would retain the existing BRB language requiring the use of the "most recent" Decennial Census for this item. The 2020 Decennial Census data providing city, town and county population totals is estimated to be available between February and April 2021. Given this timing, it is possible that DOR may administratively elect to use the 2020 Decennial Census to determine this fee allocation, which would result in different local cost assessments being charged to each city, town and county. However, this BRB provision would also still work with DOR using the 2010 Decennial Census as the reference point. In addition, the

Legislature may choose to update the statutory reference to reflect a specific Decennial Census.

### **Tobacco Tax/Master Settlement Agreement**

The Baseline transfers \$836,000 from the Traditional Medicaid Services line item in AHCCCS in FY 2022 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.

The transfer funds maintenance costs on the electronic tobacco tax system and to fund personnel to perform luxury tax enforcement and audit duties. *(Please see AHCCCS for more information regarding this transfer.)*

### **Proposition 207 – Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, DOR receives a self-determined amount from the fund for administrative costs to collect the 16% excise tax created by Proposition 207. DOR has estimated annual spending of between \$1,300,000 and \$1,700,000 to fulfill the initiative's requirements. *(Please see the Department of Health Services - Other Issues Section for more information.)*

### **Proposition 208 – Education Funding**

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, DOR receives a self-determined amount from the fund to implement and enforce the tax provisions of Proposition 208. DOR has not yet provided a cost estimate to fulfill the initiative's requirements. *(Please see the Department of Education - Other Issues Section for more information.)*

### **COVID-Related Spending**

The Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020,

DOR was reimbursed for \$109,000 in non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part

of its overall revenue estimate pending further legislative consideration.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Coronavirus Relief Fund (RVA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	109,000	0
<b>Year-End Fund Balance</b>	100	0
<b>Department of Revenue Administrative Fund (RVA1993/A.R.S. § 42-1116.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
<b>Funds Expended</b>	45,166,200	47,473,000
<b>Year-End Fund Balance</b>	8,681,900	6,149,800
<b>Escheated Estates Fund (RVA3745/A.R.S. § 12-885)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	42,100	42,100
<b>Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay allowed claims. The department retains at least \$100,000 of the fund prior to year-end transfers while the state attempts to pay out claims. 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,743,700	1,743,700

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>I Didn't Pay Enough Fund (RVA6001/A.R.S. § 43-211)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Voluntary contributions from taxpayers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (RVA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer of funds from Arizona Early Childhood Development and Health Board.		
<b>Purpose of Fund:</b> To assist the Revenue Tobacco unit in enforcement compliance.		
<b>Funds Expended</b>	1,206,600	1,408,800
<b>Year-End Fund Balance</b>	319,800	1,927,000
<b>Liability Setoff Program Revolving Fund (RVA2179/A.R.S. § 42-1122)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the Department of Revenue's costs of administering the Liability Setoff program and for general operating expenditures.		
<b>Funds Expended</b>	705,100	815,500
<b>Year-End Fund Balance</b>	783,000	939,000
<b>Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts from the sale of department tax-related publications.		
<b>Purpose of Fund:</b> To offset costs of publishing and distributing tax-related publications.		
<b>Funds Expended</b>	21,700	24,000
<b>Year-End Fund Balance</b>	20,900	20,900
<b>Special Collections Fund (RVA2168/A.R.S. § 42-1004)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
<b>Funds Expended</b>	3,600	2,000
<b>Year-End Fund Balance</b>	4,000	4,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Tax Fraud Interdiction Fund (RVA3050/A.R.S. § 42-1116.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund consists of tobacco taxes retained by the department to administer the Tobacco Tax program.		
<b>Purpose of Fund:</b> To monitor and enforce tobacco tax laws.		
<b>Funds Expended</b>	508,000	694,700
<b>Year-End Fund Balance</b>	0	0
<b>Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriation of \$2,000,000 from the General Fund.		
<b>Purpose of Fund:</b> 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. Expenditure amounts are not displayed to avoid double counting.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,607,300	0
<b>Waste Tire Fund (RVA2356/A.R.S. § 44-1305)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from a fee on new tire purchases and penalties for violations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## School Facilities Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	874,300	940,100	940,100
Employee Related Expenditures	278,300	315,600	315,600
Professional and Outside Services	176,800	83,300	83,300
Travel - In State	21,600	24,000	24,000
Travel - Out of State	3,800	0	0
Other Operating Expenditures	220,500	403,100	403,100
Equipment	2,000	5,000	5,000
<b>OPERATING SUBTOTAL</b>	<b>1,577,300</b>	<b>1,771,100</b>	<b>1,771,100</b>
<b>SPECIAL LINE ITEMS</b>			
<b>New School Facilities</b>			
New School Facilities (FY 2019 Authorizations)	36,726,700	0	0
New School Facilities (FY 2020 Authorizations)	75,875,800	45,805,900	0
New School Facilities (FY 2021 Authorizations)	0	12,980,900	11,730,900 <sup>1/</sup>
New School Facilities (FY 2022 Authorizations)	0	0	63,879,800 <sup>2/</sup>
New School Facilities Debt Service	131,870,500	67,177,800	67,176,800 <sup>3/</sup>
<b>Other Programs</b>			
Building Renewal Grants	107,458,800	107,500,000	16,667,900
<b>AGENCY TOTAL</b>	<b>353,509,100</b>	<b>235,235,700</b>	<b>161,226,500 <sup>4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	353,509,100	235,235,700	161,226,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>353,509,100</b>	<b>235,235,700</b>	<b>161,226,500</b>
Other Non-Appropriated Funds	64,331,300	1,263,200	0
<b>TOTAL - ALL SOURCES</b>	<b>417,840,400</b>	<b>236,498,900</b>	<b>161,226,500</b>

**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/ Laws 2020, Chapter 58 appropriated \$11,730,900 from the General Fund in FY 2022 for the New School Facilities FY 2021 authorizations.
- 2/ Pursuant to section 15-2041, Arizona Revised Statutes, 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 15, 2020. (General Appropriation Act footnote)
- 3/ At least thirty 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)
- 4/ Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the school facilities board under the federal qualified school construction bond program in fiscal year 2021-2022 shall be deposited in or revert to the state general fund. (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 \$1,771,100 and 17 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

## New School Facilities

The Baseline includes \$75,610,700 from the General Fund in FY 2022 for New School Facilities, which is an increase of \$16,823,900 from FY 2021. The FY 2022 funding amount for New School Facilities includes the following:

- \$11,730,900 for the remaining 50% of construction funding to complete 2 projects which were authorized to begin construction in FY 2021.
- \$63,879,800 for the land costs and the first 50% of construction costs for 5 projects that will be authorized to begin construction in FY 2022. This amount includes \$33,325,000 for land, and \$30,554,800 for construction.

All new school construction is labeled as one-time rather than ongoing.

(Please see [Table 3](#) for a summary of FY 2021 through FY 2024 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 districtwide square feet per student is predicted to fall below the statutory minimum within the next 2 years. 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 16, 2020 meeting, the JLBC approved a 2.76% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2019 when the Committee last adopted an adjustment. Pursuant to A.R.S. § 15-2041D, this adjustment applies prospectively to schools that receive final approval from the board after December 16, 2020 (Please see [Table 1](#) for statutory funding guidelines.)

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.

Table 1

### New School Facilities Statutory Funding Guidelines

Type of School	Square Feet Per Student	Funding Per Square Foot <sup>1/2/</sup>
K-6	90	\$168.90
7-8	100	\$178.31
9-12 (<1,800 pupils)	134	\$206.44
9-12 (≥1,800 pupils)	125	\$206.44

<sup>1/</sup> Increased by 5% for rural school districts.

<sup>2/</sup> Adjusted annually for inflation.

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 2020 Authorization)

The Baseline includes no funding in FY 2022 for New School Facilities projects which are authorized to start construction in FY 2020. FY 2022 adjustments are as follows:

### New School Funding Completion

The Baseline includes a decrease of \$(45,805,900) from the General Fund in FY 2022 for the completion of the following projects:

- [Chandler Unified \(9-12\)](#) – for a new high school.
- [Douglas Unified \(9-12\)](#) – for a new high school.
- [Laveen Elementary \(K-8\)](#) – for a new elementary school.
- [Maricopa Unified \(9-12\)](#) – for a new high school.
- [Pima Unified \(K-6\)](#) – for a new elementary school. There is no land required. The FY 2020 budget funded 100% of this project in FY 2020.
- [Safford Unified \(K-6\)](#) – for a new elementary school.
- [Santa Cruz Valley Unified \(9-12\)](#) – for additional high school space.
- [Somerton Elementary \(K-6\)](#) – for a new elementary school. The FY 2020 budget funded 100% of this project in FY 2020.
- [Somerton Elementary \(K-6\)](#) – for a new elementary school. The FY 2020 budget funded 100% of this project in FY 2020.
- [Vail Unified \(K-5\)](#) – for a new elementary school.

### ***New School Facilities (FY 2021 Authorization)***

The Baseline includes \$11,730,900 from the General Fund in FY 2022 for New School Facilities projects which are authorized to start construction in FY 2021. FY 2022 adjustments are as follows:

#### **Continue New School Construction Projects**

The Baseline includes a decrease of \$(1,250,000) from the General Fund in FY 2022 to continue construction for 2 new school projects authorized to start construction in FY 2021. The enacted FY 2021 budget included 100% of the land costs and 50% of the construction costs. The projects are as follows:

- Chandler Unified (9-12) – for a high school addition
- Tanque Verde Unified (7-12) – for a new high school including land.

In addition, the FY 2021 General Appropriation Act appropriated the remaining \$11,730,900 of funding in FY 2022 for these projects. As a result, these monies will not appear in the FY 2022 General Appropriations Act. (See Table 3 and the Long-Term Budget Impacts section for more information.)

### ***New School Facilities (FY 2022 Authorization)***

The Baseline includes \$63,879,800 from the General Fund in FY 2022 for New School Facilities projects which are authorized to start construction in FY 2022. FY 2022 adjustments are as follows:

#### **Begin New School Construction Projects**

The Baseline includes an increase of \$63,879,800 from the General Fund in FY 2022 to begin construction for 5 new school projects authorized to start construction in FY 2022. These school districts are projected to be at capacity in FY 2023. The Baseline assumes the FY 2022 appropriation will include 100% of the land costs and 50% of the construction costs with the exception of Tanque Verde Unified project which would receive 100% of the funding in FY 2022. The projects are as follows:

- Liberty Elementary (K-8) – for a new elementary school.
- Queen Creek Unified (9-12) – for a new high school including land.
- Sahuarita Unified (9-12) – for a new high school including land.
- Tanque Verde Unified (K-6) – for a new elementary school including land. The Baseline assumes 100% of the construction costs would be funded in FY 2022.

- Vail Unified (6-8) – for a new elementary school including land.

(See Table 3 and the Long-Term Budget Impacts section for more information.)

### ***New School Facilities Debt Service***

The Baseline includes \$67,176,800 from the General Fund in FY 2022 for New School Facilities Debt Service. FY 2022 adjustments are as follows:

#### **Lease-Purchase Payment**

The Baseline includes a decrease of \$(1,000) from the General Fund in FY 2022 for decreased lease-purchase payments. This reflects the variations in SFB's existing lease-purchase schedule.

*Background* – In FY 2003-2005, 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 2022, the outstanding amount of General Fund lease-purchase principal to be paid will be \$139,823,300.

The FY 2022 Baseline includes \$9,938,100 for the entire debt service requirement for the Qualified School Construction Bonds (QSCB) issuance in FY 2021. 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 \$3,729,900, in FY 2022 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 \$6,208,200.

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### ***Other Programs***

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### ***Building Renewal Grants***

The Baseline includes \$16,667,900 from the General Fund in FY 2022 for Building Renewal Grants. FY 2022 adjustments are as follows:

#### **Eliminate One-Time Funding**

The Baseline includes a decrease of \$(90,832,100) from the General Fund in FY 2022 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. (Please see Table 2 for FY 2013 through FY 2021 Building Renewal Appropriations.) In FY 2020, Building Renewal Grant funding (including the supplemental amount) allocated an additional \$90,790,900 in one-time funding above this base amount. The FY 2021 budget included one-time funding of \$90,832,100 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.

<u>Fiscal Year</u>	<u>Ongoing</u>	<u>One-Time</u>
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	59,417,900
2020	16,667,900	90,790,900
2021	16,667,900	90,832,100

Pursuant to A.R.S. § 15-2022, 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 \$1,190,500 balance at the beginning of FY 2021.

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 School Facilities Fund to the EDC Fund.

### Other Issues

This section includes information on the following topics:

- Long-Term Budget Impacts
- K-12 Capital Bonding
- Public School Credit Enhancement Program
- Minimum Adequacy Guidelines

#### Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SFB's General Fund costs are projected to decrease by \$(29,212,600) in FY 2023 above FY 2022 and decrease by \$(8,973,800) in FY 2024 below FY 2023. These estimates are based on:

##### Debt Service Changes

SFB debt service is expected to decrease by \$(4,400) in FY 2023 and increase by \$1,700 in FY 2024.

##### New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining funding in FY 2023 for the schools which were authorized to begin construction in FY 2022; and 2) Conceptual approvals made by SFB as part of the agencies' long-term planning process.

In FY 2023, new school construction spending is projected to decrease by \$(29,208,200). In addition, FY 2024 new school construction spending is projected to decrease by \$(8,975,500) below FY 2023. (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. SFB Conceptual approval for future projects does not represent formal approval of these projects.

Long-term estimates include land costs when SFB indicates land is required which is not already available to the district. Unless a land cost estimate was specifically provided by SFB, land costs are estimated using median acreage required by SFB policy per school type/size and estimated land market values.

SFB new construction projections assume standard demography changes and assume that in FY 2022, a majority of students will return to the school they attended prior to the COVID-19 pandemic.

### **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 2020, the total amount of voter-approved school district bonds outstanding was approximately \$5.6 billion.

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 5 districts with Class B bond approvals in 2020 for a total of \$307,100,000

### **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 30, 2020, 13 schools have been approved financing through the program – Academy of Math and Science (2 projects), Arizona Agribusiness and Equine Center, BASIS Schools (2 projects), Candeo Schools, Great Hearts Academies (2 projects), Highland Prep, Legacy Traditional Schools (2 projects), Paradise Schools, and Vista College Preparatory. The total outstanding principal amount is \$232,030,000. To date, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is \$106,014,300 and has a leverage ratio of 2.19 (based only on the outstanding principal of issued financing). The statutory limit for the program's leverage ratio is 3.5.

### **Minimum Adequacy Guidelines**

The FY 2019 K-12 Education Budget Reconciliation Bill (BRB) 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. SFB initiated an expedited rulemaking process to make streamlined and technical changes to its existing guidelines. At the September 2020 JCCR meeting, the Committee gave a favorable review of SFB's fiscal impact statement with a provision stating favorable review does not constitute endorsement of any General Fund appropriations to pay for any increased costs associated with the proposed rule changes. The board expects to consider additional changes to the rules in 2021 which would require further JCCR review.

**Table 3**

**Long-Term New School Facilities Funding**

	<u>Type</u>	<u>Sq. Ft</u>	<u>Student Capacity</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<b><u>FY 2020 Starts</u></b> <sup>1/2/</sup>							
Chandler 9-12	New	100,000	800	\$ 8,984,500			
Douglas 9-12	New	87,502	653	8,254,500			
Laveen K-8 (accelerated)	New	92,400	1,000	7,307,000			
Maricopa 9-12	New	125,000	1,000	11,230,700			
Safford K-6	New	42,210	469	3,257,600			
Santa Cruz Valley 9-12 (accelerated)	Addition	26,800	200	2,556,900			
Vail K-5 (accelerated)	New	54,000	675	4,214,700			
<b>Subtotal - FY 2020 Starts</b>				<b>\$45,805,900</b>			
<b><u>FY 2021 Starts</u></b>							
Chandler 9-12	Addition	87,500	700	8,789,500	8,789,500		
Tanque Verde 7-12	New	30,675	250	2,941,400	2,941,400		
Tanque Verde Land				1,250,000			
<b>Subtotal - FY 2021 Starts</b>				<b>\$12,980,900</b>	<b>\$11,730,900</b>		
<b><u>FY 2022 Starts</u></b>							
Liberty K-8	New	73,920	800		\$ 6,155,000	\$ 6,155,000	
Queen Creek 9-12	New	120,375	963		12,091,700	12,091,700	
Queen Creek Land					17,200,000		
Sahuarita 9-12	New	55,375	443		5,562,400	5,562,400	
Sahuarita Land					12,000,000		
Tanque Verde K-6 <sup>3/</sup>	New	8,460	94		1,390,500		
Tanque Verde Land					1,000,000		
Vail 6-8	New	62,836	650		5,355,200	5,355,200	
Vail Land					3,125,000		
<b>Subtotal - FY 2022 Starts</b>					<b>\$63,879,800</b>	<b>\$ 29,164,300</b>	
<b><u>FY 2023 Starts</u></b> <sup>4/</sup>							
Nadaburg 9-12	New	67,000	558			6,915,900	6,915,900
Yuma Union 9-12	New	100,000	800			10,322,300	10,322,300
<b>Subtotal - FY 2023 Starts</b>						<b>\$ 17,238,200</b>	<b>\$17,238,200</b>
<b><u>FY 2024 Starts</u></b> <sup>4/</sup>							
Laveen K-8	New	92,400	1,000				\$ 7,905,900
Laveen Land							2,500,000
Liberty K-8	New	73,920	800				6,324,900
Saddle Mountain 9-12	Addition	33,500	299				3,458,000
<b>Subtotal - FY 2024 Starts</b>							<b>\$20,188,800</b>
<b>Total</b>				<b>\$58,786,800</b>	<b>\$75,610,700</b>	<b>\$46,402,500</b>	<b>\$37,427,000</b>

1/ FY 2020 Starts also received a total of \$75,875,800 in FY 2020 including 100% funding for Somerton (2) and Pima projects.

2/ The FY 2020 budget accelerated new school construction for schools that are projected to be over capacity in the next 2 years. "Accelerated" indicates schools that were accelerated due to the FY 2020 budget legislation.

3/ Assumes 100% of construction costs would be funded in the first year due to the small school size.

4/ Reflects the long-term new school construction cost estimates based on SFB conceptual approvals as of December 2020.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 15-2154)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. (Please see the State Treasurer's Section for more information.)		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Building Renewal Grant Fund (SFA2392/A.R.S. § 15-2032)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To provide grants to school districts for maintaining the adequacy of existing school facilities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The balance amounts displayed represent unencumbered funds which have not been awarded by the board.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	37,400	0
<b>Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund.		
<b>Purpose of Fund:</b> To provide school districts monies for facility emergencies.		
<b>Funds Expended</b>	25,800	1,190,500
<b>Year-End Fund Balance</b>	1,190,500	0
<b>IGA and ISA Fund (SFA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute various intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	180,100	72,700
<b>Year-End Fund Balance</b>	72,700	0
<b>Lease to Own Debt Service Fund (SFA2373/A.R.S. § 15-2004)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
<b>Purpose of Fund:</b> To pay the debt service on any lease-to-own agreements entered into by SFB to finance the costs of new school construction. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,751,000	1,744,700
<b>New School Facilities Fund (SFA2460/A.R.S. § 15-2041)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	68,968,400	46,293,100

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
<b>Funds Expended</b>	64,125,400	0
<b>Year-End Fund Balance</b>	9,296,700	0
<b>State School Trust Revenue Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
<b>Purpose of Fund:</b> To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	22,400	0

## Department of State - Secretary of State

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	143.1	143.1	143.1
Personal Services	5,501,600	5,777,600	5,777,600
Employee Related Expenditures	2,149,700	2,311,000	2,311,000
Professional and Outside Services	1,236,300	1,113,300	1,113,300
Travel - In State	3,100	19,000	19,000
Travel - Out of State	15,600	45,000	45,000
Other Operating Expenditures	3,766,700	3,719,200	3,719,200
Equipment	175,800	175,900	175,900
<b>OPERATING SUBTOTAL</b>	<b>12,848,800</b>	<b>13,161,000</b>	<b>13,161,000</b> <sup>1/</sup>
<b>SPECIAL LINE ITEMS</b>			
Election Services	0	4,000,000 <sup>2/</sup>	0
HAVA - Other Help America Vote Act Projects	0 <sup>3/</sup>	0	0
HAVA - December 2019 Grant - County Allocation	308,700 <sup>4/</sup>	0	0
HAVA - December 2019 Grant - SOS Allocation	0 <sup>4/</sup>	0	0
Presidential Preference Election	6,171,600 <sup>D/D/D/D/ D/S/S/</sup>	0	0
Uniform State Laws Commission	61,500	99,000	99,000
Library Grants-in-Aid	731,500	651,400	651,400 <sup>2/</sup>
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
<b>AGENCY TOTAL</b>	<b>20,219,100</b>	<b>18,008,400</b>	<b>14,008,400</b> <sup>3/</sup>
<b>FUND SOURCES</b>			
General Fund	19,167,600	17,263,600	13,263,600
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	308,700	0	0
Records Services Fund	742,800	744,800	744,800
SUBTOTAL - Other Appropriated Funds	1,051,500	744,800	744,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>20,219,100</b>	<b>18,008,400</b>	<b>14,008,400</b>
Other Non-Appropriated Funds	706,100	1,487,900	1,487,900
Federal Funds	3,223,300	6,873,100	6,873,100
<b>TOTAL - ALL SOURCES</b>	<b>24,148,500</b>	<b>26,369,400</b>	<b>22,369,400</b>

**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; certifying certain telemarketing and charitable solicitation organizations; and providing 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 \$13,161,000 for fiscal year 2021-2022 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 2/ Before transferring any monies in or out of the election services line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (FY 2021 General Appropriation Act footnote)
- 3/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$5,400,400 to the secretary of state for other help America vote act projects made by Laws 2018, chapter 276, section 85 that remains unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (FY 2021 General Appropriation Act footnote)
- 4/ The sum of \$6,690,300 is appropriated from the election systems improvement fund established by section 41-129, Arizona Revised Statutes, in fiscal year 2019-2020 to the secretary of state to be allocated as follows:

1. \$5,352,200 shall be distributed to the counties for election systems improvements. Each county shall receive \$50,000 and the remainder of the monies allocated shall be distributed to each county based on the county's population according to the 2010 United States decennial census.
2. \$1,338,100 shall be used by the secretary of state for election systems improvements. Before spending the monies, the secretary of state shall submit an expenditure plan for review by the joint legislative budget committee.

The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (FY 2021 General Appropriation Act footnote)

~~D/ In addition to monies appropriated pursuant to Laws 2019, chapter 263, section 87, the sum of \$2,616,900 is appropriated from the state general fund in fiscal year 2019-2020 to the secretary of state to reimburse expenses incurred by counties to administer the 2020 presidential preference election. (FY 2021 General Appropriation Act footnote)~~

~~The secretary of state shall reimburse counties based on the number of active registered voters in that county on January 2, 2020 as follows:~~

- ~~1. For counties with an official active voter registration total of five hundred thousand persons or more, in the amount of the actual expenses incurred or \$1.74 for each active registered voter in the county, whichever is less.~~
- ~~2. For counties with an official active voter registration total of two hundred thousand persons or more and less than five hundred thousand persons, in the amount of the actual expenses incurred or \$1.60 for each active registered voter in the county, whichever is less.~~
- ~~3. For counties with an official active voter registration total of one hundred thousand persons or more and less than two hundred thousand persons, in the amount of the actual expenses incurred or \$1.90 for each active registered voter in the county, whichever is less.~~
- ~~4. For counties with an official active voter registration total of fifty thousand persons or more and less than one hundred thousand persons, in the amount of the actual expenses incurred or \$2.00 for each active registered voter in the county, whichever is less.~~
- ~~5. For counties with an official active voter registration total of twelve thousand persons or more and less than fifty thousand persons, in the amount of the actual expenses incurred or \$2.10 for each active registered voter in the county, whichever is less.~~
- ~~6. For counties with an official active voter registration total of less than twelve thousand persons, in the amount of the actual expenses incurred or \$2.40 for each active registered voter in the county, whichever is less.~~

~~—(FY 2021 General Appropriation Act footnote)~~

~~D/ A county shall submit its certified claims to the secretary of state not later than May 18, 2020. (FY 2021 General Appropriation Act footnote)~~

~~D/ On or before December 31, 2020, the secretary of state shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting regarding reimbursements made pursuant to this section. (FY 2021 General Appropriation Act footnote)~~

~~D/ The appropriation and reimbursement rates prescribed do not set a precedent that the costs of administering any process to select party nominees for a presidential election held after March 17, 2020 will be reimbursed by the state at any particular level. (FY 2021 General Appropriation Act footnote)~~

~~5/ Notwithstanding Laws 2019, chapter 263, section 87, the \$4,408,100 appropriated for the presidential preference election line item by Laws 2019, chapter 263, section 87 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (FY 2021 General Appropriation Act footnote)~~

~~6/ The appropriation made in subsection A (referring to the \$2,616,900 FY 2020 presidential preference election supplemental) of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (FY 2021 General Appropriation Act footnote)~~

~~7/ 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)~~

~~8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.~~

<b>Operating Budget</b>
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The Baseline includes \$13,161,000 and 143.1 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$12,416,200
Record Services Fund	744,800

These amounts are unchanged from FY 2021.

## **Election Services**

The Baseline includes no funding from the General Fund in FY 2022 for the Election Services line item. FY 2022 adjustments are as follows:

### **Remove One-Time Funding**

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2022 to remove one-time funding of election costs.

For FY 2021, this line item included funding for the Primary Election held on August 4, 2020 and the General Election on November 3, 2020.

These monies are being removed as there is no scheduled statewide election in FY 2022. This FY 2022 funding level is consistent with the 3-year spending plan associated with the enacted FY 2021 budget.

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.

Ongoing annual elections services costs are funded out of the agency's operating budget. This line item is intended only to cover variable election costs in an election year.

The Presidential Preference Election is funded in a separate line item.

### **HAVA - Other Help America Vote Act (HAVA) Projects**

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2022 for this line item. This amount is unchanged from FY 2021.

HAVA is federal election reform legislation from 2002 that imposes several requirements on the states with respect to the conduct of federal elections. 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.

An 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. On June 18, 2019, JLBC reviewed a revised version of the expenditure plan. The revised expenditure plan included \$2,735,000 for county grants, \$935,800 for voter registration system development costs, and \$211,600 for voter registration database maintenance costs in FY 2020.

Because this appropriation was scheduled to lapse at the end of FY 2020, the FY 2021 enacted budget included a footnote extending the lapse date for Other HAVA Projects monies until June 30, 2022, which follows the standard 2-year appropriation schedule for prior HAVA funding.

On June 24, 2020, JLBC reviewed the FY 2021 expenditure plan for these monies, which included voter registration database development costs and county subgrants that had been delayed from FY 2020. In addition, funding was allocated to maintenance costs for the voter registration database and IT security enhancements.

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from the Consolidated Appropriations Act of 2020 (December 2019 allocation) or March 2020 federal Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19 relief legislation.

### **HAVA - December 2019 Grant - County Allocation**

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2022 for the HAVA - December 2019 Grant - County Allocation line item. This amount is unchanged from FY 2021.

The FY 2021 enacted budget included an FY 2020 supplemental that allocated \$5,352,200 of HAVA funding to the counties for election systems improvements. Each county received a base amount of \$50,000, with remaining monies allocated based on population according to the 2010 decennial census. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022.

### **HAVA - December 2019 Grant - SOS Allocation**

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2022 for the HAVA - December 2019 Grant - SOS Allocation line item. This amount is unchanged from FY 2021.

The FY 2021 enacted budget included an FY 2020 supplemental that allocated \$1,338,100 of HAVA funding to SOS for election systems improvements, subject to JLBC review of the SOS expenditure plan. On June 24, 2020, JLBC reviewed the [expenditure plan](#) for these monies, including a provision requiring that any expenditures for a public information campaign only be made in the form of grants to county recorders for that purpose and shall be distributed as follows: \$50,000 to each of the 5 largest counties according to the 2010 decennial census and \$25,000 to each of the remaining counties. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022.

After the enactment of the FY 2021 budget, SOS reported that in-kind spending from Maricopa County allowed Arizona to meet the 20% match requirement, giving the state access to the entire grant amount. Given that \$6,690,300 was appropriated as an FY 2020 supplemental, there is \$1,707,000 of unallocated funding from the December 2019 HAVA grant.

#### **Presidential Preference Election (PPE)**

The Baseline includes no funding from the General Fund in FY 2022 for the Presidential Preference Election (PPE) line item. This amount is unchanged from FY 2021.

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. The Republican Party opted out of the March 2020 Presidential Preference Election.

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.

While the FY 2021 enacted budget opted to reimburse counties at a higher rate than the statutory requirement of \$1.25 per active registered voter, the Budget Procedures Budget Reconciliation Bill (BRB) includes an intent clause stating that the appropriation and reimbursement rates for the 2020 PPE do not set a precedent for reimbursement levels of future PPEs. The next PPE will be held in FY 2024. *For more information, please see footnotes 5-9 in the FY 2021 Appropriations Report.*

#### **Uniform State Laws Commission**

The Baseline includes \$99,000 from the General Fund in FY 2022 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2021.

The Uniform State Laws Commission attempts to provide states with non-partisan legislation that creates consistency from state to state in areas of state law. Monies in this line item may be used to cover travel and other expenses related to Arizona's participation in the commission.

#### **Library Grants-in-Aid**

The Baseline includes \$651,400 from the General Fund in FY 2022 for Library Grants-in-Aid. This amount is unchanged from FY 2021.

This line item funds a portion of the state maintenance of effort (MOE) 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 an MOE 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 2022 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2021.

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**

This section includes information on the following topics:

- Long-Term Budget Impacts
- COVID-19 Federal Legislation - Election Funding
- Coronavirus Relief Fund - SOS Allocation

#### **Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, SOS' General Fund costs are projected to increase by \$4,000,000 in FY 2023 above FY 2022, as funding for the

Elections Services line item would be restored to \$4,000,000 for the August/November 2022 statewide Primary/General election. For FY 2024, the SOS budget would have a net increase of \$70,000: 1) The \$4,000,000 Election Services amount would be retained for the 2024 PPE; and 2) An increase of \$70,000 for a previously enacted appropriation related to the establishment of an electronic repository of state archives and documents.

In addition, prior budget legislation has delayed the implementation of the Professional Employer Organization program until June 30, 2023, meaning the program is scheduled to become active in FY 2024. Since the fund receives revenues from registration and renewal fees, the program is not currently expected to have a General Fund budget impact.

**COVID-19 Federal Legislation – Election Funding**

In March 2020, the CARES Act allocated \$7,842,100 in election security grants to Arizona for the purpose of preventing, preparing for, and responding to coronavirus in the FY 2020 federal election cycle. After the technical reallocation of funding by the federal Election Assistance Commission (EAC), Arizona's final allocation from the CARES Act HAVA grant was \$7,874,800.

EAC indicated these funds require a 20% state match. Under the standard HAVA guidelines, this match can be fulfilled through a direct appropriation to SOS or through eligible in-kind contributions at the state or county level.

While CARES Act funds were not appropriated during the 2020 Regular Session, SOS was allocated monies from the Coronavirus Relief Fund by the Executive in July 2020. SOS was also awarded \$1,500,000 from the Center for Election Innovation and Research, which supplanted the \$1,500,000 in Coronavirus Relief monies allocated for public education initiatives.

SOS is requesting \$9,449,800 of funding be appropriated to reimburse the Coronavirus Relief Fund, consisting of the following amounts: 1) \$7,874,800 of CARES Act HAVA funds; and 2) \$1,575,000 from the General Fund for the 20% match requirement, as SOS indicates they are currently unable to fulfill the match requirement through other mechanisms such as in-kind contributions from county governments.

Because the Coronavirus Relief Fund spending authority expires on December 30, 2020, and the Legislature did not reconvene until January 2021, whether the Executive would be able to use amounts repaid to the Coronavirus Relief Fund in the second half of FY 2021 remains to be determined (see the *Coronavirus Relief Fund – SOS Allocation* section below for additional information).

**Coronavirus Relief Fund – SOS Allocation**

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included \$9,449,800 from the Coronavirus Relief Fund for additional pandemic-related costs associated with the FY 2020 election cycle. This amount consisted of \$1,849,800 for state program costs and \$7,600,000 for county support. As noted above, \$1,500,000 of the state program costs were ultimately supplanted with monies from the Center for Election Innovation and Research. No legislative appropriation is required for these monies to be spent. *Table 1* outlines actual spending of these monies as of October 20, 2020.

**Table 1**

**FY 2021 Elections CRF Allocation  
Spending Actuals as of October 20, 2020D**

	FY 2021
<u>State Programs</u>	
COVID-19 Related Expenses	\$ 150,000
Public Education Campaign <sup>1/</sup>	<u>0</u>
<i>Subtotal – State Programs</i>	<i>\$ 150,000</i>
<u>County Assistance</u>	
PPE and Sanitation Supplies	300,000
Hand Washing Stations	47,600
County Subgrants – Tribal/Rural Areas	253,000
County Subgrants – Voter Count Totals	<u>5,000,000</u>
<i>Subtotal – County Assistance</i>	<i>\$5,600,600</i>
<b>Total</b>	<b>\$5,750,600</b>

<sup>1/</sup> CRF monies for this initiative were supplanted by grant monies for the Center for Election Innovation and Research.

Under the program, \$5,000,000 was distributed to counties to improve COVID-19 response efforts. Each county received a base amount of \$100,000, with remaining monies distributed based on the county's share of registered voters as of January 2, 2020. Eligible expenses included safety initiatives such as hiring temporary staff and poll workers, securing ballot drop boxes, and expanding curbside-voting. Please see *Table 2* for a breakdown of each county's individual allocation.

**Table 2**

**County Subgrants Distribution –  
CRF Allocation**

**FY 2021**

<u>County</u>	
Apache	\$ 145,700
Cochise	166,600
Coconino	177,500
Gila	127,500
Graham	117,100
Greenlee	104,200
La Paz	109,300
Maricopa	2,237,500
Mojave	211,000
Navajo	158,600
Pima	611,300
Pinal	295,200
Santa Cruz	123,800
Yavapai	230,400
Yuma	<u>184,300</u>
<b>Total</b>	<b>\$5,000,000</b>

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	430,400	500,300
<b>Year-End Fund Balance</b>	293,400	304,700
<b>Coronavirus Relief Fund (STA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	0	3,349,800
<b>Year-End Fund Balance</b>	0	0
<b>County Contributions to the Voter Registration System Fund (STA8888/A.R.S. § 16-168.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives monies transferred from counties to the Secretary of State.		
<b>Purpose of Fund:</b> To develop and administer the statewide database of voter registration information.		
<b>Funds Expended</b>	(59,000)	29,500
<b>Year-End Fund Balance</b>	59,000	29,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A special recording fee on Uniform Commercial Code and other filings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	290,000
<b>Year-End Fund Balance</b>	414,300	209,300
<b>Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	308,700	0
<b>Year-End Fund Balance</b>	16,040,900	16,180,200
<b>Election Training Fund (STA2521/A.R.S. § 16-407)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives money from cities and towns whose employees take election training courses.		
<b>Purpose of Fund:</b> To provide election training to officials from cities and towns.		
<b>Funds Expended</b>	2,300	6,000
<b>Year-End Fund Balance</b>	6,300	2,800
<b>Electronic Records Repository Fund (STA9999/A.R.S. § 41-151.26)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from legislative appropriations, gifts, nonfederal grants, fees, and donations.		
<b>Purpose of Fund:</b> To fund operating expenses for the state library's electronic records repository.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants (LAA2000/A.R.S. § 41-151.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants awarded to the state for library purposes.		
<b>Purpose of Fund:</b> Prescribed by the federal grantor for statewide library purposes.		
<b>Funds Expended</b>	3,223,300	3,523,300
<b>Year-End Fund Balance</b>	464,900	507,900
<b>IGA and ISA Fund (STA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
<b>Purpose of Fund:</b> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
<b>Funds Expended</b>	11,200	75,000
<b>Year-End Fund Balance</b>	88,900	88,900
<b>Museum Gift Shop Revolving Fund (LAA4008/A.R.S. § 41-151.24)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
<b>Purpose of Fund:</b> To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
<b>Funds Expended</b>	19,400	35,500
<b>Year-End Fund Balance</b>	20,300	13,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Notary Bond Fund (STA2387/A.R.S. § 41-314)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives a portion of the fee collected from the processing of notary bonds.		
<b>Purpose of Fund:</b> To defray the cost associated with the processing and administration of notary bonds.		
<b>Funds Expended</b>	119,800	104,200
<b>Year-End Fund Balance</b>	43,100	23,900
<b>Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Professional Employer Organization (PEO) registration and renewal fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Records Services Fund (LAA2431/A.R.S. § 41-151.12)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
<b>Purpose of Fund:</b> To help defray costs of preserving and managing the state of Arizona's public records.		
<b>Funds Expended</b>	742,800	744,800
<b>Year-End Fund Balance</b>	515,500	1,022,600
<b>Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Filing fees paid by standing political committees.		
<b>Purpose of Fund:</b> To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
<b>Funds Expended</b>	0	39,000
<b>Year-End Fund Balance</b>	79,000	40,100
<b>State Library Fund (LAA2115/A.R.S. § 41-151.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
<b>Purpose of Fund:</b> To improve statewide library service.		
<b>Funds Expended</b>	182,000	408,400
<b>Year-End Fund Balance</b>	187,500	94,500

## State Board of Tax Appeals

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	171,800	187,400	187,400
Employee Related Expenditures	65,500	59,700	59,700
Travel - In State	100	400	400
Other Operating Expenditures	42,300	44,600	44,600
Equipment	0	100	100
<b>AGENCY TOTAL</b>	<b>279,700</b>	<b>292,200</b>	<b>292,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	279,700	292,200	292,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>279,700</b>	<b>292,200</b>	<b>292,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>279,700</b>	<b>292,200</b>	<b>292,200</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$292,200 and 4 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

## State Board of Technical Registration

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,002,700	1,143,000	1,143,000
Employee Related Expenditures	442,400	488,800	488,800
Professional and Outside Services	19,000	191,600	191,600
Travel - In State	3,100	5,000	5,000
Travel - Out of State	17,200	17,200	17,200
Other Operating Expenditures	367,100	417,500	417,500
Equipment	10,200	0	0
<b>AGENCY TOTAL</b>	<b>1,861,700</b>	<b>2,263,100</b>	<b>2,263,100<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Technical Registration Fund	1,861,700	2,263,100	2,263,100
SUBTOTAL - Other Appropriated Funds	1,861,700	2,263,100	2,263,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,861,700</b>	<b>2,263,100</b>	<b>2,263,100</b>
Other Non-Appropriated Funds	53,000	0	0
<b>TOTAL - ALL SOURCES</b>	<b>1,914,700</b>	<b>2,263,100</b>	<b>2,263,100</b>

**AGENCY DESCRIPTION** — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$2,263,100 and 25 FTE Positions from the Technical Registration Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Technical Registration Board of Investigations Fund (TEA2072/A.R.S. § 32-128)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Court assessments, fines, forfeitures and other penalties.		
<b>Purpose of Fund:</b> To fund the cost of disciplinary investigations relating to fraudulent or misrepresented certifications, gross negligence or other similar misconduct.		
<b>Funds Expended</b>	53,000	0
<b>Year-End Fund Balance</b>	91,400	117,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Technical Registration Fund (TEA2070/A.R.S. § 32-109)</b>		<b>Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.</p>		
<b>Funds Expended</b>	1,861,700	2,263,100
<b>Year-End Fund Balance</b>	4,590,400	4,759,300

## Office of Tourism

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,792,200	1,903,600	1,903,600
Employee Related Expenditures	662,200	667,600	667,600
Professional and Outside Services	2,553,600	2,249,100	2,249,100
Travel - In State	14,700	20,000	20,000
Travel - Out of State	111,600	114,700	114,700
Other Operating Expenditures	1,268,400	2,249,600	2,249,600
Equipment	182,900	30,500	30,500
<b>OPERATING SUBTOTAL</b>	<b>6,585,600</b>	<b>7,235,100</b>	<b>7,235,100<sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Promotion	1,000,000	1,000,000	1,000,000
Wine Promotion	100,000	100,000	100,000
<b>AGENCY TOTAL</b>	<b>7,685,600</b>	<b>8,335,100</b>	<b>8,335,100</b>
<b>FUND SOURCES</b>			
General Fund	7,685,600	8,335,100	8,335,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,685,600</b>	<b>8,335,100</b>	<b>8,335,100</b>
Other Non-Appropriated Funds	16,809,400	8,776,100	8,776,100
<b>TOTAL - ALL SOURCES</b>	<b>24,495,000</b>	<b>17,111,200</b>	<b>17,111,200</b>

**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 an Operating Lump Sum with Special Line Items by Agency.

#### Operating Budget

The Baseline includes \$7,235,100 and 28 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

#### Arizona Promotion

The Baseline includes \$1,000,000 from the General Fund in FY 2022 for Arizona Promotion funding. This amount is unchanged from FY 2021.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

#### Wine Promotion

The Baseline includes \$100,000 from the General Fund in FY 2022 for Wine Promotion funding. This amount is unchanged from FY 2021.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry.

#### Other Issues

#### Funding Sources

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation; 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.

In FY 2019, the most recent year not impacted by the COVID-19 pandemic, AOT's overall funding amount totaled \$23,183,500. From FY 2019 to FY 2020, AOT's funding level increased by 6.6% to \$24,727,100, despite FY 2020 fourth quarter revenue decreasing as a result of the pandemic. The agency projects overall FY 2021 funding to be \$17,011,300, representing a (31)% decrease from the previous year. AOT projects overall funding to increase to a level of \$21,757,600 in FY 2022, representing a 28% increase from FY 2021 but still below pre-pandemic revenue levels. However, economic indicators from the first quarter of FY 2021 show better recovery than initially anticipated, suggesting the overall impact of COVID-19 on tourism revenues in FY 2021 may be overstated. (See *Table 2 for additional details on agency revenue. See the Covid-19 Pandemic narrative in the Other Issues section for additional details on the effects of the pandemic.*)

#### **Special Sporting Event Promotion**

A.R.S. § 41-2308 appropriates \$1,500,000 annually to the State Treasurer for distribution to the Office of Tourism related to the promotion and marketing of a special sporting event hosted in Arizona. This appropriation is in effect from FY 2022 to FY 2051. (Please see the *State Treasurer narrative for the display of the Special Sporting Event Promotion appropriation.*)

#### **COVID-Related Spending**

As part of the state response to COVID-19, the Executive has allocated \$7,000,000 to support the hospitality and tourism industry. This amount consists of \$6,000,000 from the federal Coronavirus Relief Fund (CRF) and \$1,000,000 from the state-funded Crisis Contingency and Safety Net Fund (CCSNF).

AOT will receive a total of \$4,000,000 from the CRF as part of the Executive's hospitality and tourism allocation. Of that amount, \$3,000,000 will be used to develop a promotional plan for travel, hotel and restaurant activity, and destination visiting. The remaining \$1,000,000 will be used to strengthen AOT's domestic marketing campaigns.

The Arizona Commerce Authority will receive a total of \$2,000,000 from the CRF as part of the hospitality and tourism allocation. The final \$1,000,000 will be provided from the state-funded CCSNF and distributed to local Arizona chambers of commerce for programs designed to accelerate local economic recovery. (See the *Arizona Commerce Authority narrative for additional details. See the COVID-Related Spending Summary at the front of this book for more information.*)

In addition to the funding from the CCSNF and CRF, AOT will provide \$200,000 from the agency's operating budget to further support the restaurant industry. Of the \$200,000 amount, \$100,000 will be allocated to the Arizona Lodging and Tourism Association to expand its AZSAFE+CLEAN Certification program, which helps restaurants and hotels strengthen sanitation and mitigation practices. The remaining \$100,000 will be allocated to the Arizona Restaurant Association to provide consultation to dining establishments interested in expanding their premises to increase physical distancing efforts and maximize seating capacity during the pandemic.

#### **Auditor General Report**

The Arizona Sports and Tourism Authority (AZSTA) was established as a result of voter-approved Proposition 302 in November 2000. AZSTA is responsible for the ownership and operation of State Farm Stadium in Glendale, in addition to overseeing the statutory distribution of revenues generated by Proposition 302. These monies are used to fund tourism promotion in Maricopa County, maintenance of Cactus League and spring training facilities, and Youth and Amateur Sports programs. Pursuant to Proposition 302, monies designated to promote tourism in Maricopa Country are distributed by AZSTA to AOT. (Please see *Funding Sources section for additional information.*)

In November 2020, the Auditor General published an AZSTA performance audit review that included recommendations for improvements to AZSTA's statutory revenue distribution and its facility oversight practices. The audit also provided projections on AZSTA's FY 2021 revenue collection and the additional use of the cash balance in AZSTA's operational account due to a reduction in tourism revenues related to the COVID-19 pandemic. The Auditor General made the following findings:

- From FY 2015 to FY 2020, AZSTA at times distributed revenues inconsistent with statute, resulting in Youth and Amateur Sports receiving \$1,092,673 above its statutory distribution and other recipients receiving less than statutorily directed. AZSTA has since corrected this error.
- A key facility oversight practice relating to State Farm Stadium was discontinued and previous oversight efforts were not properly documented.
- From FY 2015 to FY 2020, AZSTA did not collect enough revenue to fulfill all of its monthly statutory distribution requirements.

- Data from the first quarter of FY 2021 shows a (33)% decrease in operating revenue collections compared to the first quarter of FY 2020. As a result, AZSTA projects using approximately \$13,300,000 of the \$29,000,000 cash balance in its operational account during the remainder of FY 2021 due to decreased tourism revenue related to the COVID-19 pandemic. (See Table 1 for AZSTA additional details on AZSTA revenue.)

recommendations can be implemented with AZSTA's existing resources. AZSTA agreed to the auditor's recommendations.

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 21 Est.</u>
Tourism-related	\$34.9	\$32.2	\$24.3
Facility-related	<u>25.2</u>	<u>24.2</u>	<u>13.1</u>
<b>Total</b>	<b>\$60.1</b>	<b>\$56.4</b>	<b>\$37.4</b>

Source: November 2020 Auditor General AZSTA Performance Audit

The audit recommended that AZSTA take additional measures to ensure that it accurately distributes revenue according to statutory requirements as well as fully implement and document existing Stadium oversight practices. The Auditor General believes these

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$8,214,000	\$8,335,100	\$8,335,100
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	9,498,000	4,652,800 <sup>2/</sup>	9,329,400 <sup>2/</sup>
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>7,015,100</u>	<u>4,023,400</u> <sup>2/</sup>	<u>4,093,100</u> <sup>2/</sup>
<b>Total</b>		<b>\$24,727,100</b>	<b>\$17,011,300</b>	<b>\$21,757,600</b>

<sup>1/</sup> The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.  
<sup>2/</sup> The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2021 and FY 2022 are estimates provided by the Office of Tourism in September 2020 and may not capture the full impact of the COVID-19 pandemic on agency revenues.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>IGA and ISA Fund (GMA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	221,600	0
<b>Year-End Fund Balance</b>	728,400	728,400
<b>Tourism Fund (TOA2236/A.R.S. § 41-2306)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. This transfer is based on a partial allocation of a 1% increase in the bed tax and a 3.25% increase in the car rental tax. 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. A.R.S. § 41-2308 provides for an annual General Fund appropriation of \$1,500,000 to the State Treasurer to deposit into the Tourism Fund beginning in FY 2022 through FY 2051. The funding will be used to promote auto racing sporting events in Arizona.		
<b>Purpose of Fund:</b> To pay for all costs associated with Office of Tourism activities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<b>Funds Expended</b>	16,587,800	8,776,100
<b>Year-End Fund Balance</b>	3,894,100	3,894,100

## Department of Transportation

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,554.0	4,554.0	4,554.0 <sup>1/</sup>
Personal Services	97,936,100	115,562,700	115,562,700
Employee Related Expenditures	44,436,300	53,975,200	53,975,200
Professional and Outside Services	10,796,700	8,834,700	8,834,700
Travel - In State	649,400	575,500	575,500
Travel - Out of State	175,800	175,200	175,200
Other Operating Expenditures	31,724,900	25,702,600	25,702,600
Equipment	5,431,700	7,027,100	7,027,100
<b>OPERATING SUBTOTAL</b>	<b>191,150,900</b>	<b>211,853,000</b>	<b>211,853,000</b>
<b>SPECIAL LINE ITEMS</b>			
Attorney General Legal Services	3,577,700	3,623,700	3,623,700 <sup>2/</sup>
Authorized Third Parties	1,988,400	2,088,400	2,088,400
Consolidated State Motor Vehicle Fleet	0	0	7,041,000 <sup>3/</sup>
Driver Safety and Livestock Control	556,600	800,000	800,000
Highway Damage Recovery Account	8,000,000	8,000,000	8,000,000
Highway Maintenance	119,662,700	145,211,300	145,211,300 <sup>4/5/</sup>
Preventive Surface Treatments	26,922,600	36,142,000	36,142,000
Vehicle Replacement	12,652,000	15,300,000	15,300,000 <sup>6/</sup>
Vehicles and Heavy Equipment Maintenance	17,504,200	19,167,800	19,167,800
<b>AGENCY TOTAL</b>	<b>382,015,100</b>	<b>442,186,200</b>	<b>442,186,200 <sup>7/-12/19/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Air Quality Fund	281,000	326,000	326,000
Highway Damage Recovery Account	8,000,000	8,000,000	8,000,000
Highway User Revenue Fund	540,600	679,900	679,900
Ignition Interlock Device Fund	315,100	332,800	332,800
Motor Vehicle Liability Insurance Enforcement Fund	2,038,200	1,781,800	1,781,800
Motor Vehicle Pool Consolidation Fund	0	0	7,041,000
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	755,000	896,000	896,000
State Aviation Fund	1,786,000	2,064,800	2,064,800
State Highway Fund	349,306,300	406,793,900	406,793,900
Transportation Department Equipment Fund	17,504,200	19,167,800	19,167,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,488,700	2,143,200	2,143,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>382,015,100</b>	<b>442,186,200</b>	<b>449,227,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>382,015,100</b>	<b>442,186,200</b>	<b>449,227,200</b>
Other Non-Appropriated Funds	34,403,300	22,795,100	22,795,100
Federal Funds	29,218,000	73,481,300	70,604,200
<b>TOTAL - ALL SOURCES</b>	<b>445,636,400</b>	<b>538,462,600</b>	<b>542,626,500</b>

**AGENCY DESCRIPTION** — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

### FOOTNOTES

<sup>1/</sup> Includes 1,152 OF FTE Positions funded from Special Line Items in FY 2022.

<sup>2/</sup> 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/ The legislature intends that the department not replace vehicles until they have an average of 80,000 miles or more. On or before August 1, 2021, the department shall submit a report to the joint legislative budget committee on the criteria used and maintenance savings achieved from replacing vehicles in the prior fiscal year. (General Appropriation Act footnote) Footnote previously in the Arizona Department of Administration.
- 4/ Of the total amount appropriated, \$145,211,300 in fiscal year 2021-2022 for highway maintenance is exempt from the provisions of section 35-190, Arizona Revised Statutes, 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 section 28-6991, Arizona Revised Statutes, or the safety enforcement and transportation infrastructure fund – department of transportation subaccount established by section 28-6547, Arizona Revised Statutes, on August 31, 2022. (General Appropriation Act footnote)
- 5/ In accordance with section 35-142.01, Arizona Revised Statutes, 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 section 28-6994, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ 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)
- ~~7/ The legislature intends that the department of transportation 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 fiscal year 2021-2022 from all funds to the department of administration for its risk management payment. (General Appropriation Act footnote)
- 8/ The department 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, 2022 for fiscal year 2021-2022. (General Appropriation Act footnote)
- 9/ On or before February 1, 2022, the Arizona Strategic Enterprise Technology Office shall submit, on behalf of the department of transportation, an annual progress report to the joint legislative budget committee staff. The annual report shall provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on the motor vehicle modernization project in fiscal year 2021-2022, including any amounts for stabilization, maintenance, ongoing operations, support and enhancements for the motor vehicle modernization solution, maintenance of legacy mainframe processing and support capability, and other system projects outside the scope of the motor vehicle modernization project. (General Appropriation Act footnote modified from FY 2021 language)
- 10/ **NEW** Before the department may spend any monies in excess of \$1,000,000 to enhance the motor vehicle modernization system, the Arizona strategic enterprise technology office shall submit, on behalf of the department of transportation, an expenditure plan to the joint legislative budget committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriation from the automation projects fund pursuant to section 41-714, Arizona Revised Statutes. (General Appropriation Act footnote)
- 11/ On or before August 1, 2021, 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)
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$211,853,000 and 3,402 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
Air Quality Fund	\$326,000
Highway User Revenue Fund	473,700
Ignition Interlock Device Fund	332,800

Motor Vehicle Liability Insurance Enforcement Fund	1,679,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	336,000
State Aviation Fund	2,064,800
State Highway Fund	204,587,300
Vehicle Inspection and Certificate of Title Enforcement Fund	2,052,800

These amounts are unchanged from FY 2021.

### **Attorney General Legal Services**

The Baseline includes \$3,623,700 from the State Highway Fund in FY 2022 for Attorney General Legal Services. This amount is unchanged from FY 2021.

This line item funds the department's interagency services agreement with 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 \$2,088,400 and 20 FTE Positions in FY 2022 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	206,200
Motor Vehicle Liability Insurance Enforcement Fund	102,200
State Highway Fund	1,689,600
Vehicle Inspection and Certificate of Title Enforcement Fund	90,400

These amounts are unchanged from FY 2021.

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 2020, ATPs retained \$21,971,000 in fees that otherwise would have been deposited to HURF and \$28,633,000 in fees that otherwise would have been deposited to SHF. *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

### **Consolidated State Motor Vehicle Fleet**

The Baseline includes \$7,041,000 from the Motor Vehicle Pool Consolidation Fund in FY 2022 for a new Consolidated State Motor Vehicle Fleet line item. FY 2022 adjustments are as follows:

#### **Fleet Consolidation Line Item**

The Baseline includes an increase of \$7,041,000 from the Motor Vehicle Pool Consolidation Fund in FY 2022 for a new Consolidated State Motor Vehicle Fleet line item.

The line item funds the provision and oversight of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets. *(For more detail see State Motor Vehicle Fleet Consolidation in the Other Issues section.)*

### **Driver Safety and Livestock Control**

The Baseline includes \$800,000 from the State Highway Fund in FY 2022 for Driver Safety and Livestock Control. This amount is unchanged from FY 2021.

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.

### **Highway Damage Recovery Account**

The Baseline includes \$8,000,000 from the Highway Damage Recovery Account in FY 2022 for the Highway Damage Recovery Account. This amount is unchanged from FY 2021.

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 for highway maintenance that would otherwise have been deferred.

### **Highway Maintenance**

The Baseline includes \$145,211,300 and 932 FTE Positions in FY 2022 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	560,000
State Highway Fund	144,651,300

These amounts are unchanged from FY 2021.

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 \$145,211,300 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,374,000 available in FY 2022 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

#### **Preventive Surface Treatments**

The Baseline includes \$36,142,000 from the State Highway Fund in FY 2022 for Preventive Surface Treatments. This amount is unchanged from FY 2021.

This line item funds the proactive treatment of road surfaces to maintain the useful life of roads and avoid more expensive surface replacement/repair costs. The treatments consist of fog seals, or spraying liquid asphalt, and chip seals, or laying down gravel layers.

In addition to the \$36,142,000 included for Preventive Surface Treatments, ADOT has \$16,000,000 in Federal Funds available for treatments.

#### **Vehicle Replacement**

The Baseline includes \$15,300,000 from the State Highway Fund in FY 2022 for Vehicle Replacement. This amount is unchanged from FY 2021.

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. Through FY 2020, ADOT has expended \$12,480,100 of these funds.

#### **Vehicles and Heavy Equipment Maintenance**

The Baseline includes \$19,167,800 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2022 for Vehicles and Heavy Equipment. These amounts are unchanged from FY 2021.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

#### **Other Issues**

#### **State Motor Vehicle Fleet Consolidation**

The FY 2020 Budget Procedures Budget Reconciliation Bill (BRB) established the appropriated Motor Vehicle Pool Consolidation Fund consisting of monies transferred to the fund from the Motor Vehicle Pool Revolving Fund. The fund may be used only for reimbursing the department for costs related to implementing an intergovernmental agreement with the Arizona Department of Administration (ADOA) to operate the state motor vehicle fleet. The FY 2020 Budget Procedures BRB also required ADOA and ADOT to submit a report to the JLBC on the transitioning of the operation of the state motor vehicle fleet and identify suggested legislative changes necessary to fully implement the transition.

In their report submitted on October 6, 2020, ADOA and ADOT reported on the suggested legislative changes required to fully implement the transition of the state fleet operations from ADOA to ADOT. The agencies recommended that 4 statutes be repealed and redrafted and 3 additional statutes be conformed. The report, however, did not comment on any progress the agencies had made transitioning the operations.

The FY 2021 Budget Procedures BRB includes a provision that delays the effective date of the Motor Vehicle Pool Consolidation Fund to July 1, 2021. Although the transfer has yet to occur, ADOT and ADOA are currently operating under an intergovernmental agreement under which ADOA collects revenues from agencies in the fleet and sends the collections to ADOT to manage the fleet.

The ADOA motor vehicle fleet consists of both a long-term "extended dispatch" and a daily rental system operated under a third-party vehicle rental company. Vehicles included in the extended dispatch system include vehicles that agencies lease from ADOA for their own long-term agency use. The extended dispatch includes the following agencies: Auditor General, ADOA Facilities Management, the Judiciary, Department of Education, Arizona Department of Agriculture, Department of Environmental

Quality, State Mine Inspector, Arizona State Parks Board, and the School Facilities Board. The extended dispatch fleet of vehicles are being transferred to ADOT. The fleet does not include vehicles at the Department of Child Safety, State Department of Corrections, Department of Economic Security, Department of Public Safety, or ADOT, all of which operate their own fleets. The daily rental system is available to all state agencies and is typically used by those with occasional transportation needs. The operation of the daily rental system is also being transferred to ADOT.

ADOT has expressed some concerns with the current operation of the state motor fleet. Some of these concerns include but are not limited to: vehicles not being replaced on time, recent purchase prices of new vehicles, and vehicles not receiving adequate maintenance. The foremost issue concerns current rates, which ADOT claims are not covering the full cost of operations.

The state motor vehicle fleet is currently funded from the Motor Vehicle Pool Revolving Fund, which received an FY 2021 appropriation of \$10,199,700. However, from FY 2015 to FY 2020, expenditures from the fund have ranged from approximately \$5,675,100 to \$7,041,000. Recognizing the variation between the appropriation level and the expenditure level over the past several fiscal years, the JLBC Staff suggests the Legislature consider using the FY 2020 Motor Vehicle Pool Revolving Fund actual expenditures of \$7,041,000 as the FY 2022 appropriation as reflected in the Baseline.

The Baseline also continues a prior modified ADOA footnote which would require ADOT to submit a report to JLBC on the criteria used and maintenance savings achieved from replacing vehicles that have an average of 80,000 miles or more in the prior fiscal year. For reference, in FY 2020, ADOA replaced 66 vehicles from the extended dispatch with an average of 168,655 miles. This footnote may be reconsidered pending submission of the report.

#### ***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 a portion of each transaction fee, keeps roughly half of the retention for its own compensation and deposits the remaining half into an account to be spent on the MvM project at ADOT's discretion.

In February 2020, ADOT informed the Information Technology Authorization Committee that the department planned to increase the project budget from \$57,632,900 to \$63,108,000 to add driver's license security measures. At its April 2020 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 estimates for IT project resources by July 31, 2021. By the completion of the project in June 2020, \$62,812,100 had been spent on the project out of the \$63,108,000 budget.

The project was officially completed on June 30, 2020. A significant feature of the upgrade is the implementation of a new vehicle registration portal, AZ MVD Now, which ADOT plans to account for most vehicle registration transactions. The modified agreement also alters the compensation structure to account for the new retention earned from AZ MVD Now fees. Upon conclusion of the modified agreement on December 31, 2021, ADOT will enter into a new agreement. ADOT has stated they plan to continue improvements and enhancements to the MvM project beyond June 2020 using the ServiceArizona fee retention, however no additional expenditures are currently anticipated for the project. The ServiceArizona fee retention will also be used for maintenance, operations and support expenses of AZ MVD Now.

The Baseline includes a footnote which would require ASET, on behalf of ADOT, to submit an annual progress report to the JLBC Staff. The Baseline also includes a new footnote which would require ASET, on behalf of ADOT, to submit an expenditure plan to JLBC for review on any enhancement to the MvM project in excess of \$1,000,000.

#### ***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, 2021.

#### ***COVID-Related Spending***

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs.

As of October 2020, the Executive's spending plan included \$40,000,000 from Federal Funds for installation of broadband infrastructure along I-17 between Sunset Point and Flagstaff and along I-19 between Tucson and Nogales.

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, ADOT was reimbursed for \$6,140,000 in non-General Fund spending. Of this amount, approximately \$5,277,900 is from the State Highway Fund and HURF. As a result, these fund balances are higher than they otherwise would have been. The higher fund balances of the State Highway Fund and HURF

will not be transferred to the General Fund. While the remaining savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration.

*(Please see the COVID-Related Spending Summary at the front of this book for more information).*

**Special Plates**

*For more information, please see the [Special License Plates](#) program summary on the JLBC website.*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Abandoned Vehicle Administration Fund (DTA2150/A.R.S. § 28-4804)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	670,500	761,700
<b>Year-End Fund Balance</b>	250,700	376,800
<b>Air Quality Fund (DTA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> An annual \$1.50 air quality fee collected for each vehicle at the time of registration.		
<i>Purpose of Fund:</i> Implementation of programs that reduce emissions and improve air quality.		
<b>Funds Expended</b>	281,000	326,000
<b>Year-End Fund Balance</b>	66,400	29,700
<b>Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	4,452,400	4,823,800
<b>Year-End Fund Balance</b>	4,048,900	4,034,300
<b>Cash Deposits Fund (DTA2266/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Deposits from individuals either bidding at auction on department property or renting department property.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	822,000	100

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Coronavirus Relief Fund (DTA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	6,140,000	2,877,100
<b>Year-End Fund Balance</b>	0	0
<b>Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
<b>Purpose of Fund:</b> 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. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,376,400	3,431,300
<b>Federal Grants (DTA2097/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants not part of the federal highway aid program.		
<b>Purpose of Fund:</b> 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. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
<b>Funds Expended</b>	23,078,000	70,604,200
<b>Year-End Fund Balance</b>	356,300	356,300
<b>Highway Damage Recovery Account (DTA2044/A.R.S. § 28-6994)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Reimbursements for highway damage repair expenses paid by liable third parties.		
<b>Purpose of Fund:</b> For maintenance of state highways.		
<b>Funds Expended</b>	8,000,000	8,000,000
<b>Year-End Fund Balance</b>	1,045,100	(1,803,200)
<b>Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. In the past, the fund has been used for local highway construction.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,217,900	1,225,800

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	540,600	679,900
<b>Year-End Fund Balance</b>	93,780,000	97,633,100
<b>IGA and ISA Fund (DTA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements. Primarily for ISA 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. In the past, the fund has received monies from the Volkswagen Settlement to purchase efficient diesel fuel vehicles.		
<b>Funds Expended</b>	12,869,100	12,291,600
<b>Year-End Fund Balance</b>	887,300	835,700
<b>Ignition Interlock Device Fund (DTA2208/A.R.S. § 28-1469)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An ignition interlock installation fee charged by service providers and then remitted to ADOT.		
<b>Purpose of Fund:</b> To administer ADOT's Ignition Interlock Device program, including establishing compliance measures, audits and investigating complaints related to devices and providers.		
<b>Funds Expended</b>	315,100	332,800
<b>Year-End Fund Balance</b>	108,400	60,700
<b>Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from local jurisdictions.		
<b>Purpose of Fund:</b> 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. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	10,912,800	10,004,000
<b>Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
<b>Funds Expended</b>	12,435,200	300,000
<b>Year-End Fund Balance</b>	455,766,000	249,856,700
<b>Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	5,000
<b>Year-End Fund Balance</b>	8,100	6,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Motor Vehicle Dealer Enforcement Fund (DTA2609/A.R.S. § 28-4504)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	216,400	250,000
<b>Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enforce mandatory motor vehicle liability insurance laws.		
<b>Funds Expended</b>	2,038,200	1,781,800
<b>Year-End Fund Balance</b>	7,807,100	7,825,900
<b>Motor Vehicle Pool Consolidation Fund (DTA8888/A.R.S. § 28-414)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Consisting of monies transferred from the Motor Vehicle Pool Revolving Fund. All previous balances and future revenue are deposited into this fund effective July 1, 2021.		
<b>Purpose of Fund:</b> To reimburse the department for costs related to implementing an intergovernmental agreement with the Department of Administration to operate the state motor vehicle fleet.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	483,000	100
<b>Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount (DTA2108/A.R.S. § 28-6547)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
<b>Purpose of Fund:</b> 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. A total of 55% of SETIF revenues is deposited into the ADOT subaccount and 45% in the DPS subaccount.		
<b>Funds Expended</b>	755,000	896,000
<b>Year-End Fund Balance</b>	374,700	564,900

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	75,300	75,300
<b>State Aviation Fund (DTA2005/A.R.S. § 28-8202)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,786,000	2,064,800
<b>Year-End Fund Balance</b>	52,464,600	(17,759,900)
<b>State Highway Fund (DTA2030/A.R.S. § 28-6991)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. (Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)		
<b>Funds Expended</b>	349,306,300	406,793,900
<b>Year-End Fund Balance</b>	658,784,100	575,140,100
<b>Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
<b>Funds Expended</b>	11,800	13,000
<b>Year-End Fund Balance</b>	18,400	15,900
<b>Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,964,300	4,600,000
<b>Year-End Fund Balance</b>	1,784,900	2,021,700
<b>Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
<b>Purpose of Fund:</b> For maintenance, service or repair of equipment and consumable material including administrative expenses.		
<b>Funds Expended</b>	17,504,200	19,167,800
<b>Year-End Fund Balance</b>	4,151,400	3,565,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Vehicle Inspection and Certificate of Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,488,700	2,143,200
<b>Year-End Fund Balance</b>	1,233,200	1,308,900

## State Treasurer

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	34.4	34.4	34.4
Personal Services	2,212,900	2,282,600	2,282,600
Employee Related Expenditures	769,100	955,500	955,500
Professional and Outside Services	14,200	19,300	19,300
Travel - In State	2,200	7,500	7,500
Travel - Out of State	2,700	20,000	20,000
Other Operating Expenditures	341,000	480,800	480,800
Equipment	42,400	35,000	35,000
<b>OPERATING SUBTOTAL</b>	<b>3,384,500</b>	<b>3,800,700</b>	<b>3,800,700</b>
<b>SPECIAL LINE ITEMS</b>			
Justice of the Peace Salaries	1,002,400	1,205,100	1,205,100
Law Enforcement/ Boating Safety Fund Grants	2,183,800	2,183,800	2,183,800
Special Sporting Event Promotion	0	0	1,500,000 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>6,570,700</b>	<b>7,189,600</b>	<b>8,689,600 <sup>2/3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,002,400	1,548,800	3,048,800
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400	0	0
State Treasurer's Operating Fund	3,080,100	3,457,000	3,457,000
SUBTOTAL - Other Appropriated Funds	5,568,300	5,640,800	5,640,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,570,700</b>	<b>7,189,600</b>	<b>8,689,600</b>
Other Non-Appropriated Funds	3,600,000	3,600,000	3,600,000
<b>TOTAL - ALL SOURCES</b>	<b>10,170,700</b>	<b>10,789,600</b>	<b>12,289,600</b>

**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/ A.R.S. § 41-2308 annually appropriates \$1,500,000 from the General Fund for Special Sporting Event Promotion. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 3/ On or before June 30, 2022, the state treasurer shall report to the joint legislative budget committee staff on the state treasurer's current fiscal year and estimated next fiscal year expenditures of interest earnings spent pursuant to sections 35-315 and 35-318, Arizona Revised Statutes, for the state treasurer's banking service contract, external investment management agreement, administrative and information technology costs and any other costs. (General Appropriation Act footnote)

### Operating Budget

The Baseline includes \$3,800,700 and 34.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$343,700
State Treasurer's Operating Fund	3,457,000

These amounts are unchanged from FY 2021.

### Justice of the Peace Salaries

The Baseline includes \$1,205,100 from the General Fund in FY 2022 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2021.

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 2022 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2021.

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 2020 and year-to-date FY 2021 allocations are included in *Table 1*. The distributions are less than the appropriations due to insufficient revenues.

Table 1

### Allocation of LEBSF Grants

<u>County</u>	<u>FY 2020</u>	<u>FY 2021 Thru Oct 26<sup>th</sup></u>
Apache	\$ 83,900	\$ 38,200
Coconino	214,000	97,500
Gila	14,500	69,800
La Paz	309,600	141,000
Maricopa	358,300	163,300
Mohave	413,200	208,000
Navajo	27,500	12,500
Yuma	153,100	69,100
<b>Total</b>	<b>\$1,574,100</b>	<b>\$799,400</b>

### Special Sporting Event Promotion

The Baseline includes \$1,500,000 from the General Fund in FY 2022 for Special Sporting Event Promotion funding. FY 2022 adjustments are as follows:

#### Begin Multi-Year Appropriation

The Baseline includes an increase of \$1,500,000 from the General Fund in FY 2022 for the new Special Sporting Event Promotion line item. A.R.S. § 41-2308 annually appropriates \$1,500,000 from the General Fund to the State Treasurer for distribution to the Office of Tourism if certain conditions are met. This appropriation is in effect between FY 2022 and FY 2051 for a total of \$45,000,000.

Monies in this line item are used to promote an auto racing sporting event. The Office of Tourism is required 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. Because this authorization is in permanent statute, the appropriation amount is not included in the General Appropriation Act.

Prior to the release of any monies, statute required an eligible auto racing sporting event to spend at least \$100,000,000 on land acquisitions, construction, improvements, or renovations of their facilities between calendar years 2017-2020.

In November 2016, the parent company of Phoenix International Raceway (PIR), International Speedway Corporation, announced plans to make \$178,000,000 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.

Once these investments were made, statute required the JLBC to certify that the eligible auto racing sporting event spent at least the \$100,000,000 required amount. JLBC certified the spending level at its June 2019 meeting. Under statute, the Treasurer is then authorized to distribute the \$1.5 million annually starting in FY 2022.

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**Other Issues**

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**Peace Officer Training Equipment Fund**

Laws 2018, Chapter 312 created the Peace Officer Training Equipment Fund, and made one-time non-lapsing appropriations to the Department of Public Safety and the Supreme Court in FY 2019. The State Treasurer administers the fund and disburses the monies to the recipients. *(Please see the Department of Public Safety section and Supreme Court section for more information.)*

**Proposition 207 – Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0%

excise tax and is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the State Treasurer receives a self-determined amount from the fund to administer the Smart and Safe Arizona Fund. The Treasurer’s Office has not yet provided a cost estimate to fulfill the initiative's requirements. *(Please see the Department of Health Services - Other Issues Section for more information.)*

**Proposition 208 – Education Funding**

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the State Treasurer receives a self-determined amount from the fund to administer the Student Support and Safety Fund. The Treasurer’s Office has not yet provided a cost estimate to fulfill the initiative's requirements. *(Please see the Department of Education - Other Issues Section for more information.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Fallen Firefighter Memorial Fund (TRA3033/A.R.S. § 41-1863)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Private and public donations.		
<i>Purpose of Fund:</i> To establish the Arizona Fallen Firefighter Memorial in Wesley Bolin Plaza, as determined by the Arizona Fallen Firefighter Memorial Committee.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Public School Credit Enhancement Fund (TRA2675/A.R.S. § 15-2154)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To make payments of principal or interest on guaranteed financings. (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.)		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For distribution to counties for the training of detention officers and county jail operational enhancement.		
<b>Funds Expended</b>	3,600,000	3,600,000
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Family College Savings Program Trust Fund (TRA3121/A.R.S. § 15-1873B)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by financial institutions which are contracted to serve as program managers of assets.		
<b>Purpose of Fund:</b> For operating expenses and administrative costs of the Arizona Family College Savings Program. This program enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Laws 2020, Chapter 88 transferred administration of the program from the Commission for Postsecondary Education to the State Treasurer.		
Funds Expended	0	0
Year-End Fund Balance	0	0
<b>Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
<b>Purpose of Fund:</b> 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	2,183,800	2,183,800
Year-End Fund Balance	0	0
<b>Peace Officer Training Equipment Fund (TRA8888/A.R.S. § 41-1731)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
<b>Purpose of Fund:</b> 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. (Please see the Department of Public Safety and Judiciary - Supreme Court Summary of Funds sections for more information.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
<b>Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
<b>Purpose of Fund:</b> 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	0	0
Year-End Fund Balance	454,000	558,100
<b>State Treasurer Empowerment Scholarship Account Fund (TRA2570/A.R.S. § 15-2402)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Pursuant to Laws 2020, Chapter 12, the fund's revenues consist of legislative appropriations. Prior to Chapter 12, monies were transferred from Basic State Aid.		
<b>Purpose of Fund:</b> Monies in the fund are used by the State Treasurer for the agency's costs of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. However, with the enactment of Chapter 12, the Treasurer's Empowerment Scholarship Account administration costs are currently funded through a direct General Fund appropriation. The Arizona Department of Education (ADE) also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those ADE monies are not displayed to avoid double counting of the General Fund (also see the "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).		
Funds Expended	304,400	0
Year-End Fund Balance	1,869,800	1,869,800
<b>State Treasurer's Financial Literacy Fund (TRA9999/A.R.S. § 41-175)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and contributions from any public or private source.		
<b>Purpose of Fund:</b> To be used by the State Treasurer to promote financial literacy in this state.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>State Treasurer's Management Fund (TRA3799/A.R.S. § 35-326.01 [REPEALED])</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide funding for the administrative expenses associated with managing LGIP. Laws 2019, Chapter 154 repealed the fund, effective August 27, 2019.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
 <b>State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)</b>		 <b>Appropriated</b>
<b>Source of Revenue:</b> A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds. In addition, the fund receives a portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state (which used to be deposited into the Treasurer's Management Fund).		
<b>Purpose of Fund:</b> To provide funding for the operating expenses of the agency.		
<b>Funds Expended</b>	3,080,100	3,457,000
<b>Year-End Fund Balance</b>	775,500	669,300

## Governor's Office on Tribal Relations

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	35,400	33,300	33,300
Employee Related Expenditures	12,100	13,600	13,600
Travel - In State	1,100	500	500
Other Operating Expenditures	12,900	17,300	17,300
<b>AGENCY TOTAL</b>	<b>61,500</b>	<b>64,700</b>	<b>64,700<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	61,500	64,700	64,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>61,500</b>	<b>64,700</b>	<b>64,700</b>
Other Non-Appropriated Funds	35,500	20,200	20,200
<b>TOTAL - ALL SOURCES</b>	<b>97,000</b>	<b>84,900</b>	<b>84,900</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$64,700 and 3 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected or received at Indian town halls as fees for administration.		
<b>Purpose of Fund:</b> To defray administrative costs related to Indian town halls.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,400	2,400
<b>Statewide Donations Fund (IAA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay for expenses incurred for Indian Nations and Tribes Legislative Day. The Governor's Office of Tribal Relations is required by statute to facilitate this day on the first Wednesday of each regular legislative session.		
<b>Funds Expended</b>	35,500	20,200
<b>Year-End Fund Balance</b>	7,600	5,900

## Arizona Board of Regents

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,486,000	1,632,100	1,632,100
Employee Related Expenditures	508,900	594,800	594,800
Professional and Outside Services	33,700	75,500	75,500
Other Operating Expenditures	373,100	181,300	181,300
Equipment	1,300	1,600	1,600
<b>OPERATING SUBTOTAL</b>	<b>2,403,000</b>	<b>2,485,300</b>	<b>2,485,300</b>
<b>SPECIAL LINE ITEMS</b>			
Adaptive Athletics	160,000	160,000	160,000 <sup>1/</sup>
Arizona Teachers Academy	14,997,400	15,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Washington, D.C. Internships	300,000	300,000	300,000 <sup>2/</sup>
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
<b>AGENCY TOTAL</b>	<b>22,395,100</b>	<b>22,480,000</b>	<b>22,480,000 <sup>3/4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	22,395,100	22,480,000	22,480,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>22,395,100</b>	<b>22,480,000</b>	<b>22,480,000</b>
Other Non-Appropriated Funds	7,644,400	8,751,100	8,751,100
Federal Funds	250,000	6,000,000	6,000,000
<b>TOTAL - ALL SOURCES</b>	<b>30,289,500</b>	<b>37,231,100</b>	<b>37,231,100</b>

**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/ The Arizona board of regents shall distribute monies appropriated for the adaptive athletics line item to each university under the jurisdiction of the board to maintain and operate an intercollegiate adaptive athletics program that provides opportunities for competitive wheelchair and adaptive sports to students and community members with disabilities. The monies may be spent only when the university collects matching monies of gifts, grants and donations for the intercollegiate adaptive athletics program from sources other than this state. Universities may spend the monies only on scholarships, equipment, uniforms, travel expenses and tournament fees for participants in the intercollegiate adaptive athletics program. The monies may not be used for administrative costs, personal services or employee related expenditures. (General Appropriation Act footnote)
- 2/ The Arizona board of regents shall distribute monies appropriated for Washington, D.C. internships in equal amounts to each of the three universities under the jurisdiction of the board to provide student internships in Washington, D.C. in partnership with a third-party organization selected by the Arizona board of regents. (General Appropriation Act footnote)
- 3/ Within ten 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)

- 4/ 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)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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### **Operating Budget**

The Baseline includes \$2,485,300 and 25.9 FTE Positions from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

### **Adaptive Athletics**

The Baseline includes \$160,000 from the General Fund in FY 2022 for Adaptive Athletics. This amount is unchanged from FY 2021.

ABOR is required to distribute monies in this line item to the 3 state universities for intercollegiate adaptive athletics programs for students with physical challenges. These programs may only use this appropriation when matching monies are collected, and may only use monies for scholarships, equipment, uniforms, travel expenses, and tournament fees for program participants. ABOR distributed monies in this line item to the University of Arizona in FY 2021.

### **Arizona Teachers Academy**

The Baseline includes \$15,000,000 from the General Fund in FY 2022 for the Arizona Teachers Academy. This amount is unchanged from FY 2021.

The Arizona Teachers Academy provides tuition and fee awards to university students enrolled in education and non-education majors, community college students enrolled in post-baccalaureate teacher certification programs, and teachers seeking national board certification. For every year of receipt, students agree to teach 1 year in an Arizona public school.

Monies appropriated in this line item are deposited to the Arizona Teachers Academy Fund. ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Governor's Emergency Education Relief Fund (GEERF) to states as part of the federal COVID-19 response. Monies received

by the state are distributed to education-related entities at the Governor's discretion and are required to be allocated within one year of receipt. The Governor's Office allocated \$6,000,000 from GEERF to ABOR for the Arizona Teachers Academy. The CARES Act requires these monies to be obligated by September 30, 2022.

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative includes a one-time transfer of \$15,000,000 from the Medical Marijuana Fund to the Arizona Teachers Academy Fund. This distribution is likely to occur in the second half of FY 2021. (*See the Department of Health Services section for additional information.*)

Proposition 208, approved by voters in the November 2020 general election, established the Student Support and Safety Fund, which receives monies from a 3.5% income tax surcharge for taxable income in excess of \$250,000 for single taxpayers and \$500,000 for married persons. After monies in the fund are used by state agencies for administrative costs of the initiative, ABOR receives a distribution of 3% from the fund. In the first full year of implementation, ABOR is estimated to receive a distribution of \$24,808,800. This distribution is likely to occur in FY 2023. (*Please see the Department of Education - Other Issues Section for more information.*)

Statute previously set annual award amounts at \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college students, and \$2,500 for national board certification students. Proposition 208 eliminates these award amounts and allows awards up to the actual cost of tuition and fees after all other aid is received for both resident and non-resident students. As a result, non-resident students who were previously limited to awards of \$5,000 for undergraduate programs and \$10,000 for graduate programs may become eligible for awards that will cover a more significant portion of their tuition and fee costs. The initiative also eliminates a requirement that the appropriation for the academy be reduced each fiscal year by the amount of monies remaining in the fund at the end of the prior fiscal year.

Prior to voter approval of Proposition 208, the Legislature enacted Laws 2020, Chapter 85, which amended the program to allow academy graduates to fulfill their service commitment by teaching in schools primarily serving public school students with disabilities, require universities to admit freshman and sophomore students to the academy, add accelerated models for teachers who are currently teaching dual enrollment courses, and allow colleges that are owned, operated or chartered by an Indian tribe to participate in the academy. Since these changes were not included in the ballot initiative, there will be 2 different versions of the Arizona Teachers Academy statute unless additional legislation is passed to combine the initiative changes with the Chapter 85 changes.

Including the base appropriation of \$15,000,000 from the General Fund, total Arizona Teachers Academy resources will be approximately \$36,000,000 in FY 2021 and \$15,000,000 in FY 2022. The academy will receive approximately \$39,808,800 on an ongoing basis beginning in FY 2023 (see *Table 1*).

ABOR is required to submit a report to JLBC by March 1 of each year, which includes current academy enrollment and estimated monies committed from the appropriation. A second report is due September 1, which includes data for the number of students completing the academy, students continuing in the academy, students in repayment, and ABOR's methodology for distributing monies appropriated for the academy.

In FY 2020, 2,707 students were enrolled in the academy, of which 1,748 are undergraduate students, 292 are graduate students, 327 are community college post-baccalaureate students, 340 are teachers seeking a national board certification. The entire \$15,000,000 appropriation was spent in FY 2020, with \$14,550,000 being used for scholarships and \$450,000 being used for marketing and administrative expenses.

#### **Arizona Teachers Incentive Program**

The Baseline includes \$90,000 from the General Fund in FY 2022 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2021.

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. ATIP distributes \$50,000 in loans among 10 students each year, 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 2022 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2021.

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 contribute \$277,200 to the system each year. The 3 state universities also contribute a combined \$277,200 to the system each year.

#### **Washington, D.C. Internships**

The Baseline includes \$300,000 from the General Fund in FY 2022 for Washington, D.C. Internships. This amount is unchanged from FY 2021.

ABOR distributes monies in this line item in equal amounts to each of the 3 state universities to provide internships in partnership with a third-party organization. These monies fund approximately 40 student internships each year.

#### **Western Interstate Commission Office**

The Baseline includes \$153,000 from the General Fund in FY 2022 for the Western Interstate Commission Office. This amount is unchanged from FY 2021.

**Table 1**

<b>Arizona Teachers Academy Funding</b>			
	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
General Fund	\$15,000,000	\$15,000,000	\$15,000,000
CARES Act GEERF	6,000,000	-	-
Proposition 207	15,000,000	-	-
Proposition 208	-	-	24,808,800
<b>Total</b>	<b>\$36,000,000</b>	<b>\$15,000,000</b>	<b>\$39,808,800</b>

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 2022 for WICHE student subsidies. This amount is unchanged from FY 2021.

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, or podiatry, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

In FY 2020, ABOR provided subsidies to 166 Arizona students. 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.

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### **Other Issues**

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This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- FY 2022 27<sup>th</sup> Pay Period Funding
- Land Trust Funds
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- COVID-Related Spending
- University System Summary Tables

### **Statutory Changes**

The Baseline makes the following statutory changes:

- As session law, continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into the Arizona Financial Aid Trust (AFAT).
- As permanent law, revise the current annual inflation adjustment for university capital infrastructure appropriations beginning in FY 2023. Current law requires the adjustment to be based off full calendar year growth rates. The revised calculation would be based on the growth rate from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year to avoid timing issues between the release of preceding year inflation data and enactment of the budget. Using second quarter data will provide certainty in the level of the annual appropriation.

### **Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, universitywide General Fund costs are projected to increase by \$780,600 in FY 2023 above FY 2022, and increase by \$538,700 in FY 2024 above FY 2023. These estimates are based on:

- Increases of \$275,500 and \$10,300 in FY 2023 and FY 2024, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$505,100 and \$528,400 in FY 2023 and FY 2024, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation by 1.78% in FY 2023 and 1.83% in FY 2024. These amounts are based on the current "full year" statutory formula. (The GDP inflator is currently projected at 1.78% for FY 2023 and 1.83% for FY 2024; 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.)*

### **FY 2022 27<sup>th</sup> Pay Period Funding**

The enacted budget included funding to state agencies for an additional 27<sup>th</sup> pay period that will occur in FY 2021. Due to differences in pay periods, the Universities will have a 27<sup>th</sup> pay period 1 year after the rest of state government. In total, the Universities were allocated

\$20,052,100 General Fund and \$36,887,300 Other Appropriated Funds for 27th pay period costs in FY 2022.

Section 118 of the FY 2021 General Appropriation Act appropriated funding for this issue in FY 2022 as follows:

- ASU – \$28,386,400, which includes \$9,115,000 from the General Fund and \$19,271,400 from the University Collections Fund (appropriated tuition revenue)
- NAU – \$7,798,100, which includes \$2,939,500 from the General Fund and \$4,858,600 from the University Collections Fund
- UA Main Campus – \$16,483,100, which includes \$5,540,800 from the General Fund and \$10,942,300 from the University Collections Fund
- UA Health Sciences Center – \$4,271,800, which includes \$2,456,800 from the General Fund and \$1,815,000 from the University Collections Fund

### 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 2 compares university land trust revenues from FY 2015 (prior to Proposition 123) and FY 2022. The funds will have estimated revenues of \$14,224,600 in FY 2022. (Please see the Land Department narrative for more information.)*

**Table 2**

### State Land Trust Revenues: Universities <sup>1/</sup>

	<b>FY 2015</b>	<b>FY 2022</b>
Military Institute	\$ 83,800	\$ 97,200
Normal Schools	296,600	545,500
A&M Colleges	445,100	1,215,900
School of Mines <sup>2/</sup>	499,800	1,199,900
Universities Land Fund	3,834,800	11,166,100
<i>University Land Code</i>	<i>2,175,400</i>	<i>3,400,800</i>
<i>U of A Land - 1881</i>	<i>1,659,400</i>	<i>7,765,300</i>
<b>Total</b>	<b>\$ 5,160,100</b>	<b>\$ 14,224,600</b>

- <sup>1/</sup> Includes income from the Treasurer's distribution and lease revenues from the universities' state land trust property.
- <sup>2/</sup> 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 \$60-\$112 in FY 2021 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 2022. The Baseline also maintains each university's FY 2022 allocation of General Fund AFAT appropriations at their FY 2021 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2020, the state’s match would be \$42,972,200, or an increase of \$32,931,000 over the \$10,041,200 Baseline appropriation in FY 2022.

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 addition to student fee revenue, the FY 2020 Higher Education Budget Reconciliation Bill (BRB) requires universities to deposit 20% of cumulative net income from the sale of transfer of intellectual property exceeding \$1,000,000 to AFAT. Universities previously deposited a portion of income to the General Fund. In FY 2021, UA will deposit \$664,500 to AFAT from net income received on the sale or transfer of intellectual property. ASU and

NAU will not have net income for deposit to AFAT in FY 2021.

In FY 2020, AFAT disbursed \$29,160,100. *(Please see Table 7 for additional information on financial aid.)*

**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 3 for more information.)*

The Baseline includes an increase of \$150,900 from the General Fund in FY 2022 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations. Of this amount, the General Fund appropriations are adjusted \$(6,800) for ASU, \$160,300 for NAU, and \$(2,600) for UA. Since this funding appears in A.R.S. § 15-1670, this funding will not appear in the FY 2022 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 Baseline includes an increase of \$344,700 from the General Fund in FY 2022, or 1.23%, for the inflation adjustment. Of this amount, the General Fund appropriations are adjusted \$152,300 for ASU, \$57,700 for NAU, and \$134,700 for UA.

Statute currently requires the inflation adjustment to be calculated based on the growth rate from the second preceding calendar year to the calendar year immediately preceding the fiscal year. Accordingly, the Baseline makes the FY 2022 adjustment based on the growth rate from CY 2019 to CY 2020.

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the Baseline would include a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision would increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year

**Table 3**

**FY 2018 – 2031 Research Infrastructure Appropriations**

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
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>
<b>2018 - 2031</b>	<b>\$188,339,500</b>	<b>\$72,433,900</b>	<b>\$199,519,600</b>	<b>\$460,293,000</b>

<sup>1/</sup> 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.

immediately preceding the fiscal year. In FY 2023 this would calculate the adjustment based on the change from the second quarter of CY 2020 to the second quarter of CY 2021.

The allocation of the original FY 2019 \$27,000,000 statutory amount was based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016.

### One-Time Funding

The universities received One-Time Funding appropriations from FY 2017 to FY 2020 for one-time capital improvements or operating expenditures. The FY 2022 Baseline does include monies for One-Time Funding.

See *Table 4* for a history of the allocation by university.

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
ASU	\$ 7.0	\$ 6.6	\$ 4.2	\$18.9
NAU	4.0	3.2	1.6	6.7
UA	<u>8.0</u>	<u>3.2</u>	<u>2.2</u>	<u>9.5</u>
<b>Total</b>	<b>\$19.0</b>	<b>\$13.0</b>	<b>\$ 8.0</b>	<b>\$35.0 <sup>1/</sup></b>

<sup>1/</sup> Numbers do not add due to rounding.

### COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-related costs. As of December 2020, the Executive's spending plan included \$123,000,000 from the federal Coronavirus Relief Fund for university costs, of which \$46,000,000 is for ASU, \$46,000,000 is for UA, \$23,000,000 is for NAU, and \$8,000,000 is for testing costs at all three universities.

In addition to the Executive allocations, Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this section be distributed to students as emergency financial aid grants.

Section 18004(a)(2) of the CARES Act requires additional monies be distributed according the above formula to

Historically Black Colleges and Universities, American Indian Tribally Controlled Colleges and Universities, Minority Servings Institutions, and Strengthening Institutions Program participants.

Arizona's public universities have received a total of \$121,536,979 from the Higher Education Emergency Relief Fund. The monies are available to spend through September 30, 2022. (*Please see Table 5 for distributions by university and the COVID-Related Spending Summary at the front of this book for more information on federal CARES Act funding*).

	<u>Section 18004(a)(1)</u>	<u>Section 18004(a)(2)</u>	<u>Total</u>
ASU	\$ 63,533,137	-	\$ 63,533,137
NAU	23,577,854	\$1,157,111	24,734,965
UA	<u>30,953,447</u>	<u>2,315,430</u>	<u>33,268,877</u>
<b>Total</b>	<b>\$118,064,438</b>	<b>\$3,472,541</b>	<b>\$121,536,979</b>

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized an additional \$22,674,960,000 nationwide in Higher Education Emergency Relief Fund monies for IHEs. If allocations are in the same proportion to funds distributed from the CARES Act, the state's public universities would receive approximately \$216,000,000, of which \$116,000,000 would be for ASU, \$43,000,000 would be for NAU, and \$57,000,000 would be for UA.

### 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 2022 is \$6.8 billion, including \$742.1 million from the General Fund and \$3.2 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2022 tuition rate changes. *Table 6* summarizes the FY 2022 expenditure authority amounts for the Arizona University System.

#### Tuition Distribution

A.R.S. § 15-1626 allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR. These "locally" retained tuition monies are

	Appropriated Funds		Non-Appropriated Funds		Total <sup>3/</sup>
	General Fund	Collections Fund <sup>1/</sup>	Federal Funds	Other Funds <sup>2/</sup>	
ABOR	\$ 22,480,000	\$ 0	\$ 6,000,000	\$ 8,751,100	\$ 37,231,100
ASU	324,862,900	603,575,900	549,744,300	2,195,944,100	3,674,127,200
NAU	110,022,600	138,921,300	124,590,900	291,709,500	665,244,300
UA-Main	207,854,300	240,586,500	195,421,000	1,125,969,200	1,769,831,000
UA-Health Sciences	<u>76,897,700</u>	<u>56,863,400</u>	<u>135,638,400</u>	<u>362,726,500</u>	<u>632,126,000</u>
<b>Total</b>	<b>\$742,117,500</b>	<b>\$1,039,947,100</b>	<b>\$1,011,394,600</b>	<b>\$3,985,100,400</b>	<b>\$6,778,559,600</b>

1/ This amount excludes FY 2022 tuition rate changes, and monies appropriated in FY 2022 for the University 27th pay period.  
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 \$2,204,457,200 based on FY 2021 amounts, as reflected in Table 5. This amount excludes FY 2022 enrollment growth and tuition rate changes.  
3/ Total universitywide funding includes gross tuition revenues.

	ASU	NAU	UA	Total
<u>Appropriated</u>				
Operating Budget <sup>2/</sup>	\$ 603,575,900	\$138,921,300	\$297,449,900	\$1,039,947,100
<u>Non-Appropriated</u>				
Operating Budget <sup>3/</sup>	\$ 881,283,800	\$ 76,370,700	\$235,635,600	\$ 1,193,290,100
Financial Aid <sup>4/</sup>	529,989,100	145,508,000	197,719,900	873,217,000
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	<u>78,597,700</u>	<u>6,200,000</u>	<u>28,152,400</u>	<u>112,950,100</u>
Subtotal	\$1,509,870,600	\$229,078,700	\$ 465,507,900	\$2,204,457,200
<b>Total Gross Tuition<sup>5/</sup></b>	<b>\$2,113,446,500</b>	<b>\$368,000,000</b>	<b>\$762,957,800</b>	<b>\$3,244,404,300</b>
<b>Net Tuition<sup>5/</sup></b>	<b>\$1,583,457,400</b>	<b>\$222,492,000</b>	<b>\$565,237,900</b>	<b>\$2,371,187,300</b>

1/ As reported in FY 2021 Tuition Revenue Report submitted by ABOR in September 2020.  
2/ Appropriated tuition includes \$(184.0) million adjustment made by ABOR to the amounts originally included as part of the FY 2021 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2020.  
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.

considered non-appropriated and are deposited into accounts labeled as "Designated" funds. Any remaining tuition revenues are deposited to university "Collections" funds as part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses are paid from both appropriated and non-appropriated tuition accounts.

ABOR's September 2020 tuition revenue report projected FY 2021 gross tuition and fees to be \$3.2 billion systemwide. Of this amount, \$1.0 billion is appropriated while \$2.2 billion is non-appropriated (see Table 7). ABOR submitted a revised tuition revenue report in November

2020 projecting FY 2021 gross tuition and fee revenues to be \$3.4 billion, or \$158.4 million above the initial September projections. ASU's tuition projections remained unchanged and NAU and UA estimates increased by \$9.0 million and \$149.4 million, respectively.

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. In September 2020, the universities projected

\$873.2 million in tuition waivers and awards in FY 2021, for a total net tuition of \$2.4 billion. This would represent a (2.7)% decrease in net tuition revenues from FY 2020, or \$(65.9) million. Of this amount, ASU estimated net tuition will increase by \$98.8 million and NAU and UA estimated net tuition will decrease by \$(36.2) million and \$(128.5) million, respectively. These estimates were calculated by the universities based on expected changes in enrollment during the COVID-10 pandemic.

ABOR's revised November 2020 report also included updated projections for tuition waivers and awards, which increased \$48.7 million from the September report, for total systemwide awards of \$921.9 million. After all awards the universities estimate net tuition revenues will be \$2.5 billion. This would represent a 1.8% increase in net tuition revenues from FY 2020, or \$43.8 million. Of this amount, ASU estimates net tuition will increase by \$98.8 million and NAU and UA estimate net tuition will decrease by \$(33.2) million and \$(21.8) million, respectively. These revised estimates are based on actual fall 2020 enrollment.

See *Table 8* for a comparison of FY 2020 budget revenues and ABOR's FY 2021 revenues from September and November FY 2021 report estimates.

Tuition Rates

ABOR approved FY 2021 tuition rates on May 7, 2020. There were no tuition increases for resident students. Non-resident tuition increases are as follows:

- ASU did not increase tuition for non-resident students for FY 2021.
- 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 increased tuition and mandatory fees by 0.5% for incoming non-resident undergraduate students, and 4.8% for non-resident graduate students.
- UA began a similar tuition guarantee program in FY 2015. UA did not increase tuition for non-resident students for FY 2021.

*Table 9* only includes major tuition categories at main university campuses. A comprehensive list can be found on the [ABOR website](#).

Financial Aid

The Arizona University System distributed \$3.1 billion in financial aid in FY 2020. Of the \$3.0 billion total financial aid distributions in FY 2020, the federal government financed \$1.2 billion and university institutional sources provided \$1.2 billion. The latter includes \$981.2 million of foregone tuition collections in the form of waivers and awards. (Please see *Table 10* for details.)

Enrollment

Between fall 2019 and fall 2020, university enrollment increased from 184,560 FTE to 190,931, or 3.5%, as displayed in *Table 11*. This compares to a 4% increase in

**Table 8**

**Arizona University System  
FY 2020 and FY 2021 Net Tuition Revenue**

	<u>FY 2020 Revenues</u>	<u>FY 2021 September Estimates</u>	<u>FY 2021 November Estimates</u>
ASU	1,484,637,100	1,583,457,400	1,583,457,400
NAU	258,692,100	222,492,000	225,492,000
UA	<u>693,769,500</u>	<u>565,237,900</u>	<u>671,963,800</u>
<b>Total</b>	<b>2,437,098,700</b>	<b>2,371,187,300</b>	<b>2,480,913,200</b>

**Table 9**

**Arizona University System  
FY 2021 Undergraduate and Graduate Tuition <sup>1/</sup>**

	<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	\$11,338	0.0%	\$12,608	0.0%	\$29,428 <sup>2/</sup>	0.0%	\$32,288	0.0%
NAU	\$11,896	0.0%	\$11,726	0.0%	\$26,642	0.5%	\$26,954	4.8%
UA	\$12,671	0.0%	\$13,207	0.0%	\$36,698	0.0%	\$33,334	0.0%

<sup>1/</sup> 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.

<sup>2/</sup> ABOR also approved a rate increase for international undergraduate students at ASU, which will be set at \$31,828.

the prior year. The slowed growth is in part due to the COVID-19 pandemic's impact on student enrollment. ASU and UA enrollment increased 6.0% and 1.8%, respectively. This growth is primarily due to increased enrollment in online programs. NAU enrollment decreased (3.5)%.

**Table 10**

**FY 2020 Financial Aid Distribution by Source**  
(\$ in Thousands) <sup>1/</sup>

	<u>Federal</u>	<u>State</u> <sup>2/</sup>	<u>Institutional</u> <sup>3/</sup>	<u>Private/Other</u> <sup>4/</sup>	<u>Total</u>
Grants	\$364,989.5	6,122.5	\$981,168.0	\$251,505.3	\$1,603,785.3
Loans	859,909.7	176.4	0.0	381,426.7	1,241,512.8
Employment	<u>12,720.0</u>	<u>0.0</u>	<u>218,772.4</u>	<u>0.0</u>	<u>231,492.4</u>
<b>Total</b>	<b>\$1,237,619.2</b>	<b>\$6,298.9</b>	<b>\$1,199,940.4</b>	<b>\$632,932.0</b>	<b>\$3,076,790.5</b>

<sup>1/</sup> Information from ABOR FY 2020 Financial Aid Report.  
<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education.  
<sup>3/</sup> Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.  
<sup>4/</sup> Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

**Table 11**

**Arizona University System 45th Day Enrollment** <sup>1/</sup>

	<u>Fall 2019</u>	<u>Fall 2020</u>	<u>Fall 2019 to Fall 2020</u>
ASU-Tempe	57,143	55,804	(2.3)%
ASU-DPC	12,509	12,414	(0.8)%
ASU-East	5,335	5,227	(2.0)%
ASU-West	5,199	5,716	9.9%
ASU-Online <sup>2/</sup>	30,236	37,796	25.0%
ASU-Other	<u>469</u>	<u>535</u>	<u>14.1%</u>
<i>Subtotal</i>	<i>110,891</i>	<i>117,492</i>	<i>6.0%</i>
NAU-Flagstaff	22,727	21,610	(4.9)%
NAU-Online <sup>2/</sup>	2,944	3,213	9.1%
NAU-Other	<u>3,339</u>	<u>3,162</u>	<u>(5.3)%</u>
<i>Subtotal</i>	<i>29,010</i>	<i>27,985</i>	<i>(3.5)%</i>
UA-Tucson <sup>3/</sup>	40,106	39,264	(2.1)%
UA-PHX Biomedical <sup>3/</sup>	819	861	5.1%
UA-Online <sup>2/</sup>	2,895	4,176	44.2%
UA-Other	<u>839</u>	<u>1,153</u>	<u>37.4%</u>
<i>Subtotal</i>	<i>44,659</i>	<i>45,454</i>	<i>1.8%</i>
<b>Total</b>	<b>184,560</b>	<b>190,931</b>	<b>3.5%</b>

<sup>1/</sup> Adjusted FTE counts as reported by ABOR and the universities include both graduate and undergraduate students and exclude excess credit hours taken by students.  
<sup>2/</sup> Online enrollment represents students enrolled in online-only programs.  
<sup>3/</sup> The UA-Tucson and UA-PHX Biomedical sites include enrollment in UA Health Sciences Center (HSC) programs. In Fall 2020, a total of 6,186 HSC students were enrolled compared to 5,837 students in Fall 2019, or an increase of 6.0%.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Lottery proceeds.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Teachers Academy Fund (BRA9900/A.R.S. § 15-1655)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To reimburse postsecondary institutions for Arizona Teachers Academy scholarships, induction services for academy graduates, and marketing and promotion costs of the academy (which are capped at 3% of monies in the fund each fiscal year). Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (BRA2000/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants from the federal government.		
<b>Purpose of Fund:</b> To support services in accordance with the terms of each specific grant.		
<b>Funds Expended</b>	250,000	6,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Regents Local Fund (BRA1/A.R.S. § 15-1626)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Contributions of retained monies from the 3 universities.		
<b>Purpose of Fund:</b> To supplement the ABOR operating budget.		
<b>Funds Expended</b>	5,924,800	6,550,900
<b>Year-End Fund Balance</b>	4,573,000	3,367,900
<b>Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,719,600	2,200,200
<b>Year-End Fund Balance</b>	0	0
<b>Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Arizona State University

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7,790.8	7,727.6	7,727.6 <sup>1/</sup>
Personal Services	532,093,600	540,137,100	540,137,100
Employee Related Expenditures	157,134,700	150,771,900	150,771,900
Professional and Outside Services	53,243,300	25,134,900	25,134,900
Travel - In State	133,200	104,800	104,800
Travel - Out of State	1,983,900	722,900	722,900
Other Operating Expenditures	77,363,600	64,759,400	64,759,400
Equipment	2,905,100	1,333,600	1,333,600
<b>OPERATING SUBTOTAL</b>	<b>824,857,400</b>	<b>782,964,600</b>	<b>782,964,600</b>
<b>SPECIAL LINE ITEMS</b>			
2003 Research Infrastructure Lease-Purchase Payment	13,456,300	13,458,700	13,451,900 <sup>2/</sup>
2017 Capital Infrastructure Funding	12,165,900	12,381,200	12,533,500 <sup>3/</sup>
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,718,500	3,746,100	3,746,100
Downtown Phoenix Campus	107,607,900	106,732,200	106,732,200
One-Time Funding	18,900,000	0	0
School of Civic and Economic Thought and Leadership	3,008,900	3,024,700	3,024,700 <sup>4/</sup>
TRIF - Lease Purchase Payment	3,472,400	3,600,000	0
<b>AGENCY TOTAL</b>	<b>993,173,100</b>	<b>931,893,300</b>	<b>928,438,800 <sup>5/6/7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	334,270,600	324,717,400	324,862,900 <sup>8/9/10/</sup>
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,472,400	3,600,000	0
University Collections Fund	655,430,100	603,575,900 <sup>11/</sup>	603,575,900 <sup>12/</sup>
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>658,902,500</b>	<b>607,175,900</b>	<b>603,575,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>993,173,100</b>	<b>931,893,300</b>	<b>928,438,800 <sup>13/</sup></b>
Other Non-Appropriated Funds	2,031,806,700	2,195,949,300 <sup>11/</sup>	2,195,944,100
Federal Funds	478,316,200	549,744,300	549,744,300
<b>TOTAL - ALL SOURCES</b>	<b>3,503,296,000</b>	<b>3,677,586,900</b>	<b>3,674,127,200</b>

**AGENCY DESCRIPTION** — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR).

### FOOTNOTES

- <sup>1/</sup> Includes 549.2 GF and 576.5 OF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> A.R.S. § 15-1670 appropriates \$13,451,900 to ASU from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- <sup>3/</sup> A.R.S. § 15-1671 appropriates \$12,533,500 to ASU from the General Fund in FY 2022 for capital infrastructure projects.
- <sup>4/</sup> 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. On or before October 1, 2021, 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 that includes 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 this 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 2022 General Fund Baseline is \$324,862,900. This amount would include \$298,877,500 in ASU's individual section of the FY 2022 General Appropriation Act, \$13,451,900 in A.R.S. § 15-1670 lease-purchase appropriations, and \$12,533,500 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 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/ The FY 2021 University Collections Fund represents the appropriated portion of ASU tuition and fee revenues. In addition, \$1,605,056,200 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.
- 12/ Any unencumbered balances remaining in the university collections fund on June 30, 2021 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)
- 13/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$28,386,400 in FY 2022 for the occurrence of a 27<sup>th</sup> pay period. Of this amount, \$9,115,000 is from the General Fund and \$19,271,400 is from the University Collections Fund.

**Operating Budget**

The Baseline includes \$782,964,600 and 6,601.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$237,293,300
University Collections Fund	545,671,300

These amounts are unchanged from FY 2021.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. (Please see the ASU Other Issues Section and ABOR for more information.)

**2003 Research Infrastructure Lease-Purchase Payment**

The Baseline includes \$13,451,900 from the General Fund in FY 2022 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2022 adjustments are as follows:

**Refinance Adjustment**

The Baseline includes a decrease of \$(6,800) from the General Fund in FY 2022 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 2022 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 \$12,533,500 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding line item. FY 2022 adjustments are as follows:

#### **Inflation Adjustment**

The Baseline includes an increase of \$152,300 from the General Fund in FY 2022 for a 1.23% 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 2022 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second preceding calendar year to the calendar year immediately preceding the fiscal year (in the example of FY 2022, from CY 2019 to CY 2020).

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the Baseline would include a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision would increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, this would calculate the adjustment based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR section for more information.)*

*(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

### **Arizona Financial Aid Trust**

The Baseline includes \$5,985,800 from the General Fund in FY 2022 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2021. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

### **Biomedical Informatics**

The Baseline includes \$3,746,100 and 23.2 FTE Positions in FY 2022 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,888,100
University Collections Fund	1,858,000

These amounts are unchanged from FY 2021.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data.

### **Downtown Phoenix Campus**

The Baseline includes \$106,732,200 and 1,076 FTE Positions in FY 2022 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	50,685,600
University Collections Fund	56,046,600

These amounts are unchanged from FY 2021.

The DPC offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006.

### **School of Civic and Economic Thought and Leadership**

The Baseline includes \$3,024,700 and 26.5 FTE Positions from the General Fund in FY 2022 for the School of Civic and Economic Thought and Leadership (SCETL) line item. These amounts are unchanged from FY 2021.

SCETL began matriculating students in fall 2017. The school currently offers a bachelors and minor 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 theory and practice of leadership and statesmanship. In 2020, the school began enrolling for a master of arts in classical liberal education and leadership program. The school also hosts community lecture series and events related to public affairs.

### TRIF Lease-Purchase Payment

The Baseline includes no funding from the Technology and Research Initiative Fund (TRIF) in FY 2022 for lease-purchase payment requirements. FY 2022 adjustments are as follows:

#### Remove Lease-Purchase Payment

The Baseline includes a decrease of \$(3,600,000) from the Technology and Research Initiative Fund in FY 2022 to remove funding for a retired lease-purchase agreement. The final payment on the agreement will be made in FY 2021.

Laws 2000, 5<sup>th</sup> 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
- COVID-Related Spending
- University Collections and FTE Positions Adjustments

### Summary

ASU's FY 2022 General Fund Baseline is \$324,862,900. Of this amount:

- \$298,877,500 would be included in ASU's individual section of the FY 2022 General Appropriation Act.
- \$13,451,900 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,533,500 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

These amounts exclude the FY 2022 funding already appropriated in the FY 2021 General Appropriation Act for the occurrence of a 27<sup>th</sup> University pay period.

### Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ASU's General Fund costs are projected to increase by \$233,300 in FY 2023 above FY 2022, and increase by \$239,500 in FY 2024 above FY 2023.

These estimates are based on:

- A \$10,200 increase in FY 2023 and \$6,100 in FY 2024 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$223,100 in FY 2023 and \$233,400 in FY 2024 to increase the university's annual Capital Infrastructure Funding appropriation by 1.78% in FY 2023 and 1.83% in FY 2024. These amounts are based on the current "full year" statutory formula. (The GDP inflator is currently projected at 1.78% for FY 2023 and 1.83% for FY 2024; 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.)*

### COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-related costs. As of December 2020, the Executive's spending plan included \$46,000,000 from the federal Coronavirus Relief Fund for ASU.

In addition to the Executive allocations, the Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this section be distributed to students are emergency financial aid grants.

ASU has received a total of \$63,533,137 from the Higher Education Emergency Relief Fund. The monies are available to spend through September 30, 2022.

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized an additional \$22,674,960,000 nationwide in Higher Education Emergency Relief Fund monies for IHEs. If allocations are in the same proportion to funds distributed from the CARES Act, ASU would receive approximately \$116,000,000.

*(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

### University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$657,196,000 from the

University Collections Fund to ASU. 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 2021 to the Joint Legislative

Budget Committee in September 2020, and ASU incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the estimated FY 2021 amount has been adjusted downward by \$(53,620,100) to \$603,575,900.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriation Act originally appropriated 7,790.8 FTE Positions in FY 2021 for ASU. The General Fund accounted for 2,419.9 FTE Positions and the University Collections Fund accounted for the remaining 5,370.9 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by (63.2) to 7,727.6. The General Fund accounts for 2,550 FTE Positions and the University Collections Fund accounts for the remaining 5,177.6 FTE Positions.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	231,964,100	225,228,500
<b>Year-End Fund Balance</b>	(11,163,500)	(16,234,900)
<b>Capital Infrastructure Fund - ASU (UNI3001/A.R.S. § 15-1671)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations and university local funds. ASU received 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.		
<b>Purpose of Fund:</b> To pay the cost of, or debt service on debt financing for, university capital projects. Debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	181,129,700	216,551,300
<b>Year-End Fund Balance</b>	166,316,400	160,627,000
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
<b>Funds Expended</b>	1,271,373,400	1,388,504,900
<b>Year-End Fund Balance</b>	322,978,600	345,735,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,982,800	0
Year-End Fund Balance	248,781,800	248,781,800
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
Funds Expended	419,925,000	458,066,700
Year-End Fund Balance	0	0
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally-sponsored research.		
Funds Expended	58,391,200	91,677,600
Year-End Fund Balance	0	0
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally-sponsored research.		
Funds Expended	23,849,900	37,445,800
Year-End Fund Balance	24,311,700	21,218,900
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal student loan program awards and interest collected on outstanding federal student loans.		
<b>Purpose of Fund:</b> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	2,584,500	0
Year-End Fund Balance	12,071,100	10,079,100
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	307,001,300	316,304,900
Year-End Fund Balance	54,649,200	53,712,100
<b>Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	3,472,400	3,600,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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. (Please see the Capital Outlay ABOR Building System narrative for more information).		
<b>Funds Expended</b>	11,921,000	11,913,900
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (ASA1411/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university.		
<b>Funds Expended</b>	655,430,100	603,575,900
<b>Year-End Fund Balance</b>	0	0

## Northern Arizona University

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	2,559.3	2,653.5	2,653.5 <sup>1/</sup>
Personal Services	168,077,100	169,563,600	169,563,600
Employee Related Expenditures	51,221,700	45,788,700	45,788,700
Professional and Outside Services	11,314,600	10,950,900	10,950,900
Travel - In State	220,700	216,100	216,100
Travel - Out of State	283,900	0	0
Other Operating Expenditures	15,137,700	2,351,000	2,351,000
Equipment	63,900	87,300	87,300
<b>OPERATING SUBTOTAL</b>	<b>246,319,600</b>	<b>228,957,600</b>	<b>228,957,600</b>
<b>SPECIAL LINE ITEMS</b>			
2003 Research Infrastructure Lease-Purchase Payment	5,899,500	4,879,500	5,039,800 <sup>2/</sup>
2017 Capital Infrastructure Funding	4,611,300	4,692,900	4,750,600 <sup>3/</sup>
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	3,000,000 <sup>4/</sup>
Economic Policy Institute	500,000	500,300	500,300 <sup>5/</sup>
One-Time Funding	6,650,000	0	0
NAU - Yuma	3,010,200	3,076,600	3,076,600
Teacher Training	2,088,800	2,293,000	2,293,000 <sup>6/</sup>
<b>AGENCY TOTAL</b>	<b>273,405,400</b>	<b>248,725,900</b>	<b>248,943,900 <sup>7/8/</sup></b>
<b>FUND SOURCES</b>			
General Fund	117,250,900	109,804,600	110,022,600 <sup>10/11/12/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	156,154,500	138,921,300 <sup>9/</sup>	138,921,300 <sup>13/</sup>
SUBTOTAL - Other Appropriated Funds	156,154,500	138,921,300	138,921,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>273,405,400</b>	<b>248,725,900</b>	<b>248,943,900 <sup>14/</sup></b>
Other Non-Appropriated Funds	245,528,400	244,727,900 <sup>9/</sup>	291,709,500
Federal Funds	122,136,200	123,357,400	124,590,900
<b>TOTAL - ALL SOURCES</b>	<b>641,070,000</b>	<b>616,811,200</b>	<b>665,244,300</b>

**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.

### FOOTNOTES

- <sup>1/</sup> Includes 34 GF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> A.R.S. § 15-1670 appropriates \$5,039,800 to NAU from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- <sup>3/</sup> A.R.S. § 15-1671 appropriates \$4,750,600 to NAU from the General Fund in FY 2022 for capital infrastructure projects.
- <sup>4/</sup> The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals, biotechnology and health research centers. A nonprofit foundation that receives monies shall submit an expenditure and performance report to Northern Arizona university. The university shall transmit the report to the joint legislative budget committee on or before February 1, 2022. The report must include at least the following: 1) The type and amount of expenditures from all state sources of monies, including the amount leveraged for local, state, federal, and private grants, 2) A description of each grant received as well as the percentage and locations of positions funded solely or partly by state monies and the nonprofit foundation's projects with which these positions are associated, 3) Performance measures, including: (a) Outcomes that are specifically related to the use of state monies; (b) Progress that has been made toward achieving each outcome, including activities, resources and other evidence of progress; (c) Reportable inventions or discoveries related to each outcome; (d) Publications,

presentations and narratives related to each outcome and how the expenditures from all state sources of monies that the nonprofit foundation received have benefited the state. (General Appropriation Act footnote)

- 5/ The appropriated amount for the economic policy institute line item may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, 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 institute and may not be used for indirect costs of the university. On or before October 1, 2021, the institute shall submit 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 a report that includes at least the following information for the institute: 1) The total amount of funding received from all sources; 2) A description of the 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 institute to appear before the committees to report on the institute's annual achievements. (General Appropriation Act footnote)
- 6/ 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)
- 7/ 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)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ The FY 2021 University Collections Fund represents the appropriated portion of NAU tuition and fee revenues. In addition, \$130,617,000 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.
- 10/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 11/ The FY 2022 General Fund Baseline is \$110,022,600. This amount would include \$100,232,200 in NAU's individual section of the FY 2022 General Appropriation Act, \$5,039,800 in A.R.S. § 15-1670 lease-purchase appropriations, and \$4,750,600 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 12/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 13/ Any unencumbered balances remaining in the university collections fund on June 30, 2021 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)
- 14/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$7,798,100 in FY 2022 for the occurrence of a 27<sup>th</sup> pay period. Of this amount, \$2,939,500 is from the General Fund and \$4,858,600 is from the University Collections Fund.

### **Operating Budget**

The Baseline includes \$228,957,600 and 2,619.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$90,036,300
University Collections Fund	138,921,300

These amounts are unchanged from FY 2021.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the NAU Other issues and ABOR for more information.)*

### **2003 Research Infrastructure Lease-Purchase Payment**

The Baseline includes \$5,039,800 from the General Fund in FY 2022 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2022 adjustments are as follows:

### Refinance Adjustment

The Baseline includes an increase of \$160,300 from the General Fund in FY 2022 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 2022 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 \$4,750,600 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding line item. FY 2022 adjustments are as follows:

#### Inflation Adjustment

The Baseline includes an increase of \$57,700 from the General Fund in FY 2022 for a 1.23% 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 2022 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second preceding calendar year to the calendar year immediately preceding the fiscal year (in the example of FY 2022, from CY 2019 to CY 2020).

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the Baseline would include a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision would increase the appropriation annually by the lesser of 2% or

inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, this would calculate the adjustment based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR section for more information.)*

*(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

### Arizona Financial Aid Trust

The Baseline includes \$1,326,000 from the General Fund in FY 2022 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2021. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

### Biomedical Research

The Baseline includes \$3,000,000 from the General Fund in FY 2022 for the Biomedical Research line item. This amount is unchanged from FY 2021.

Funding is allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers. Previously, 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 Baseline includes \$500,300 from the General Fund in FY 2022 for the Economic Policy Institute line item. This amount is unchanged from FY 2021.

The funding for the Economic Policy Institute is used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism.

### NAU - Yuma

The Baseline includes \$3,076,600 and 25.5 FTE Positions from the General Fund in FY 2022 for NAU-Yuma. These amounts are unchanged from FY 2021.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

### Teacher Training

The Baseline includes \$2,293,000 and 8.5 FTE Positions from the General Fund in FY 2022 for Teacher Training. These amounts are unchanged from FY 2021.

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
- Higher Education Emergency Relief Fund
- University Collections and FTE Positions Adjustments

### Summary

NAU's FY 2022 General Fund Baseline is \$110,022,600. Of this amount:

- \$100,232,200 would be included in NAU's individual section of the FY 2021 General Appropriation Act.
- \$5,039,800 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,750,600 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

These amounts exclude the FY 2022 funding already appropriated in the FY 2021 General Appropriation Act for the occurrence of a 27<sup>th</sup> University pay period.

### Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, NAU's General Fund costs are projected to increase by \$346,300 in FY 2023 above FY 2022 and \$89,900 in FY 2024 above 2023.

These estimates are based on:

- Increases of \$261,700 in FY 2023 and \$1,400 in FY 2024 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$84,600 in FY 2023 and \$88,500 in FY 2024 to increase the university's annual Capital Infrastructure Funding appropriation by 1.78% in FY 2023 and 1.83% in FY 2024. These amounts are based on the current "full year" statutory formula. (The GDP

inflater is currently projected at 1.78% for FY 2023 and 1.83% for FY 2024; 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.)*

### Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this program be distributed to students as emergency financial aid grants.

NAU has received a total of \$24,734,965 from the Higher Education Emergency Relief Fund. The monies are available to spend through September 30, 2022.

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized an additional \$22,674,960,000 nationwide in Higher Education Emergency Relief Fund monies for IHEs. If allocations are in the same proportion to funds distributed from the CARES Act, NAU would receive approximately \$43,000,000.

*(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

### University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$156,298,700 from the University Collections Fund to NAU. 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 2021 to the Joint Legislative Budget Committee in September 2020, and NAU incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the

estimated FY 2021 amount has been adjusted downward by \$(17,377,400) to \$138,921,300.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriation Act originally appropriated 2,360.1 FTE Positions in FY 2021 for NAU. The General Fund accounted for 884.1 FTE Positions and the University Collections Fund accounted for the remaining 1,476 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by 293.4 to 2,653.5. The General Fund accounts for 1,064.1 FTE Positions and the University Collections Fund accounts for the remaining 1,589.4 FTE Positions.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	73,788,900	72,444,400
<b>Year-End Fund Balance</b>	57,744,100	72,397,500
<b>Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations and university local funds. NAU received 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.		
<b>Purpose of Fund:</b> To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are paid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	25,626,300	31,730,500
<b>Year-End Fund Balance</b>	81,122,300	116,499,200
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
<b>Funds Expended</b>	104,310,700	98,886,500
<b>Year-End Fund Balance</b>	39,342,000	43,178,800
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	33,557,300	33,657,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	111,162,000	112,273,500
<b>Year-End Fund Balance</b>	400	200
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally-sponsored research.		
<b>Funds Expended</b>	10,974,200	11,083,900
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally-sponsored research.		
<b>Funds Expended</b>	(2,821,000)	3,227,800
<b>Year-End Fund Balance</b>	14,839,100	12,080,800
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal student loan program awards and interest collected on outstanding federal student loans.		
<b>Purpose of Fund:</b> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
<b>Funds Expended</b>	6,454,900	100,000
<b>Year-End Fund Balance</b>	999,200	929,200
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	28,012,800	28,280,000
<b>Year-End Fund Balance</b>	15,524,400	15,520,400
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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. (Please see the Capital Outlay ABOR Building System narrative for more information).		
<b>Funds Expended</b>	10,155,800	10,058,700
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (NAA1421/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
<b>Funds Expended</b>	156,154,500	138,921,300
<b>Year-End Fund Balance</b>	0	0

## University of Arizona - Main Campus

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6,021.3	5,767.2	5,767.2 <sup>1/</sup>
Personal Services	335,167,600	238,829,600	238,829,600
Employee Related Expenditures	113,617,700	81,544,200	81,544,200
Professional and Outside Services	9,759,400	3,253,300	3,253,300
Travel - In State	79,900	103,900	103,900
Travel - Out of State	875,000	43,000	43,000
Other Operating Expenditures	85,423,100	29,999,700	29,999,700
<b>OPERATING SUBTOTAL</b>	<b>544,922,700</b>	<b>353,773,700</b>	<b>353,773,700</b>
<b>SPECIAL LINE ITEMS</b>			
2003 Research Infrastructure Lease-Purchase Payment	14,250,200	14,251,500	14,248,900 <sup>2/</sup>
2017 Capital Infrastructure Funding	10,762,700	10,953,200	11,087,900 <sup>3/</sup>
Agriculture	41,189,000	41,739,700	41,739,700
Arizona Cooperative Extension	15,102,900	14,676,400	14,676,400
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	834,100	948,500	948,500
Center for the Philosophy of Freedom	1,751,200	2,556,800	2,556,800 <sup>4/</sup>
Mining, Mineral and Natural Resources Educational Museum	85,300	428,800	428,800
One-Time Funding	9,450,000	0	0
Sierra Vista Campus	6,839,100	6,250,700	6,250,700
<b>AGENCY TOTAL</b>	<b>647,916,600</b>	<b>448,308,700</b>	<b>448,440,800 <sup>5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	215,808,900	207,722,200	207,854,300 <sup>8/9/10/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	432,107,700	240,586,500 <sup>7/</sup>	240,586,500 <sup>11/</sup>
SUBTOTAL - Other Appropriated Funds	432,107,700	240,586,500	240,586,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>647,916,600</b>	<b>448,308,700</b>	<b>448,440,800 <sup>12/</sup></b>
Other Non-Appropriated Funds	1,215,251,200	1,106,756,100 <sup>7/</sup>	1,125,969,200
Federal Funds	213,120,200	192,709,200	195,421,000
<b>TOTAL - ALL SOURCES</b>	<b>2,076,288,000</b>	<b>1,747,774,000</b>	<b>1,769,831,000</b>

**AGENCY DESCRIPTION** — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today.

### FOOTNOTES

- <sup>1/</sup> Includes 960.9 GF and 283.2 OF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> A.R.S. § 15-1670 appropriates \$14,248,900 to UA-Main from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- <sup>3/</sup> A.R.S. § 15-1671 appropriates \$11,087,900 to UA-Main from the General Fund in FY 2022 for capital infrastructure projects.
- <sup>4/</sup> 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. On or before October 1, 2021, 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 that includes 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 FY 2021 University Collections Fund represents the appropriated portion of UA Main Campus tuition and fee revenues. In addition, \$569,828,300 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.
- 8/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 9/ The FY 2022 General Fund Baseline is \$207,854,300. This amount includes \$182,517,500 in UA - Main's individual section of the FY 2022 General Appropriation Act, \$14,248,900 in A.R.S. § 15-1670 lease-purchase appropriations, and \$11,087,900 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 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, 2021 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)
- 12/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$16,483,100 in FY 2022 for the occurrence of a 27<sup>th</sup> pay period. Of this amount, \$5,540,800 is from the General Fund and \$10,942,300 is from the University Collections Fund.

### **Operating Budget**

The Baseline includes \$353,773,700 and 4,523.1 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b><u>FY 2022</u></b>
General Fund	\$129,601,200
University Collections Fund	224,172,500

These amounts are unchanged from FY 2021.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-Main Other Issues Section and ABOR for more information.)*

### **2003 Research Infrastructure Lease-Purchase Payment**

The Baseline includes \$14,248,900 from the General Fund in FY 2022 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2022 adjustments are as follows:

#### **Refinance Adjustment**

The Baseline includes a decrease of \$(2,600) from the General Fund in FY 2022 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 2022 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 \$11,087,900 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding line item. FY 2022 adjustments are as follows:

#### **Inflation Adjustment**

The Baseline includes an increase of \$134,700 from the General Fund in FY 2022 for a 1.23% 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 2022 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second preceding calendar year to the calendar year immediately preceding the fiscal year (in the example of FY 2022, from CY 2019 to CY 2020).

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the Baseline would include a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision would increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, this would calculate the adjustment based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR section for more information.)*

*(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

### **Agriculture**

The Baseline includes \$41,739,700 and 779.8 FTE Positions in FY 2022 for the Agriculture Programs. These amounts consist of:

General Fund	28,799,100
University Collections Fund	12,940,600

These amounts are unchanged from FY 2021.

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 \$14,676,400 and 353.7 FTE Positions from the General Fund in FY 2022 for the Arizona Cooperative Extension. These amounts are unchanged from FY 2021.

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 2022 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2021. *(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 2022 for the Arizona Geological Survey. This amount is unchanged from FY 2021.

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.

### **Center for the Philosophy of Freedom**

The Baseline includes \$2,556,800 and 35 FTE Positions from the General Fund in FY 2022 for the Center for the

Philosophy of Freedom (CPF). These amounts are unchanged from FY 2021.

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 2022 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2021.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

#### **Sierra Vista Campus**

The Baseline includes \$6,250,700 and 74.6 FTE Positions in FY 2022 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,777,300
University Collections Fund	3,473,400

These amounts are unchanged from FY 2021.

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.

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#### **Other Issues**

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This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- COVID-Related Spending
- University Collections and FTE Positions Adjustments

#### **Summary**

UA - Main's FY 2022 General Fund Baseline is \$207,854,300. Of this amount:

- \$182,517,500 would be included in UA - Main's individual section of the FY 2022 General Appropriation Act.

- \$14,248,900 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$11,087,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

These amounts exclude the FY 2022 funding already appropriated in the FY 2021 General Appropriation Act for the occurrence of a 27<sup>th</sup> University pay period.

#### **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 \$201,000 in FY 2023 above FY 2022, and increase by \$209,300 in FY 2024 above FY 2023.

These estimates are based on:

- A \$3,600 increase in FY 2023 and a \$2,800 increase in FY 2024 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$197,400 in FY 2023 and \$206,500 in FY 2024 to increase the university's annual Capital Infrastructure Funding appropriation by 1.78% in FY 2023 and 1.83% in FY 2024. These amounts are based on the current "full year" statutory formula. (The GDP inflator is currently projected at 1.78% for FY 2023 and 1.83% for FY 2024; 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.)*

#### **COVID-Related Spending**

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-related costs. As of December 2020, the Executive's spending plan included \$46,000,000 from the federal Coronavirus Relief Fund for UA.

In addition to the Executive allocations, the Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this program be distributed to students as emergency financial aid grants.

UA has received a total of \$33,268,877 from the Higher Education Emergency Relief Fund. The monies are available to spend through September 30, 2022.

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized an additional \$22,674,960,000 nationwide in Higher Education Emergency Relief Fund monies for IHEs. If allocations are in the same proportion to funds distributed from the CARES Act, UA would receive approximately \$57,000,000. (Please see the [Arizona Board of Regents narrative, Other Issues section for more information](#)).

**University Collections and FTE Positions Adjustments**

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$354,801,800 from the University Collections Fund to UA - Main. 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 2021 to the Joint Legislative Budget Committee in September 2020, and UA incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the estimated FY 2021 amount has been adjusted downward by \$(114,215,300) to \$240,586,500.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriation Act originally appropriated 6,021.3 FTE Positions in FY 2021 for UA - Main. The General Fund accounted for 2,271.2 FTE Positions and the University Collections Fund accounted for the remaining 3,750.1 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by (254.1) to 5,767.2. The General Fund accounts for 2,617.8 FTE Positions and the University Collections Fund accounts for the remaining 3,149.4 FTE Positions.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Sales revenues of substantially self-supporting university services.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	294,013,000	290,150,000
<b>Year-End Fund Balance</b>	30,859,500	24,365,100
<b>Capital Infrastructure Fund - UA (UNI3003/A.R.S. § 15-1671)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> General Fund appropriations and university local funds. UA received 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.		
<i>Purpose of Fund:</i> To pay the cost of, or debt service on debt financing for, university capital projects. Debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<i>Purpose of Fund:</i> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	202,129,500	190,540,200
<b>Year-End Fund Balance</b>	222,998,500	205,351,300

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Retained tuition and fees.		
<i>Purpose of Fund:</i> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
<b>Funds Expended</b>	457,524,800	379,288,100
<b>Year-End Fund Balance</b>	129,074,700	114,201,900
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	1,355,300	1,246,900
<b>Year-End Fund Balance</b>	162,027,400	146,913,900
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal grants and contracts.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	163,855,700	150,692,700
<b>Year-End Fund Balance</b>	23,344,300	19,874,500
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote federally-sponsored research.		
<b>Funds Expended</b>	48,681,500	41,379,400
<b>Year-End Fund Balance</b>	0	0
<b>Geological Survey Fund (UNI3030/A.R.S. § 27-107)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Indirect cost recovery funds, and other state and local grants, fees, contracts, agreements, MOUs and other university funds.		
<i>Purpose of Fund:</i> To investigate and describe Arizona's geologic setting and to finance map publication and production expenses.		
<b>Funds Expended</b>	216,100	228,400
<b>Year-End Fund Balance</b>	441,100	265,300
<b>Geological Survey Fund - Federal Grants (UNI3031/A.R.S. § 27-107)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal grants and contracts.		
<i>Purpose of Fund:</i> To carry out federal grants and contracts awarded to the Arizona Geological Survey.		
<b>Funds Expended</b>	583,000	637,100
<b>Year-End Fund Balance</b>	0	0
<b>Geological Survey Fund - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999/A.R.S. § 27-107)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> Monies in this account are to be used exclusively for the restoration, maintenance, and operations of the Mining, Mineral, and Natural Resources Educational Museum.		
<b>Funds Expended</b>	35,900	42,200
<b>Year-End Fund Balance</b>	1,781,900	1,906,600

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally-sponsored research.		
<b>Funds Expended</b>	10,859,400	9,230,500
<b>Year-End Fund Balance</b>	0	0
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal student loan program awards and interest collected on outstanding federal student loans.		
<b>Purpose of Fund:</b> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
<b>Funds Expended</b>	899,300	899,300
<b>Year-End Fund Balance</b>	31,667,200	35,278,800
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	221,002,600	209,097,200
<b>Year-End Fund Balance</b>	48,909,700	37,232,900
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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. (Please see the Capital Outlay ABOR Building System narrative for more information).		
<b>Funds Expended</b>	27,215,300	26,033,300
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (UAA1402/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
<b>Funds Expended</b>	432,107,700	240,586,500
<b>Year-End Fund Balance</b>	0	0

## University of Arizona - Health Sciences Center

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,366.4	1,308.8	1,308.8 <sup>1/</sup>
Personal Services	51,659,600	58,066,000	58,066,000
Employee Related Expenditures	16,680,600	18,683,800	18,683,800
Professional and Outside Services	643,800	495,000	495,000
Travel - In State	44,100	25,800	25,800
Travel - Out of State	138,300	14,700	14,700
Other Operating Expenditures	6,060,200	3,907,200	3,907,200
<b>OPERATING SUBTOTAL</b>	<b>75,226,600</b>	<b>81,192,500</b>	<b>81,192,500</b>
<b>SPECIAL LINE ITEMS</b>			
Clinical Rural Rotation	317,600	353,600	353,600
Clinical Teaching Support	8,586,800	8,587,000	8,587,000
Liver Research Institute	439,400	440,400	440,400
Phoenix Medical Campus	39,095,300	41,517,600	41,517,600 <sup>2/</sup>
Telemedicine Network	1,669,000	1,670,000	1,670,000
<b>AGENCY TOTAL</b>	<b>125,334,700</b>	<b>133,761,100</b>	<b>133,761,100 <sup>3/4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	76,897,900	76,897,700	76,897,700 <sup>5/7/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	48,436,800	56,863,400 <sup>5/</sup>	56,863,400 <sup>8/</sup>
SUBTOTAL - Other Appropriated Funds	48,436,800	56,863,400	56,863,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>125,334,700</b>	<b>133,761,100</b>	<b>133,761,100 <sup>9/</sup></b>
Other Non-Appropriated Funds	432,842,900	365,169,500 <sup>5/</sup>	362,726,500
Federal Funds	141,898,900	132,903,100	135,638,400
<b>TOTAL - ALL SOURCES</b>	<b>700,076,500</b>	<b>631,833,700</b>	<b>632,126,000</b>

**AGENCY DESCRIPTION** — The University of Arizona's Health Sciences Center (UA-HSC) includes its Colleges of Medicine Tucson and Phoenix, Nursing, Pharmacy, and Public Health. UA-HSC also currently operates a medical campus in Phoenix that opened in FY 2006.

### FOOTNOTES

- 1/ Includes 447.1 GF and 70.4 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ The legislature intends that \$8,000,000 appropriated to the Phoenix medical campus line item be used to expand the university of Arizona Phoenix medical school and to provide tuition waivers. The legislature intends that the \$8,000,000 not be annualized in future years. (General Appropriation Act footnote)
- 3/ 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)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ The FY 2021 University Collections Fund represents the appropriated portion of UA Health Sciences Center tuition and fee revenues. In addition, \$239,302,800 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.
- 6/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 7/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 8/ Any unencumbered balances remaining in the university collections fund on June 30, 2021 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)

9/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$4,271,800 in FY 2022 for the occurrence of a 27<sup>th</sup> pay period. Of this amount, \$2,456,800 is from the General Fund and \$1,815,000 is from the University Collections Fund.

**Operating Budget**

The Baseline includes \$81,192,500 and 791.3 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$34,576,900
University Collections Fund	46,615,600

These amounts are unchanged from FY 2021.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-HSC Other Issues Section and ABOR for more information.)*

**Clinical Rural Rotation**

The Baseline includes \$353,600 and 5.9 FTE Positions from the General Fund in FY 2022 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2021.

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 205.2 FTE Positions from the General Fund in FY 2022 for Clinical Teaching Support. These amounts are unchanged from FY 2021.

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 6.3 FTE Positions from the General Fund in FY 2022 for the Liver Research Institute. These amounts are unchanged from FY 2021.

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 \$41,517,600 and 285.4 FTE Positions in FY 2022 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	31,269,800
University Collections Fund	10,247,800

These amounts are unchanged from FY 2021.

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 \$283,445,000. *(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 14.7 FTE Positions from the General Fund in FY 2022 for the Telemedicine Network. These amounts are unchanged from FY 2021.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

**Other Issues**

**Higher Education Emergency Relief Fund**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this program be distributed to students as emergency financial aid grants.

UA has received a total of \$33,268,877 from the Higher Education Emergency Relief Fund. The monies are available to spend through September 30, 2022.

In December 2020, the federal Consolidated Appropriations Act of 2021 authorized an additional \$22,674,960,000 nationwide in Higher Education Emergency Relief Fund monies for IHEs. If allocations are in the same proportion to funds distributed from the CARES Act, UA would receive approximately \$57,000,000.

*(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

**University Collections and FTE Positions Adjustments**

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$55,697,400 from the

University Collections Fund to UA - HSC. 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 2021 to the Joint Legislative Budget Committee in September 2020, and UA incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the estimated FY 2021 amount has been adjusted upward by \$1,166,000 to \$56,863,400.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriations Act originally appropriated 1,366.4 FTE Positions in FY 2021 for the UA - HSC. The General Fund accounted for 824.7 FTE Positions and the University Collections Fund accounted for the remaining 541.7 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by (57.6) to 1,308.8. The General Fund accounts for 784.1 FTE Positions and the University Collections Fund accounts for the remaining 524.7 FTE Positions.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,831,400	4,892,800
<b>Year-End Fund Balance</b>	914,700	1,108,600
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	290,516,500	213,529,600
<b>Year-End Fund Balance</b>	92,199,700	66,650,600

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
<b>Funds Expended</b>	31,089,500	25,773,200
<b>Year-End Fund Balance</b>	8,788,200	6,825,900
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	19,869,900	18,280,300
<b>Year-End Fund Balance</b>	154,672,600	144,028,300
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	104,595,800	101,195,500
<b>Year-End Fund Balance</b>	46,478,500	39,341,400
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally-sponsored research.		
<b>Funds Expended</b>	37,303,100	31,707,600
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally-sponsored research.		
<b>Funds Expended</b>	5,258,600	4,469,800
<b>Year-End Fund Balance</b>	0	0
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	81,277,000	98,223,800
<b>Year-End Fund Balance</b>	48,096,500	41,205,600
<b>University Collections Fund (UAA1403/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
<b>Funds Expended</b>	48,436,800	56,863,400
<b>Year-End Fund Balance</b>	0	0

## Department of Veterans' Services

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	497.3	760.3	760.3 <sup>1/</sup>
Personal Services	1,314,300	1,155,600	1,155,600
Employee Related Expenditures	470,000	458,600	458,600
Professional and Outside Services	6,400	5,500	5,500
Travel - In State	22,000	22,000	22,000
Travel - Out of State	10,600	10,700	10,700
Other Operating Expenditures	363,500	679,700	679,700
Equipment	18,900	75,800	75,800
<b>OPERATING SUBTOTAL</b>	<b>2,205,700</b>	<b>2,407,900</b>	<b>2,407,900</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona State Veterans' Cemeteries	788,000	962,900	962,900
Arizona State Veterans' Homes	34,335,600	39,887,100	46,102,900
Veterans' Benefit Counseling	2,628,900	2,934,300	2,934,300
Veterans' Support Services	52,800 <sup>2/</sup>	1,228,400	1,228,400 <sup>3/</sup>
Veterans' Trauma Treatment Services	0	450,000	450,000 <sup>4/</sup>
<b>AGENCY TOTAL</b>	<b>40,011,000</b>	<b>47,870,600</b>	<b>54,086,400 <sup>5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	5,675,400	7,983,500	7,983,500
<u>Other Appropriated Funds</u>			
State Homes for Veterans Trust Fund	34,335,600	39,887,100	46,102,900
SUBTOTAL - Other Appropriated Funds	34,335,600	39,887,100	46,102,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>40,011,000</b>	<b>47,870,600</b>	<b>54,086,400</b>
Other Non-Appropriated Funds	3,601,200	3,460,800	3,460,800
Federal Funds	4,258,700	30,205,500	30,205,500
<b>TOTAL - ALL SOURCES</b>	<b>47,870,900</b>	<b>81,536,900</b>	<b>87,752,700</b>

**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 644 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ Represents expenditures for the veterans' support services line item for FY 2020 and excludes \$1,149,800 in administrative adjustments to be spent in FY 2021.
- 3/ The amount appropriated for veterans' support services ~~suicide prevention~~ line item shall be distributed to a nonprofit veterans' services organization that provides SUPPORT services related to reducing suicides among this state's military and veteran population. The department may spend up to \$78,600 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. Before the expenditure of the monies, the department shall submit an expenditure report for review by the joint legislative budget committee that includes the status of non-state matching grant monies. (General Appropriation Act footnote)
- 4/ Monies appropriated for the veterans' trauma treatment services line item shall be used to provide grants to contractors as defined in section 36-2901, Arizona Revised Statutes, that provide trauma treatment services training to any of the following health professionals licensed pursuant to title 32, Arizona Revised Statutes: 1. Physicians. 2. Registered nurse practitioners. 3. Physician assistants. 4. Psychologists. 5. Behavioral health professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner or behavioral health professional licensed pursuant to title 32, Arizona Revised Statutes, for independent practice. (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 \$2,407,900 and 46.8 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

### **Arizona State Veterans' Cemeteries**

The Baseline includes \$962,900 and 12.5 FTE Positions from the General Fund in FY 2022 for the Arizona State Veterans' Cemeteries. These amounts are unchanged from FY 2021.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in Sierra Vista, Marana, and Bellmont. 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 \$46,102,900 and 644 FTE Positions from the State Homes for Veterans' Trust Fund in FY 2022 for the Arizona State Veterans' Homes. FY 2022 adjustments are as follows:

#### **Operating Costs for New Veterans' Homes**

The Baseline includes an increase of \$6,215,800 from the State Homes for Veterans' Trust Fund in FY 2022 to further annualize the operating costs for new veterans' homes in Flagstaff and Yuma. The FY 2021 budget included \$3,397,300 of funding for the homes' start-up costs. Between the FY 2021 appropriation and the FY 2022 request, the total FY 2022 operating costs of the 2 homes would be \$9,600,000.

Construction for the two 80-bed facilities began in June 2019. As of December 2020, the Flagstaff and Yuma homes are expected to open in June 2021. The department estimates the final annualized operating cost of the 2 new homes will be \$22,750,000 in FY 2023 and beyond. Of this amount, the department anticipates using \$11,200,000 for the Yuma home and \$11,575,000 for the Flagstaff home. Operating cost estimates for the new homes are based on current homes' costs as well as anticipated occupancy levels. *(Please see the [FY 2020 Appropriations Report](#) for more history on the construction of the Yuma and Flagstaff homes.)*

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes. Monies in this line item are from fees and reimbursements received from

residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

Besides Flagstaff and Yuma, ADVS operates the Phoenix Veterans' Home, a 200-bed facility currently serving 166 individuals. The Tucson Veterans' Home currently serves 120 individuals and has a 120-bed capacity.

### **Veterans' Benefit Counseling**

The Baseline includes \$2,934,300 and 57 FTE Positions from the General Fund in FY 2022 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2021.

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.

### **Veterans' Support Services**

The Baseline includes \$1,228,400 from the General Fund in FY 2022 for Veterans' Support Services. These amounts are unchanged from FY 2021. In prior years, this line item was named Veterans' Suicide Prevention. The relabeling of this line item reflects the broader range of services that its funding supports.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides support services, including suicide prevention, to Arizona's military and veteran population. The department may spend up to \$78,600 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. The program currently includes a 24/7 hotline, career navigation services, and resource mapping.

The FY 2021 General Appropriation Act required the department to provide an expenditure plan to the JLBC which was favorably reviewed at the December 2020 JLBC meeting. The FY 2022 Baseline changes this review requirement to a reporting requirement.

### **Veterans' Trauma Treatment Services**

The Baseline includes \$450,000 from the General Fund in FY 2022 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2021.

Monies appropriated for this line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2901, that provide trauma treatment services training to any of the following health professionals licensed

pursuant to Title 32, Arizona Revised Statutes: Physicians, Registered Nurse Practitioners, Physician Assistants, Psychologists, and Behavioral Health Professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner, or behavioral health professional licensed pursuant to Title 32, Arizona Revised Statutes, for independent practice.

**Other Issues**

**Hyperbaric Oxygen Therapy Fund Deposit**

Laws 2018, Chapter 98 created the Hyperbaric Oxygen Therapy Fund and made an initial deposit of \$25,000 from the General Fund.

Monies in the Hyperbaric Oxygen Therapy 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.

As of June 30, 2020, the department had not spent any of the appropriation. The department is in the process of recruiting volunteers to sit on the advisory committee. Laws 2018, Chapter 98 advanced appropriated \$25,000

from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023.

**Auditor General Report**

In July 2020, the Auditor General published a Department of Veterans' Services performance audit that included recommendations for improvements to the Military Family Relief Fund. A.R.S. § 41-608.04 created the Post 9/11 Military Family Relief Advisory Committee to establish criteria for the use of monies in the post-9/11 veterans' subaccount and review applications.

As part of the sunset review process pursuant to A.R.S. § 41-2951, the Auditor General identified that the Committee used several eligibility criteria that exceed what is set forth in statute. For example, statute required that the service member have been deployed, while eligibility criteria required deployment to a combat zone. The audit recommended that the department only use eligibility criteria established in statute.

Additionally, the Auditor General concluded that the Department of Veterans' Services lacked proper internal controls to properly safeguard monies in the Military Family Relief Fund. The Department of Veterans' Services agrees with the findings and is working to revise statutory language and implement internal controls.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies, grants, gifts, and contributions from any public or private source.		
<b>Purpose of Fund:</b> To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Flagstaff.		
<b>Funds Expended</b>	765,300	530,000
<b>Year-End Fund Balance</b>	1,918,400	2,290,700
<b>Federal Funds (VSA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> U.S. Department of Veterans' Affairs and Department of Defense Grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,258,700	30,205,500
<b>Year-End Fund Balance</b>	9,022,900	5,622,500
<b>Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, grants and bequests.		
<b>Purpose of Fund:</b> To provide financial assistance to veterans for hyperbaric oxygen therapy.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,037,400	1,039,300
<b>Year-End Fund Balance</b>	6,726,500	6,902,200
<b>State Homes for Veterans Trust Fund (VSA2355/A.R.S. § 41-608.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
<b>Purpose of Fund:</b> To operate and maintain state-operated nursing homes for Arizona veterans.		
<b>Funds Expended</b>	34,335,600	39,887,100
<b>Year-End Fund Balance</b>	24,953,300	23,722,100
<b>Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts, or contributions from public or private sources.		
<b>Purpose of Fund:</b> For the conduct of employee recognition programs.		
<b>Funds Expended</b>	1,700	2,000
<b>Year-End Fund Balance</b>	7,200	9,000
<b>Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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, Flying Cross, 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,796,800	1,882,500
<b>Year-End Fund Balance</b>	4,683,200	5,688,700
<b>Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriation of \$2,000,000 from the General Fund. Expenditure amounts are not displayed to avoid double counting.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	7,000
<b>Year-End Fund Balance</b>	89,600	77,700

## Arizona State Veterinary Medical Examining Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	251,000	370,200	370,200
Employee Related Expenditures	77,400	119,000	119,000
Professional and Outside Services	22,000	26,100	26,100
Travel - In State	4,300	8,500	8,500
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	85,900	90,000	90,000
Equipment	12,400	3,000	3,000
<b>AGENCY TOTAL</b>	<b>453,000</b>	<b>618,300</b>	<b>618,300 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Veterinary Medical Examining Board Fund	453,000	618,300	618,300
SUBTOTAL - Other Appropriated Funds	453,000	618,300	618,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>453,000</b>	<b>618,300</b>	<b>618,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>453,000</b>	<b>618,300</b>	<b>618,300</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$618,300 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
<b>Funds Expended</b>	453,000	618,300
<b>Year-End Fund Balance</b>	2,482,100	3,441,300

## Department of Water Resources

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	145.0	145.0	145.0 <sup>1/</sup>
Personal Services	5,174,300	5,598,600	5,598,600
Employee Related Expenditures	1,904,500	2,314,500	2,314,500
Professional and Outside Services	180,500	71,300	71,300
Travel - In State	66,400	73,600	73,600
Travel - Out of State	45,800	21,500	21,500
Other Operating Expenditures	2,171,200	2,280,400	2,280,400
Equipment	362,600	151,600	151,600
<b>OPERATING SUBTOTAL</b>	<b>9,905,300</b>	<b>10,511,500</b>	<b>10,511,500</b>
<b>SPECIAL LINE ITEMS</b>			
Adjudication Support	1,741,800	1,814,400	1,814,400 <sup>2/</sup>
Assured and Adequate Water Supply Administration	1,943,600	2,074,700	2,074,700 <sup>3/</sup>
Automated Groundwater Monitoring	338,300	418,600	418,600
Arizona Water Protection Fund Deposit	750,000	250,000	250,000
Colorado River Legal Expenses	130,000	500,000	500,000 <sup>4/5/</sup>
Conservation and Drought Program	278,900	427,700	427,700
Northwest Basins Groundwater Study	51,700	0	0
Rural Water Studies	1,142,100	1,201,500	1,201,500 <sup>6/</sup>
<b>Drought Contingency Plan Programs</b>			
Arizona System Conservation Fund Deposit	30,000,000	0	0
Augmentation and Conservation Assistance Fund Deposit	2,000,000	0	0
Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit	20,000,000	0	0
<b>AGENCY TOTAL</b>	<b>68,281,700</b>	<b>17,198,400</b>	<b>17,198,400 <sup>7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	66,598,100	14,731,600	14,731,600
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	839,100	1,212,400	1,212,400
Assured and Adequate Water Supply Administration Fund	266,700	276,700	276,700
Water Resources Fund	577,800	977,700	977,700
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>1,683,600</b>	<b>2,466,800</b>	<b>2,466,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>68,281,700</b>	<b>17,198,400</b>	<b>17,198,400</b>
Other Non-Appropriated Funds	17,197,900	14,722,200	11,863,800
Federal Funds	490,300	3,052,700	4,147,000
<b>TOTAL - ALL SOURCES</b>	<b>85,969,900</b>	<b>34,973,300</b>	<b>33,209,200</b>

**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

- <sup>1/</sup> Includes 60 GF FTE Positions funded from Special Line Items in FY 2022.
- <sup>2/</sup> Monies in the adjudication support line item may be used only for the exclusive purposes prescribed in section 45-256 and section 45-257, subsection B, paragraph 4, Arizona Revised Statutes. The department of water resources may not transfer any monies into or out of the adjudication support line item. (General Appropriation Act footnote)
- <sup>3/</sup> Monies in the assured and adequate water supply administration line item may be used only for the exclusive purposes prescribed in sections 45-108 and 45-576 through 45-579, Arizona Revised Statutes. 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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ The legislature intends 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)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$10,511,500 and 85 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$8,821,400
Water Banking Fund	1,212,400
Water Resources Fund	477,700

These amounts are unchanged from FY 2021.

### **Adjudication Support**

The Baseline includes \$1,814,400 and 21 FTE Positions from the General Fund in FY 2022 for Adjudication Support. These amounts are unchanged from FY 2021.

### **Assured and Adequate Water Supply Administration**

The Baseline includes \$2,074,700 and 21 FTE Positions in FY 2022 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,798,000
AAWS Administration Fund	276,700

These amounts are unchanged from FY 2021.

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 \$418,600 and 2 FTE Positions from the General Fund in FY 2022 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2021.

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.

### **Arizona Water Protection Fund Deposit**

The Baseline includes \$250,000 from the General Fund in FY 2022 for the Arizona Water Protection Fund Deposit line item. This amount is unchanged from FY 2021.

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 FY 2020 budget included an additional one-time General Fund amount of \$500,000.

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 determines annual recipients.

### **Colorado River Legal Expenses**

The Baseline includes \$500,000 from the Water Resources Fund in FY 2022 for Colorado River Legal Expenses. This amount is unchanged from FY 2021.

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.

On August 23, 2019, the United States District Court for the District of Arizona dismissed the Navajo Nation's claim. The Navajo Nation filed an appeal of the decision before the United States Court of Appeals for the Ninth Circuit which is currently pending. Subsequent litigation is expected to continue for several years.

### **Conservation and Drought Program**

The Baseline includes \$427,700 and 5 FTE Positions from the General Fund in FY 2022 for the Conservation and Drought Program. These amounts are unchanged from FY 2021.

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.

The 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.

### **Rural Water Studies**

The Baseline includes \$1,201,500 and 11 FTE Positions from the General Fund in FY 2022 for Rural Water Studies. These amounts are unchanged from FY 2021.

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 local and federal partners, with the department providing technical support as needed or financial assistance. The department is currently involved in the following 5 studies, listed by the entity DWR is assisting and the topic of study: Coconino Plateau Watershed Partnership (Ecosystem Services Assessment); Coconino Plateau Watershed Partnership (Aquifer Groundwater Model); Upper San Pedro Partnership (Web-Based Hydrologic Data Portal); United States Geological Survey (Water Use Study and Stream Gage Funding Support); and United States Geological Survey (Verde Valley Watershed Study).

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### **Other Issues**

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This section includes information on the following topics:

- Statutory Changes
- Drought Contingency Plan
- Dam Safety

### **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 out of their unobligated balances in FY 2022.
- 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.

## **Drought Contingency Plan**

The Colorado River system supplies water to 7 states and to Mexico. The use of water from the river was 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, measured by the water level in Lake Mead. As of November 2020, Lake Mead's water level is 1,081 feet.

If the water level were to fall below 1,025 feet 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. To avoid this fate, the affected states, the federal Department of the Interior, and the Bureau of Reclamation negotiated a Drought Contingency Plan. The plan, signed on May 20, 2019 by all relevant parties, will 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.

Prior to the multi-state agreement, Laws 2019, Chapter 1, the Drought Contingency Plan, was enacted. The DCP allowed the Director of DWR to enter into the new agreement and specified Arizona's efforts to conserve waters in the Colorado River system.

As part of the DCP, Arizona appropriated \$61,000,000 of total funding across FY 2019 and FY 2020 from the General Fund for several programs as described below.

### *Colorado River System Conservation*

An amount of \$30,000,000 was appropriated from the General Fund to the Arizona System Conservation Fund to reduce the state's Colorado River water use by funding conservation measures and paying certain users to forego water deliveries.

The Colorado River Indian Tribe has received 2 payments from the Arizona System Conservation Fund. An amount of \$7,770,000 was paid in December 2019 and a second payment of \$5,770,000 was paid in September 2020.

### *Groundwater Projects*

An amount of \$29,000,000 was appropriated from the General Fund to the Temporary Groundwater and Irrigation Efficiency Projects Fund to finance the rehabilitation of wells and related infrastructure for qualified irrigation districts located in the Phoenix AMA, Pinal AMA, and the Harquahala INA (irrigation non-expansion area). Laws 2020, Chapter 2 modified the list

of requirements for irrigation districts to qualify for monies from the fund. By December 31, 2021, \$20,000,000 of this amount is required to be repaid by irrigation districts to the General Fund. The Baseline accounts for the \$20,000,000 as revenue to the General Fund in FY 2022 in accordance with the FY 2021 budget's 3-year plan.

As of November 2020, DWR has distributed \$196,400 of the \$9,000,000 in non-loan grant monies from this fund. The Central Arizona Irrigation and Drainage District received the entire \$196,400 disbursement. Several payments totaling \$1,711,800 are currently in the approval process. DWR reports that none of the \$20,000,000 in loan monies have been distributed.

DWR reports that grant monies have not been fully distributed because irrigation districts are in the process of developing proposals. Several districts are currently constructing projects and have indicated that they will seek reimbursement through DWR grant monies.

In terms of the loan monies, DWR has indicated that the state loan program is dependent on the federal Regional Conservation Partnership Program (RCPP) grant program operated by the United States Department of Agriculture (USDA). Once the RCPP grant contracts are awarded, DWR anticipates that irrigation districts will apply for loan monies. Irrigation districts intend to repay DWR loan monies with the federal RCPP grant monies. The RCPP grant process is taking longer than anticipated, and DWR estimates that irrigation districts will receive RCPP monies within 9 months to a year. Districts that receive loan monies would need to repay DWR by December 31, 2021.

### *AMA Groundwater Conservation*

An amount of \$2,000,000 was appropriated from the General Fund to the Augmentation and Conservation Assistance Fund to support water supply augmentation projects with the state's AMA, such as groundwater recharge. This fund also receives a portion of existing fees for groundwater withdrawal to support these ongoing programs.

## **Dam Safety**

The Department of Water Resources (DWR) supervises the safety and hazard level of dams in Arizona. DWR supervises 253 dams in the state.

The safety designation (safe, safety deficiency, unsafe) addresses the current condition of the dam. A safety classification does not address the potential consequences of a dam if it were to fail. An unsafe dam is

more likely to fail than a safe dam, but an unsafe designation does not mean a dam will imminently fail.

The hazard designation (very low, low, significant, high) addresses the potential consequences if a dam were to fail. The current condition of a dam is not addressed in the hazard designation.

The highest priority dams are classified as "unsafe" and "high-hazard." Of the 253 dams, 31 are labeled as "high-hazard" dams with identified safety deficiencies. Of these 31, 15 are labeled as "unsafe." The Legislature may consider utilizing one-time monies to assess the problems at these 15 dams as well as potentially set aside state match funding for the repairs themselves. These monies would supplement the monies already available in the Dam Repair Fund.

As listed in *Table 1*, the 15 dams are in the following counties:

<u>County</u>	<u>Number of Dams</u>
Apache	1
Cochise	1
Coconino	3
Graham	3
Maricopa	1
Navajo	4
Pinal	2
<b>Total</b>	<b>15</b>

The owner of each dam is responsible for its repairs. The assessment and design repair cost can approach \$1,000,000, with actual construction costs being as much as \$10,000,000.

DWR can assist dam owners through grants or loans from the Dam Repair Fund if the dam is classified as "unsafe." The fund's revenues consist of dam inspection and permit fees. The fund generated \$1,489,900 in revenue for FY 2020. The fund has a current balance of \$6,352,700.

The federal government may also provide repair grants contingent upon a local match.

*Table 2* lists dams considered to be "unsafe" and the year that it was constructed.

<u>Dam Name</u>	<u>Year Constructed</u>
Colter	1908
Leslie Canyon Water Users Association	N/A
Fredonia	1973
Walnut Canyon	1881
Odell	1978
Central Detention	1948
Stockton Wash	1964
Cook Reservoir	1940
Buckeye Flood Structure #1	1974
Black Canyon	1964
Millett Swale	1958
Fool Hollow	1956
Jacques	1953
Maricopa Road Basin	1995
Green Road Basin	1995

Fredonia presents an example of the challenge of repairing dams. While the federal government committed 65% of the estimated \$10,000,000-12,000,000 in repair costs and DWR offered \$1,000,000, the town was unable to secure the remaining amount as local match. Repair plans were then suspended. Local match monies would be sourced from local tax revenues, grants, or loans.

Beyond determining whether a dam is "unsafe," DWR may also make a determination that an emergency exists if a dam is dangerous to safety and there is insufficient time to take corrective action. Under that circumstance, rather than granting or loaning monies from the Dam Repair Fund, DWR may take immediate remedial action such as partially releasing water or emptying the associated reservoir. After emergency remedial action is taken, DWR maintains temporary control of the dam and may begin appropriate repair work. The costs of DWR control and emergency repairs are then charged to the dam owner by placing a lien on the dam property.

<b>SUMMARY OF FUNDS</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Estimate</b>
<b>Arizona System Conservation Fund (WCA9900/A.R.S. § 45-118)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and grants and contributions from private and public entities.		
<b>Purpose of Fund:</b> Reduce Colorado River water use by funding conservation measures, water diversions, and foregoing water deliveries. Expenditures are not displayed to avoid double counting of General Fund monies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	25,024,200	21,179,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users.		
<b>Purpose of Fund:</b> Appropriated amounts are used for the department's general operating expenditures. On a one-time basis, these monies were used by the Auditor General for an audit of the Central Arizona Water Conservation District. Please see the non-appropriated portion of the fund for more information.		
<b>Funds Expended</b>	839,100	1,212,400
<b>Year-End Fund Balance</b>	2,986,900	1,210,400
<b>Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 subaccount 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.		
<b>Purpose of Fund:</b> 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. Please see the appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	14,319,800	10,498,600
<b>Year-End Fund Balance</b>	2,986,900	1,210,400
<b>Arizona Water Protection Fund (WCA1302/A.R.S. § 45-2111)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> From purchases or leases of CAP water and legislative appropriations.		
<b>Purpose of Fund:</b> 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. Recent budget legislation has allowed the Water Protection Fund Commission to spend monies on administrative functions out of the unobligated fund balance.		
<b>Funds Expended</b>	886,700	1,964,500
<b>Year-End Fund Balance</b>	3,259,100	1,599,600
<b>Arizona Water Quality Fund (WCA2304/A.R.S. § 45-618)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	186,100	154,000
<b>Year-End Fund Balance</b>	417,600	411,000
<b>Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for applications relating to adequate and assured water supply regulations for newly- created subdivisions.		
<b>Purpose of Fund:</b> To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
<b>Funds Expended</b>	266,700	276,700
<b>Year-End Fund Balance</b>	591,900	455,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	803,200	849,600
<b>Year-End Fund Balance</b>	3,953,700	3,800,400
<b>Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
<i>Purpose of Fund:</i> Monies are transferred to the Lower River Multispecies Conservation Program.		
<b>Funds Expended</b>	26,800	26,800
<b>Year-End Fund Balance</b>	0	0
<b>Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations, dam safety inspection fees, and filing fees.		
<i>Purpose of Fund:</i> Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
<b>Funds Expended</b>	8,800	400,000
<b>Year-End Fund Balance</b>	6,352,700	6,500,000
<b>Employee Recognition Fund (WCA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Gifts and donations from a public entity, a private entity, or any person.		
<i>Purpose of Fund:</i> To be used for the agency's employee recognition program.		
<b>Funds Expended</b>	2,700	1,500
<b>Year-End Fund Balance</b>	900	900
<b>Federal Grants (WCA2000/A.R.S. § 45-105)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Grants from the federal government.		
<i>Purpose of Fund:</i> To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
<b>Funds Expended</b>	490,300	3,052,700
<b>Year-End Fund Balance</b>	456,100	555,300
<b>Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations, grants, and contributions from other public agencies.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	17,700	17,000
<b>Year-End Fund Balance</b>	365,800	355,500
<b>General Adjudications Fund (WCA2191/A.R.S. § 45-260)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Court fees paid by water claimants and from legislative appropriations.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	13,400	13,400
<b>Year-End Fund Balance</b>	32,900	32,500

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Cost allocation transfers of federal and other non-appropriated funds.		
<i>Purpose of Fund:</i> To provide various indirect administrative services, including security and cashiering.		
Funds Expended	437,100	155,300
Year-End Fund Balance	1,666,300	1,881,000
<b>Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Collections from other state and local agencies.		
<i>Purpose of Fund:</i> To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	(12,900)	192,300
Year-End Fund Balance	315,800	217,200
<b>Production and Copying Fund (WCA2411/A.R.S. § 45-115)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To produce and distribute department publications, as well as to copy department records.		
Funds Expended	0	0
Year-End Fund Balance	2,300	2,500
<b>Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To publish and mail legal notices.		
Funds Expended	0	0
Year-End Fund Balance	7,100	7,100
<b>Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A portion of fees for groundwater withdrawal in AMAs.		
<i>Purpose of Fund:</i> 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 subaccount within the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
<b>Statewide Donations Fund (WCA2025/A.R.S. § 45-105)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Grants, gifts or donations of money or other property from any source.		
<i>Purpose of Fund:</i> 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	0	0
Year-End Fund Balance	177,500	177,500
<b>Temporary Groundwater and Irrigation Efficiency Projects Fund (WCA9901/A.R.S. § 45-615.01)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> General Fund monies, groundwater withdrawal fees collected in the Pinal active management area, grants from federal agencies, and monies deposited in the fund by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area.		
<i>Purpose of Fund:</i> Funding projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the Phoenix active management area, the Pinal active management area, and the Harquahala irrigation non-expansion area. Expenditures are not displayed to avoid double counting of General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	28,932,000	29,922,000

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Water Resources Fund (WCA2398/A.R.S. § 45-117)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. Recent budget legislation 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.		
<b>Purpose of Fund:</b> Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities including management of the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
<b>Funds Expended</b>	577,800	977,700
<b>Year-End Fund Balance</b>	5,402,100	5,476,100
<b>Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Well-drilling filing and permit fees.		
<b>Purpose of Fund:</b> To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
<b>Funds Expended</b>	508,500	449,200
<b>Year-End Fund Balance</b>	1,653,500	1,789,300

***CAPITAL OUTLAY ESTIMATES***

**Capital Outlay**  
**Summary**

FY 2022  
BASELINE

**BUILDING RENEWAL**

ADOA Building System	22,830,500
ADOT Building System	13,281,700
ABOR Building System	0
<b>SUBTOTAL</b>	<b>36,112,200</b>

**INDIVIDUAL PROJECTS**

ADOA Building System	0
ADOT Building System	432,110,000
ABOR Building System	0
<b>SUBTOTAL</b>	<b>432,110,000</b>

**DEBT AND LEASE-PURCHASE FINANCING**

ADOA Leaseback Financing	53,703,900
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**LOCAL ASSISTANCE**

Phoenix Convention Center	24,498,500
Rio Nuevo District	16,000,000
<b>SUBTOTAL</b>	<b>40,498,500</b>

**TOTALS**

ADOA Building System	22,830,500
ADOT Building System	445,391,700
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	94,202,400
<b>TOTAL - ALL PROJECTS</b>	<b>562,424,600</b>

**FUND SOURCES**

General Fund	94,202,400
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Department of Corrections Building Renewal Fund	5,464,300
Game and Fish Fund	1,213,400
State Lottery Fund	152,800
State Aviation Fund	26,281,700
State Highway Fund	419,110,000
SUBTOTAL - Other Appropriated Funds	468,222,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>562,424,600</b>
Other Non-Appropriated Funds	571,905,000
Federal Funds	1,030,406,000
<b>TOTAL - ALL SOURCES</b>	<b>2,164,735,600</b>

**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 \$562,424,600 from Appropriated Funds in FY 2022. Of the total, \$94,202,400 is from the General Fund and \$468,222,200 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 \$36,112,200 in FY 2022 for Building Renewal, which consists of Other Appropriated Funds. These amounts include:

	<b><u>FY 2022</u></b>
Arizona Department of Administration	\$16,000,000
Capital Outlay Stabilization Fund	
@ 32.1% (excludes ADC,	
Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building	5,464,300
Renewal Fund @ 19.5%	
Game and Fish Department	
Game and Fish Fund @ 100%	1,213,400
State Lottery Commission	
State Lottery Fund @ 100%	<u>152,800</u>
Subtotal - ADOA	\$22,830,500
Arizona Department of Transportation	
State Highway Fund @ 84.3%	\$13,000,000
State Aviation Fund @ 90.8%	<u>281,700</u>
Subtotal - ADOT	\$13,281,700

*(See the individual building systems' section for more information.)*

**Individual Projects**

The Baseline includes total funding of \$432,110,000 in FY 2022 for individual capital projects, which consists of \$432,110,000 from Other Appropriated Funds. *(See the*

*individual building systems' sections for more information.)*

**Debt and Lease-Purchase Financing**

The Baseline includes \$53,703,900 from the General Fund in FY 2022 for payments related to prior year lease-purchase financing to resolve budget shortfalls. *(See the Debt and Lease-Purchase Financing section for more information.)*

**Local Assistance**

The Baseline includes \$40,498,500 from the General Fund in FY 2022 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 2022  
BASELINE

#### BUILDING RENEWAL

Department of Administration <sup>1/2/</sup>	16,000,000
Department of Corrections <sup>3/</sup>	5,464,300
Game and Fish Department <sup>4/</sup>	1,213,400
Arizona State Lottery Commission	152,800
<b>ALL PROJECTS <sup>5/6/</sup></b>	<b>22,830,500</b>

#### FUND SOURCES

##### Other Appropriated Funds

Capital Outlay Stabilization Fund	16,000,000
Department of Corrections Building Renewal Fund	5,464,300
Game and Fish Fund	1,213,400
State Lottery Fund	152,800
SUBTOTAL - Other Appropriated Funds	22,830,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>22,830,500</b>

#### TOTAL - ALL SOURCES <sup>7/8/9/10/11/12/</sup>

**22,830,500**

**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 2022 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

- <sup>1/</sup> 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 section 41-792.01, Arizona Revised Statutes, 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)
- <sup>2/</sup> On or before November 30, 2021 and May 31, 2022, the department of administration shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> On or before November 30, 2021 and May 31, 2022, the state department of corrections shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. The department may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> On or before November 30, 2021 and May 31, 2022, the Arizona game and fish department shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- <sup>5/</sup> **NEW** On or before November 30, 2021 and May 31, 2022, the Arizona State Parks Board shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- <sup>6/</sup> Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2021-2022 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 five 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/ Notwithstanding section 35-190, Arizona Revised Statutes, each appropriation made in this section that is unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 8/ **NEW** Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$3,759,000 to the department of emergency and military affairs for construction of a readiness center made by Laws 2018, chapter 277, section 8 that remains unexpended on June 30, 2022 2026 reverts to the fund from which the monies were appropriated. (Revising FY 2021 Capital Outlay Appropriation Act footnote)
- 9/ **NEW** Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$3,875,000 to the department of emergency and military affairs for construction of a readiness center made by Laws 2019, chapter 264, section 6 that remains unexpended on June 30, 2023 2026 reverts to the fund from which the monies were appropriated. (Revising FY 2021 Capital Outlay Appropriation Act footnote)
- 10/ Pursuant to section 41-1252, Arizona Revised Statutes, 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)
- 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 Agency.

The following amounts are one-time appropriations:

**Building Renewal**

The Baseline includes \$22,830,500 from Other Appropriated Funds in FY 2022 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$16,000,000 to ADOA from the Capital Outlay Stabilization Fund (COSF). This amount funds 32.1% of the ADOA building renewal formula. The FY 2021 appropriation of \$16,000,000 from COSF represented 32.6% of the ADOA formula.
- \$5,464,300 to the Arizona Department of Corrections (ADC) from the ADC Building Renewal Fund, which funds 19.5% of the ADC building renewal formula. The FY 2021 appropriation of \$5,464,300 from the ADC Building Renewal Fund represented 20.4% of the ADC formula.
- \$1,213,400 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 2021 appropriation of \$1,157,900 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$152,800 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2021 appropriation of \$146,700 from the State Lottery Fund also 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 2023.

The Baseline modifies reporting dates for agency building renewal and capital expenditures status reports to align with the JCCR review process. The dates been adjusted from January 31 and July 31 to November 30 and May 31. In addition, the Baseline adds a new footnote requiring the Arizona State Parks Board to report to the JLBC Staff biennially on agency building renewal and capital expenditures.

**Other Issues**

**Appropriations Non-Lapsing Status**

As session law, the Baseline extends the lapsing date of the \$3,759,000 FY 2019 General Fund appropriation to the Department of Emergency and Military Affairs (DEMA) for construction of a new Tucson Readiness Center to June 30, 2026.

As session law, the Baseline also extends the lapsing date of the \$3,875,000 FY 2020 General Fund appropriation to DEMA for construction of a new West Valley Readiness Center to June 30, 2026.

The Baseline proposes to extend the lapsing date of these DEMA appropriations because the original project completion dates have been delayed as a result of U.S. Department of Defense budget reprogramming of military construction funding.

**Rent Adjustments**

In FY 2021, state building rent payments total \$31,821,200 which consists of \$19,155,100 from the General Fund, \$9,134,400 from Other Appropriated Funds, and \$3,531,700 from Non-Appropriated Funds.

The FY 2022 Baseline does not include updated agency rent payments as those amounts will be finalized through next spring due to renovations, agency relocations, and agency space consolidation. Any revised rent amounts and associated changes to agency budgets may be considered during the FY 2022 budget process.

For reference, the Baseline includes a Summary of Rent Charges which reflects the space allocations and rental rates assumed in the enacted FY 2021 budget. The Baseline assumes no changes to the current rental rates of state building space (Office - \$17.87 per sq. ft./Storage - \$6.43 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 expenditure information for FY 2020, and provides estimates for FY 2021 and FY 2022.

**Table 1**

**COSF Revenues and Expenditures**  
(in millions)

	<b>FY 2020 Actuals</b>	<b>FY 2021 Estimate</b>	<b>FY 2022 Estimate</b>
<b>Beginning Balance</b>	\$17.6	\$22.9	\$ 8.6
<b>Revenue</b>	<u>32.5</u>	<u>33.8</u>	<u>33.8</u>
<b>Total Available</b>	\$50.1	\$56.7	\$42.4
<b>Expenditures</b>			
COSF Operating	\$15.1	\$18.7	\$18.7
Capital Projects			
FY '19 Building Renewal	7.4	0	0
FY '20 Building Renewal	3.6	13.1	0
FY '21 Building Renewal <sup>1/</sup>	0	16.0	0
FY '22 Building Renewal <sup>1/</sup>	0	0	16.0
Admin. Adjustments	<u>1.1</u>	<u>0.3</u>	<u>0</u>
<b>Total Expenditures</b>	\$27.2	48.1	\$34.7
<b>Ending Balance</b>	<b>\$ 22.9</b>	<b>\$8.6</b>	<b>\$7.7</b>

<sup>1/</sup> Since ADOA building renewal appropriations do not lapse for 2 years, monies appropriated in FY 2021 and FY 2022 may also be spent in the following fiscal year.

## SUMMARY OF RENT CHARGES 1/ 2/

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<b>BUDGET UNITS</b>												
Acupuncture Board of Examiners												
1740 W Adams		11,000		11,000		13,000		13,000		2,000		2,000
Administration, AZ Department of												
1510 W Adams												
1520 W Adams												
1537 W Jackson		118,200		118,200		118,200		118,200				
1616 W Adams		86,500		86,500		105,600		105,600		19,100		19,100
1802 W Jackson		24,000	59,500	83,500		24,000	59,500	83,500				
1840 W Jackson		87,800		87,800		87,800		87,800				
1850 W Jackson		60,600		60,600		60,600		60,600				
1700 W Washington		159,000		159,000		159,000		159,000				
1740 W Adams		36,100		36,100		45,000		45,000		8,900		8,900
1501 W Madison		82,400		82,400		82,400		82,400				
1801 W Madison		29,200		29,200		29,200		29,200				
1805 W Madison		33,800		33,800		33,800		33,800				
400 W Congress, Tucson		65,100		65,100		65,000		65,000		(100)		(100)
402 W Congress, Tucson		77,300		77,300		77,300		77,300				
416 W Congress, Tucson		3,800		3,800		3,800		3,800				
Subtotal - AZ Dept of Administration		863,800	59,500	923,300		891,700	59,500	951,200		27,900		27,900
Administrative Hearings, Office of												
1740 W Adams	92,700		117,900	210,600	86,500		110,000	196,500	(6,200)		(7,900)	(14,100)
African American Affairs, AZ Commission of												
1700 W Washington	8,100			8,100	8,100			8,100				
Agriculture, AZ Department of												
1688 W Adams	299,700		337,900	637,600	299,700		337,900	637,600				
400 W Congress, Tucson	48,400		7,200	55,600	48,400		7,200	55,600				
Subtotal - AZ Dept of Agriculture	348,100		345,100	693,200	348,100		345,100	693,200				
AZ Health Care Cost Containment System												
Kingman Building	9,100		9,200	18,300	(100)				(9,200)		(9,200)	(18,300)
Arts, AZ Commission on the												
417 W Roosevelt			67,900	67,900			67,900	67,900				
Attorney General - Department of Law												
400 W Congress, Tucson			131,500	131,500			131,500	131,500				
402 W Congress, Tucson	170,500	55,400	200,300	426,200	170,500	55,400	200,300	426,200				
416 W Congress, Tucson			157,700	157,700			157,700	157,700				
Capitol Center	597,400	1,058,200	51,200	1,706,800	597,400	1,058,200	51,200	1,706,800				
Subtotal - Attorney General - Dept of Law	767,900	1,113,600	540,700	2,422,200	767,900	1,113,600	540,700	2,422,200				
Barbers, Board of												
1740 W Adams		25,000		25,000		25,000		25,000				
Behavioral Health Examiners, Board of												
1740 W Adams		93,700		93,700		72,100		72,100		(21,600)		(21,600)
Charter Schools, State Board for												
1616 W Adams	96,300			96,300	96,300			96,300				
Child Safety, Department of												
Kingman Building	113,700			113,700					(113,700)			(113,700)
400 W Congress, Tucson	33,200			33,200	33,200			33,200				
Capitol Center	291,300			291,300	291,300			291,300				
Subtotal - Department of Child Safety	438,200			438,200	324,500			324,500	(113,700)			(113,700)
Chiropractic Examiners, State Board of												
1740 W Adams		23,300		23,300		26,900		26,900		3,600		3,600
Citizens Clean Elections Commission												
1616 W Adams			74,200	74,200			74,200	74,200				

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Contractors, Registrar of												
400 W Congress, Tucson	-	49,300	2,600	51,900	-	49,300	2,600	51,900	-	-	-	-
1700 W Washington	-	367,300	19,300	386,600	-	335,300	17,600	352,900	-	(32,000)	(1,700)	(33,700)
Subtotal - Registrar of Contractors	-	416,600	21,900	438,500	-	384,600	20,200	404,800	-	(32,000)	(1,700)	(33,700)
Corporation Commission												
1200 W Washington	-	721,600	-	721,600	-	721,600	-	721,600	-	-	-	-
1300 W Washington	-	963,000	-	963,000	-	955,300	-	955,300	-	(7,700)	-	(7,700)
400 W Congress, Tucson	4,600	68,000	4,600	77,200	4,600	68,000	4,600	77,200	-	-	-	-
Subtotal - Corporation Commission	4,600	1,752,600	4,600	1,761,800	4,600	1,744,900	4,600	1,754,100	-	(7,700)	-	(7,700)
Corrections, State Department of												
1601 W Jefferson	1,024,500	-	-	1,024,500	1,024,600	-	-	1,024,600	100	-	-	100
1645 W Jefferson	913,100	-	-	913,100	913,100	-	-	913,100	-	-	-	-
1831 W Jefferson	363,700	-	-	363,700	363,700	-	-	363,700	-	-	-	-
Subtotal - State Dept of Corrections	2,301,300	-	-	2,301,300	2,301,400	-	-	2,301,400	100	-	-	100
Cosmetology, Board of												
1740 W Adams	-	124,800	-	124,800	-	116,200	-	116,200	-	(8,600)	-	(8,600)
Dental Examiners, State Board of												
1740 W Adams	-	51,500	-	51,500	-	56,100	-	56,100	-	4,600	-	4,600
Economic Security, Department of												
1624 W Adams	60,600	-	98,800	159,400	60,600	-	98,800	159,400	-	-	-	-
1700 W Washington	6,500	-	19,500	26,000	6,500	-	19,500	26,000	-	-	-	-
1789 W Jefferson (DES West)	1,897,200	466,500	746,400	3,110,100	1,888,300	464,300	742,900	3,095,600	(8,900)	(2,200)	(3,500)	(14,500)
Kingman Building	32,800	127,600	32,800	193,200	-	100	-	-	(32,800)	(127,500)	(32,800)	(193,200)
400 W Congress, Tucson	129,900	311,800	207,800	649,500	129,900	311,800	207,800	649,500	-	-	-	-
DES Group Homes	190,100	273,300	-	463,400	190,100	273,300	-	463,400	-	-	-	-
Capitol Center	144,900	32,600	26,500	204,000	144,900	32,600	26,500	204,000	-	-	-	-
Subtotal - Department of Economic Security	2,462,000	1,211,800	1,131,800	4,805,600	2,420,300	1,082,100	1,095,500	4,597,900	(41,700)	(129,700)	(36,300)	(207,700)
Education, Department of												
1535 W Jefferson	474,300	131,800	711,500	1,317,600	474,300	131,800	711,500	1,317,600	-	-	-	-
416 W Congress, Tucson	-	10,400	105,600	116,000	-	10,400	105,600	116,000	-	-	-	-
Subtotal - Department of Education	474,300	142,200	817,100	1,433,600	474,300	142,200	817,100	1,433,600	-	-	-	-
Education, State Board of												
1535 W Jefferson	43,200	-	-	43,200	42,900	-	-	42,900	(300)	-	-	(300)
1700 W Washington	74,100	-	-	74,100	74,100	-	-	74,100	-	-	-	-
Subtotal - State Board of Education	117,300	-	-	117,300	117,000	-	-	117,000	(300)	-	-	(300)
Emergency and Military Affairs, Department of												
400 W Congress St	8,000	-	-	8,000	8,000	-	-	8,000	-	-	-	-
Environmental Quality, Department of												
400 W Congress, Tucson	-	162,000	-	162,000	-	162,000	-	162,000	-	-	-	-
416 W Congress, Tucson	-	7,200	-	7,200	-	7,200	-	7,200	-	-	-	-
Subtotal - Dept. of Environmental Quality	-	169,200	-	169,200	-	169,200	-	169,200	-	-	-	-
Equalization, State Board of												
400 W Congress, Tucson	27,100	-	-	27,100	27,100	-	-	27,100	-	-	-	-
416 W Congress, Tucson	2,000	-	-	2,000	2,000	-	-	2,000	-	-	-	-
Subtotal - Board of Equalization	29,100	-	-	29,100	29,100	-	-	29,100	-	-	-	-
Executive Clemency, Board of												
1645 W Jefferson	116,700	-	-	116,700	117,700	-	-	117,700	1,000	-	-	1,000
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	19,500	-	19,500	-	19,600	-	19,600	-	100	-	100
Gaming, Department of												
400 W Congress, Tucson	-	19,200	-	19,200	-	19,200	-	19,200	-	-	-	-
Governor, Office of the												
1700 W Washington	858,700	-	-	858,700	858,700	-	-	858,700	-	-	-	-
1700 W Washington (Office of Highway Safety)	-	-	100,800	100,800	-	-	100,800	100,800	-	-	-	-
400 W Congress, Tucson	41,000	-	-	41,000	41,000	-	-	41,000	-	-	-	-
Subtotal - Office of the Governor	899,700	-	100,800	1,000,500	899,700	-	100,800	1,000,500	-	-	-	-

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	178,500	-	-	178,500	178,500	-	-	178,500	-	-	-	-
Health Services, Department of												
1740 W Adams	5,200	-	-	5,200	4,800	-	-	4,800	(400)	-	-	(400)
1818 W Adams	286,400	-	-	286,400	286,400	-	-	286,400	-	-	-	-
400 W Congress, Tucson	183,600	-	-	183,600	183,600	-	-	183,600	-	-	-	-
402 W Congress, Tucson	4,500	-	-	4,500	4,500	-	-	4,500	-	-	-	-
Subtotal - Department of Health Services	479,700	-	-	479,700	479,300	-	-	479,300	(400)	-	-	(400)
Homeland Security, AZ Dept of												
1700 W Washington	-	-	181,900	181,900	-	-	181,900	181,900	-	-	-	-
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	11,100	-	11,100	-	3,800	-	3,800	-	(7,300)	-	(7,300)
Insurance and Financial Institutions, Department of												
1919 W Jefferson	-	-	5,400	5,400	-	-	5,400	5,400	-	-	-	-
Judiciary - Court of Appeals												
400 W Congress, Tucson	520,500	-	-	520,500	520,100	-	-	520,100	(400)	-	-	(400)
Judiciary - Supreme Court												
1501 W Washington	3,906,900	-	-	3,906,900	3,906,900	-	-	3,906,900	-	-	-	-
400 W Congress, Tucson	114,700	-	-	114,700	114,500	-	-	114,500	(200)	-	-	(200)
Subtotal - Supreme Court	4,021,600	-	-	4,021,600	4,021,400	-	-	4,021,400	(200)	-	-	(200)
Subtotal - Judiciary	4,542,100	-	-	4,542,100	4,541,500	-	-	4,541,500	(600)	-	-	(600)
Juvenile Corrections, Department of												
1624 W Adams	498,100	-	-	498,100	498,100	-	-	498,100	-	-	-	-
Land Department, State												
1616 W Adams	1,065,100	-	-	1,065,100	1,065,100	-	-	1,065,100	-	-	-	-
Liquor Licenses and Control, Department of												
402 W Congress, Tucson	-	16,000	-	16,000	-	16,000	-	16,000	-	-	-	-
Massage Therapy, Board of												
1740 W Adams	-	28,400	-	28,400	-	29,000	-	29,000	-	600	-	600
Medical Board, AZ												
1740 W Adams	-	228,500	-	228,500	-	211,400	-	211,400	-	(17,100)	-	(17,100)
Mine Inspector, State												
1700 W Washington	102,600	-	-	102,600	102,600	-	-	102,600	-	-	-	-
Naturopathic Physicians Medical Board												
1740 W Adams	-	12,900	-	12,900	-	11,000	-	11,000	-	(1,900)	-	(1,900)
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	13,700	-	-	13,700	13,700	-	-	13,700	-	-	-	-
Nursing, State Board of												
1740 W Adams	-	229,300	-	229,300	-	190,800	-	190,800	-	(38,500)	-	(38,500)
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	21,700	-	21,700	-	24,000	-	24,000	-	2,300	-	2,300
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	12,900	-	12,900	-	13,100	-	13,100	-	200	-	200
Opticians, State Board of Dispensing												
1740 W Adams	-	12,100	-	12,100	-	12,100	-	12,100	-	-	-	-
Optometry, State Board of												
1740 W Adams	-	13,900	-	13,900	-	13,900	-	13,900	-	-	-	-
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	34,500	-	34,500	-	39,600	-	39,600	-	5,100	-	5,100
Parks Board, AZ State												
1100 W Washington	-	-	65,200	65,200	-	-	65,200	65,200	-	-	-	-
Personnel Board												
1740 W Adams	-	12,900	-	12,900	-	12,900	-	12,900	-	-	-	-
Pharmacy, AZ State Board of												
1616 W Adams	-	161,000	-	161,000	-	161,000	-	161,000	-	-	-	-

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Physical Therapy, Board of												
1740 W Adams	-	20,600	-	20,600	-	22,500	-	22,500	-	1,900	-	1,900
Podiatry Examiners, State Board of												
1740 W Adams	-	10,900	-	10,900	-	11,000	-	11,000	-	100	-	100
Private Postsecondary Education, State Board for												
1740 W Adams	-	21,300	5,600	26,900	-	21,300	5,600	26,900	-	-	-	-
Psychologist Examiners, State Board of												
1740 W Adams	-	22,100	-	22,100	-	22,500	-	22,500	-	400	-	400
Public Safety, Department of												
14 N 18th Avenue	-	42,400	-	42,400	-	42,400	-	42,400	-	-	-	-
1700 W Washington	67,600	17,600	18,600	103,800	67,600	17,600	18,600	103,800	-	-	-	-
400 W Congress, Tucson	14,800	3,800	4,100	22,700	14,800	3,800	4,100	22,700	-	-	-	-
Subtotal - Department of Public Safety	82,400	63,800	22,700	168,900	82,400	63,800	22,700	168,900	-	-	-	-
Respiratory Care Examiners, Board of												
1740 W Adams	-	17,100	-	17,100	-	17,500	-	17,500	-	400	-	400
Revenue, Department of												
402 W Congress, Tucson	97,000	145,600	-	242,600	97,000	145,600	-	242,600	-	-	-	-
1600 W Monroe	1,242,500	1,863,800	-	3,106,300	1,242,500	1,863,800	-	3,106,300	-	-	-	-
Subtotal - Department of Revenue	1,339,500	2,009,400	-	3,348,900	1,339,500	2,009,400	-	3,348,900	-	-	-	-
Rio Nuevo Board												
400 W Congress, Tucson	-	-	15,300	15,300	-	-	15,300	15,300	-	-	-	-
School Facilities Board												
1700 W Washington	148,600	-	-	148,600	148,600	-	-	148,600	-	-	-	-
Secretary of State - Dept of State												
1700 W Washington	502,700	-	-	502,700	502,700	-	-	502,700	-	-	-	-
400 W Congress, Tucson	8,300	-	-	8,300	8,300	-	-	8,300	-	-	-	-
Polly Rosenbaum Building	2,176,300	-	-	2,176,300	2,139,600	-	-	2,139,600	(36,700)	-	-	(36,700)
Subtotal - Secretary of State - Dept of State	2,687,300	-	-	2,687,300	2,650,600	-	-	2,650,600	(36,700)	-	-	(36,700)
Transportation, Department of												
Capitol Center	-	124,400	-	124,400	-	124,400	-	124,400	-	-	-	-
Treasurer, State												
1700 W Washington	-	193,000	-	193,000	-	193,000	-	193,000	-	-	-	-
Tribal Relations, Governor's Office on												
1700 W Washington	18,000	-	-	18,000	18,000	-	-	18,000	-	-	-	-
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	36,600	-	36,600	-	34,000	-	34,000	-	(2,600)	-	(2,600)
Water Resources, Department of												
1802 W Jackson	33,800	-	-	33,800	33,800	-	-	33,800	-	-	-	-
GRAND TOTAL	19,362,800	9,352,200	3,586,800	32,301,800	19,155,100	9,134,400	3,531,700	31,821,200	(207,700)	(217,800)	(55,100)	(480,600)

1/ Reflects rental charges to agencies as of July 2020 with rental rates enacted by Laws 2020, Chapter 56, Section 5, with an office square footage rental rate of \$17.87 and storage square footage rental rate of \$6.43.

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 2022  
BASELINE

#### BUILDING RENEWAL

ADOT Building Renewal <sup>1/2/3/</sup>	13,281,700
<b>SUBTOTAL</b>	<b>13,281,700</b>

#### INDIVIDUAL PROJECTS <sup>4/</sup>

Airport Planning and Development <sup>5/6/7/8/</sup>	26,000,000
Controlled Access Highways <sup>5/8/9/</sup>	117,168,000
Debt Service <sup>5/8/9/</sup>	148,900,000
Interstate 17, Anthem to Sunset Point <sup>5/</sup>	45,000,000
Statewide Highway Construction <sup>5/8/9/</sup>	95,042,000
<b>SUBTOTAL</b>	<b>432,110,000</b>

<b>TOTAL - ALL PROJECTS <sup>10/11/12/13/14/</sup></b>	<b>445,391,700</b>
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#### FUND SOURCES

##### Other Appropriated Funds

State Aviation Fund	26,281,700
State Highway Fund	419,110,000
SUBTOTAL - Other Appropriated Funds	445,391,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>445,391,700</b>

Other Non-Appropriated Funds	571,905,000
Federal Funds	1,030,406,000
<b>TOTAL - ALL SOURCES</b>	<b>2,047,702,700</b>

**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

- <sup>1/</sup> Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2021-2022 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 five 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)
- <sup>2/</sup> Notwithstanding section 35-190, Arizona Revised Statutes, each appropriation made in this section that is unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> On or before January 31, 2022 and July 31, 2022, the department of transportation shall report to the joint legislative budget committee staff on the status of all nonhighway construction capital projects and nonhighway construction capital expenditures. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> Pursuant to section 41-1252, Arizona Revised Statutes, 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)
- <sup>5/</sup> The appropriation made in subsection A of this section does not lapse until the purpose for which the 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)
- <sup>6/</sup> The sum of \$26,000,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2021-2022 to the department of transportation 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 appropriations act and in this act are appropriated to the department of transportation in fiscal year 2021-2022 for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)

- 7/ On or before December 31, 2021, 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. The report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)
- 8/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in subsection A of this section is not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 9/ The sum of \$361,110,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2021-2022 to the department of transportation 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)
- 10/ On or before November 1, 2021, 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)
- 11/ On or before November 1, 2021, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2022-2023 and the estimated debt service payment amount for each of fiscal years 2022-2023, 2023-2024, 2024-2025 and 2025-2026 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 fiscal year 2020-2021 appropriations report. (Capital Outlay Appropriation Act footnote)
- 12/ On or before November 1, 2021, the department of transportation shall report capital outlay information for fiscal years 2020-2021, 2021-2022 and 2022-2023 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 two, three and six, as found in the fiscal year 2020-2021 appropriations report. (Capital Outlay Appropriation Act footnote)
- 13/ 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)
- 14/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

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The following reflects one-time appropriations:

<b>Building Renewal</b>
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**Building Renewal**

The Baseline includes \$13,281,700 in FY 2022 for Building Renewal within ADOT's Building System. This amount consists of \$13,000,000 from the State Highway Fund (SHF) and \$281,700 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 84.3% funding of the highway building renewal formula and 90.8% funding of the aviation building renewal formula. The FY 2021 budget appropriated the same dollar amounts, which represented 91% funding of the highway building renewal formula and 94.1% funding of the aviation building renewal formula.

A footnote in the Capital Outlay Bill requires ADOT to biannually report on the status of all nonhighway construction capital projects, including building renewal projects and any individual projects such as maintenance facility upgrades described in the Individual Projects

section. The Baseline does not include funding for any FY 2022 nonhighway individual capital projects.

**Individual Projects**

**Airport Planning and Development**

The Baseline includes \$26,000,000 from the State Aviation Fund (SAF) in FY 2022 for ADOT’s airport capital improvement 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 2021-2025 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.

**Controlled Access Highways**

The Baseline includes an estimated urban freeway controlled access funding level of \$117,168,000 from SHF in FY 2022. 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 \$148,900,000 from SHF in FY 2022 for the appropriated portion of the debt service on bonds. ADOT has approximately \$1,891,577,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2022 debt service payments. *(Please see Table 5 for more information on debt service.)*

**Interstate 17, Anthem to Sunset Point**

The Baseline includes \$45,000,000 from SHF in FY 2022 to continue funding a project to expand capacity on Interstate 17 from Anthem to Sunset Point. The overall \$323,000,000 project consists of 2 main parts: 1) Widen Interstate 17 from 2 lanes to 3 lanes between Anthem and Black Canyon City and 2) Add flex lanes on the southbound alignment from Black Canyon City to Sunset Point with crossovers to and from the northbound alignment. With \$193,000,000 in half-cent sales tax monies and Federal Funds committed from MAG and ADOT, respectively, the FY 2020 Capital Outlay Bill appropriated \$130,000,000 over 3 years as follows: \$40,000,000 in FY 2020, \$45,000,000 in FY 2021, and \$45,000,000 in FY 2022. As a result, these monies will not appear in the FY 2022 Capital Outlay Bill.

**Statewide Highway Construction**

The Baseline includes \$95,042,000 from SHF in FY 2022 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$2,231,000,000 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 2022 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 approves a 5-Year Program developed by ADOT.

Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5-Year Program 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 highway construction budget prior to any ADOT operating and capital issues and statewide adjustments made during the budget process, which would reduce the level of available highway construction funding.

As noted in the HURF distribution table *(please see Table 6)*, an additional amount of \$279,529,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2022. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

State Highway Fund FY 2022 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$117,168,000
Debt Service	148,900,000
Highway Construction	<u>95,042,000</u>
<b>Total</b>	<b>\$361,110,000</b>

**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 \$1,106,744,000 in FY 2020 to

\$1,632,493,000 in FY 2021 and level at \$1,602,311,000 in FY 2022.

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Aviation Federal Funds	\$518	\$4,394	\$8,309
Highway Federal Grants	<u>665,949</u>	<u>1,041,119</u>	<u>1,022,097</u>
<b>Subtotal - Federal Funds</b>	<b>\$666,467</b>	<b>\$1,045,513</b>	<b>\$1,030,406</b>
Bond Proceeds	\$55,877	\$11,181	\$172,258
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	6,451	5,930	5,023
Maricopa Regional Area Road Fund	376,949	568,869	393,624
<b>Subtotal - Other Non- Appropriated Funds</b>	<b>\$440,277</b>	<b>586,980</b>	<b>571,905</b>
<b>Total</b>	<b>\$1,106,744</b>	<b>\$1,632,493</b>	<b>\$1,602,311</b>

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2022 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

### 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 October 27, 2020 includes monies from SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by

	<b>FY 2022</b> <sup>1/</sup>
Construction	\$113,309
Urban Controlled Access <sup>2/</sup>	501,306
Pavement Preservation Maintenance	334,421
Other <sup>3/</sup>	<u>52,977</u>
<b>Total</b>	<b>\$1,002,013</b>

<sup>1/</sup> Data from ADOT's 2021-2025 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2022.  
<sup>2/</sup> Includes expenditures from SHF for controlled access, PAG, and MRARF.  
<sup>3/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

the State Transportation Board totals \$1,002,013,000 for FY 2022. (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 2022 Baseline includes \$337,768,000 for highway construction, including \$71,700,000 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 2020 through FY 2022 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 2022 by category of construction. *Table 5* also includes monies from the Local Agency Deposits Fund, while *Table 3* does not.

For FY 2020, *Table 5* shows that total cash highway construction expenditures were \$1,162,500,000 while \$314,300,000 was spent on debt service. In FY 2021, total estimated cash highway construction expenditures are \$1,514,700,000 with total debt service of \$312,900,000. In FY 2022, total estimated cash highway construction expenditures are \$1,656,800,000 with total debt service of \$383,900,000.

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 \$119,662,700 in FY 2020, \$145,211,300 in FY 2021, and \$145,211,300 in FY 2022. Of the \$383,900,000 total FY 2022 debt service amount in *Table 5*, only \$148,900,000 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 2020 through FY 2022. The line in *Table 6* showing net SHF Available for Statewide Highway Construction, which totals

\$71,700,000 for FY 2022, 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 Program.

Total FY 2020 HURF collections of \$1,480,836,000 were (2.6)% below FY 2019 collections. As of November 2020, HURF year-to-date collections were 4.9% higher than the prior year collections.

The gas tax is the largest source of HURF collections, accounting for 35% of HURF revenue in FY 2020. The average price per gallon of regular gasoline in Arizona is \$2.24 in November 2020, or 66 cents per gallon lower than a year ago, according to the American Automobile Association.

VLT comprises the second largest source of HURF collections at 32%, a percentage which has been increasing in recent years. From FY 2016 to FY 2020, the gas tax share of total collections has decreased by (2.2)% while VLT's share has increased by 3.0%.

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. The department accelerated their forecast process in 2020 to account for the recent changes in the economy consequent to the COVID-19 pandemic. The HURF projections listed in *Table 6* account for the results of this accelerated forecast, which was completed in October 2020. The ADOT forecast, however, did not take into consideration potential revenue collections from Proposition 207.

*(Please see the Proposition 207 – Recreational Marijuana section for more information.)*

**Proposition 207 - Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are used by state agencies for administrative costs of the initiative, HURF receives a distribution of 25.4% from the fund.

The JLBC Staff analysis of the fiscal impact of Proposition 207 was based on the third year of implementation due to the difficulty in estimating sales in the first 2 years. In that third year of recreational marijuana sales, HURF is estimated to receive a distribution of \$40,979,600. These additional HURF revenues will be distributed according to the standard formula outlined in *Table 4*. *(Please see the Department of Health Services - Other Issues Section for more information.)*

Cities	30.5%
Counties	19.0%
Controlled Access <sup>1/</sup>	7.7%
State Highway Fund <sup>1/</sup>	<u>42.8%</u>
<b>Total</b>	<b>100.0%</b>

<sup>1/</sup> 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 2020 Actual</u>	<u>FY 2021 Estimate</u>	<u>FY 2022 Estimate</u>
<b>State Highway Fund (SHF)</b>			
<i>Appropriated</i>			
HURF - Statewide Debt Service	\$ 104.5	\$ 109.3	\$ 117.9
HURF - MAG Debt Service	36.7	30.4	31.0
MAG/PAG 15.2% Controlled Access - Construction	227.8	102.1	312.9
Net SHF Funds Available for Statewide Highway	59.0	26.7	95.0
<b>Total SHF - Appropriated</b>	<b>\$ 428.0</b>	<b>\$ 268.5</b>	<b>\$ 556.8</b>
<i>Non-Appropriated</i>			
SHF Highway Construction <sup>1/</sup>	\$ -	\$ -	\$ -
<b>Total SHF - Non-Appropriated</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total SHF Highway Construction Expenditures</b>	<b>\$ 428.0</b>	<b>\$ 268.5</b>	<b>\$ 556.8</b>
<b>Federal Aid</b>			
<b>Total Federal Aid Highway Construction Expenditures</b>	<b>\$ 665.9</b>	<b>\$ 1,041.1</b>	<b>\$ 1,022.1</b>
<b>Maricopa Regional Area Road Fund</b>			
Highway Construction Expenditures	\$ 178.3	\$ 357.7	\$ 101.0
MRARF Debt Service	142.2	143.2	205.0
<b>Total Maricopa Regional Area Road Fund Highway</b>	<b>\$ 320.5</b>	<b>\$ 500.9</b>	<b>\$ 306.0</b>
<b>Bond Proceeds</b>			
HURF - Highway Construction Expenditures	\$ 0	\$ 0	\$ 59.3
MRARF - Highway Construction Expenditures	3.0	0	113.0
GAN - Highway Construction Expenditures	52.9	11.2	0
<b>Total Bond Proceeds Highway Construction</b>	<b>\$ 55.9</b>	<b>\$ 11.2</b>	<b>\$ 172.3</b>
<b>Local Agency Deposits Fund</b>			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	6.5	5.9	5.0
<b>Total Local Agency Deposits Fund Highway</b>	<b>\$ 6.5</b>	<b>\$ 5.9</b>	<b>\$ 5.0</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,476.8</b>	<b>\$ 1,827.6</b>	<b>\$ 2,062.2</b>
<b>Total Debt Service</b>			
SHF	\$ 141.2	\$ 139.7	\$ 148.9
Federal Aid	30.9	30.0	30.0
MRARF	142.2	143.2	205.0
<b>Total Debt Service</b>	<b>\$ 314.3</b>	<b>\$ 312.9</b>	<b>\$ 383.9</b> <sup>2/</sup>
<b>Total Cash Highway Construction Expenditures</b>			
SHF	\$ 286.8	\$ 128.7	\$ 407.9
Federal Aid	635.1	1,011.2	992.1
MRARF	178.3	357.7	101.0
Bond Proceeds	55.8	11.2	172.3
Local Agency Deposits Fund	6.5	5.9	5.0
<b>Total Cash Highway Construction Expenditures</b>	<b>\$ 1,162.5</b>	<b>\$ 1,514.7</b>	<b>\$ 1,678.3</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,476.8</b>	<b>\$ 1,827.6</b>	<b>\$ 2,062.2</b>

<sup>1/</sup> Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

<sup>2/</sup> Information provided by the department. Includes \$148,900,000 for HURF bonds (\$117,879,000 for statewide program and \$31,021,000 MAG program); \$29,978,000 for Grant Anticipation Notes; and \$204,970,000 for MRARF bonds.

Table 6

**Highway User Revenue Fund (HURF) Distribution**  
(\$ in Thousands)

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
<b>Total HURF Collections Before Authorized Third-Party (ATP) Expenses</b>	<b>\$1,502,807</b>	<b>\$1,541,710</b>	<b>\$1,594,757</b>
Less: ServiceArizona ATP Fee Retention	5,080	6,904	7,215
Brick and Mortar ATP Fee Retention	3,384	4,464	4,665
ServiceArizona ATP Credit Card Fee Reimbursements	12,181	14,617	16,810
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>1,326</u>	<u>1,525</u>	<u>1,754</u>
<b>Total HURF Collections</b>	<b>\$1,480,836</b>	<b>\$1,514,200</b>	<b>\$1,564,313</b>
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	658	680	680
Reversions from DPS	(199)	0	0
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,082	10,687	10,964
Cities <sup>2/</sup>	16,003	0	0
Counties <sup>2/</sup>	9,969	0	0
Controlled Access <sup>2/</sup>	<u>4,028</u>	<u>0</u>	<u>0</u>
<b>Net HURF Collections</b>	<b>\$1,438,295</b>	<b>\$1,501,833</b>	<b>\$1,551,669</b>
Less: Cities <sup>3/</sup>	438,680	458,059	473,259
Counties <sup>3/</sup>	273,276	285,348	294,817
VLT Transfer to General Fund <sup>4/</sup>	23,343	23,343	0
VLT Transfer to Parity Compensation Fund <sup>5/</sup>	3,543	3,850	4,051
VLT Transfer to General Fund (5-Year VLT) <sup>6/</sup>	2,474	2,000	2,300
VLT Transfer to General Fund (Abandoned Vehicle) <sup>7/</sup>	6,156	6,200	6,400
Controlled Access <sup>8/</sup>	<u>108,553</u>	<u>113,449</u>	<u>117,168</u>
<b>Net SHF (Discretionary)</b>	<b>\$ 582,270</b>	<b>\$ 609,584</b>	<b>\$ 653,674</b>
Plus: Other Income <sup>9/</sup>	102,915	82,131	72,500
Less: Operating Budget	349,306	406,794	406,794
Dept of Public Safety Transfer from Highway Fund	318	318	8,169
Capital Outlay	46,900	0	0
Building Renewal	13,000	13,000	13,000
ServiceArizona ATP VLT Retention <sup>10/</sup>	15,336	23,032	20,872
Brick and Mortar ATP VLT Retention <sup>10/</sup>	13,297	19,971	18,097
HURF Exchange Program <sup>11/</sup>	2,291	15,300	15,300
Debt Service <sup>12/</sup>	<u>141,220</u>	<u>139,718</u>	<u>148,900</u>
<b>Net SHF Available for Statewide Highway Construction (5-Year Plan) <sup>13/</sup></b>	<b>\$ 103,517</b>	<b>\$ 73,582</b>	<b>\$ 95,042</b>
<b>SHF Adjustments</b>			
Plus: Controlled Access SHF Beginning Balance	461,409	298,718	279,529
STAN Account Beginning Balance	0	0	0
<b>Total SHF Available for Statewide Highway Construction</b>	<b>\$ 564,926</b>	<b>\$ 372,300</b>	<b>\$ 374,571</b>

<sup>1/</sup> Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board.

<sup>2/</sup> The FY 2018 Revenue Budget Reconciliation Bill (BRB) requires, as session law, \$60 million in FY 2020 to be allocated directly to local governments in percentages reflecting current non-state distribution of HURF revenues. 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. The FY 2021 budget discontinued this policy and did not include any direct local government allocation. The FY 2022 Baseline maintains the discontinuance of this policy and does not include any direct local government allocation.

<sup>3/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>4/</sup> Due to the Highway Safety Fee, the FY 2020 General Appropriation Act transferred \$23,343,200 from the SHF share of VLT to the state General Fund due to the "excess" Highway Safety Fee amount and monies freed up from the reduced use of SHF in the DPS budget. The FY 2021 General Appropriation Act continued that policy with the transfer of \$23,343,200 from the SHF share of VLT to the state General Fund. The FY 2022 Baseline discontinues this policy due to the repeal of the Highway Safety Fee at the end of FY 2021.

<sup>5/</sup> A.R.S. § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

<sup>6/</sup> 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.

<sup>7/</sup> 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.

<sup>8/</sup> 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.

<sup>9/</sup> 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, abandoned vehicle fees, an FY 2020 enacted and FY 2021 budget transfer from the Arizona Highway Patrol Fund to the SHF, and \$8.5 million in FY 2020 from prior years for Travel ID revenue that was deposited into HURF instead of the SHF.

<sup>10/</sup> Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

<sup>11/</sup> Local entities can exchange federal aid monies for State Highway Fund monies.

<sup>12/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>13/</sup> 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 2022  
 BASELINE

**BUILDING RENEWAL**

Arizona Board of Regents

**TOTAL - ALL PROJECTS**

0

0<sup>1/2</sup>

**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 \$32,740,600 to the universities from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$28,372,000 to the universities from the General Fund in FY 2022 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

2022, ABOR reports funding 100% of the building renewal formula would be \$186,100,000. The Baseline includes no funding for Building Renewal in the ABOR Building System.

**Summary of University Debt**

ABOR estimates that as of the end of FY 2022, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,652,575,400. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,008,868,700
NAU	417,150,000
UA (all campuses)	<u>1,226,556,700</u>
<b>Total</b>	<b>\$3,652,575,400</b>

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2022 will be \$336,702,700. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$170,366,700
NAU	36,158,800
UA (all campuses)	<u>130,177,200</u>
<b>Total</b>	<b>\$336,702,700</b>

Of the total FY 2022 debt service payments, \$38,381,900 would be paid by Lottery monies, \$32,740,600 would be paid by the General Fund for 2003 research infrastructure

projects, and \$8,660,600 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 \$3,652,575,400 in FY 2022 university debt, ABOR is projected to have \$393,700,400 in outstanding lease-purchase balances, with an overall debt service payment of \$70,147,500. The FY 2022 General Fund share of the debt service is \$32,740,600. 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 \$3,652,575,400 in FY 2022 university debt, ABOR is projected to have \$3,258,875,000 in outstanding bond balances, including both system revenue and lottery bonds. The projected debt service is \$266,555,300.

##### **University Lottery Bonds**

One component of the \$3.3 billion balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds. Pursuant to A.R.S. § 5-522 and § 15-1682.03, ABOR is authorized to enter into bond transactions up to a maximum of \$800,000,000 to pay for new facilities. Debt service payments for SPEED bonds will total \$47,977,600 in FY 2022, of which 80% will be paid by Lottery monies and 20% with university system revenues. *(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

##### **2017 Capital Infrastructure Appropriations**

Another component of the \$3.3 billion balance is 2017 Capital Infrastructure funding. Pursuant to A.R.S. § 15-1671, universities receive annual General Fund appropriations from FY 2019 to 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 2022 Baseline assumes

a 1.23% increase from FY 2021, resulting in a total FY 2022 appropriation of \$28,372,000. Debt service payments will total \$17,321,200 in FY 2022, of which 50% will be paid by the General Fund and 50% will be paid with university system revenues. *(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

Based on current statute, the Baseline makes the FY 2022 adjustment based on the growth rate from CY 2019 to CY 2020. Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the Baseline would include a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision would increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, this would calculate the adjustment based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR agency section for more information.)*

#### **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. University SPEED bonds are exempt from the debt ratio calculations.

The universities' Capital Improvement Plans project expected debt ratios through FY 2024. 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: 5.0% (5.4% with SPEED) in FY 2023
- NAU: 6.2% (7.8% with SPEED) in FY 2023
- UA: 5.8% (7.0% with SPEED) in FY 2022

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$2.5 billion in additional debt beyond the planned projects based on these debt service ratios.

**Capital Outlay**  
**Debt and Lease-Purchase Financing**

FY 2022  
 BASELINE

**LEASE-PURCHASE PAYMENTS AND DISTRIBUTIONS\***

Arizona Department of Administration - Leaseback Financing <sup>1/2/</sup>

53,703,900

**TOTAL - ALL PROJECTS**

53,703,900

\* 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 1.)

**FUND SOURCES**

General Fund

53,703,900

**TOTAL - ALL SOURCES**

53,703,900

**DESCRIPTION** — This section summarizes the state's debt and lease-purchase obligations.

**FOOTNOTES**

- 1/ The sum of \$53,703,900 is appropriated from the state general fund in fiscal year 2021-2022 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, third special session, chapter 6, section 32. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

**Leaseback Financing**

**Leaseback Financing**

The Baseline includes \$53,703,900 from the General Fund in FY 2022 for lease-purchase payments related to the \$1,035,419,300 state building sale/leaseback agreements.

In January 2019, the Arizona Department of Administration (ADOA) entered into an agreement (2019A) to refinance the sale/leaseback agreements originally issued in January 2010 (2010A). (Please see the *FY 2020 Appropriations Report - Capital Section for historical background*.) This refinancing will result in annual savings of approximately \$6,400,000. Throughout the term of the 2010A, the total debt service reduction is \$70,377,100. The average tax-exempt interest rate of the 2019A agreements is approximately 2.5%. The financing will still be paid off in FY 2030.

This savings was achieved due to lower market interest rates, a shorter financing duration than the original 20-year issuance, and a higher credit rating. In 2010, the state had a credit rating of Aa3 with Moody's. At the time of the refinancing, it was Aa2 and in November 2019 it was Aa1 (Moody's). (Please see the *State Debt Rating section for more information*.)

In addition, Laws 2019, Chapter 277 appropriated \$190,000,000 from the General Fund in FY 2020 to ADOA to retire the 2010B sale leaseback financing (issued in June 2010). As a result, the FY 2021 budget eliminated

scheduled 2010B annual debt service payments of approximately \$24,000,000. The payoff reduces total debt service spending by \$240,019,400 from FY 2021 to FY 2030.

**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. In November 2019, Moody's further upgraded Arizona from Aa2 to Aa1. AA represents Standard & Poor's third highest rating while Aa1 represents Moody's second highest credit rating. Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes.

In November 2019, when Arizona's credit rating was increased by Moody's, Arizona was given a stable outlook. In adopting its credit ratings for Arizona in November 2019, Moody's listed some of the following concerns: 1) absence of authority for the Executive to make mid-year budget reductions on its own; and 2) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108. While noting these challenges, Moody's also indicated Arizona's growing reserves, comparably decreasing debt levels, demonstrated budget

discipline, and a strengthening economy as positive trends.

Since the beginning of the COVID-19 pandemic, the major credit rating agencies have published several analyses commenting on the pandemic's potential impact on overall state finances and state credit ratings. Beyond this broad commentary, no specific ratings action has been taken for Arizona.

### 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 2022, the outstanding balance of lease-purchase agreements is expected to be \$1.3 billion.

*Table 1* 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, 6<sup>th</sup> 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 2022 bond payment will be \$34,512,500. This results in the General Fund receiving \$(34,512,500) less in Lottery revenues in FY 2022. However, since this is not a General Fund appropriation, it does not appear in the General Fund Balance and Payment columns in *Table 1*. (Please see the FY 2020 Appropriations Report for more information on the 2019 Lottery Bond refinance and future debt service payments.)

### January 31 JLBC Debt Report

A.R.S. § 41-1277 requires the JLBC Staff to present to the House and Senate Appropriations Committees a report on state debt and obligations. Due by January 31 of each year, the report includes the following information from the prior fiscal year:

- The statewide aggregate level of outstanding principal, by type of debt or obligation;
- The principal and interest payments on each of the state's long-term obligations;
- A description of the state's payment deferrals ("rollovers") by agency, including: the date the payment was originally scheduled to be made, interest paid to date on the deferral, and interest paid in the prior and current fiscal years; and
- Historical information on the state's overall debt balance and per capita debt obligations, based on available data.

To the extent possible, A.R.S. § 41-1277 requires data contained in the report to be based on the Department of Administration's (ADOA) Arizona Report of Bonded Indebtedness, which is published annually along with an online searchable database.

This report provides a current and historical summary of the state's outstanding financing obligations. In addition, it includes specific details on each of the individual financing issuances and the state's payment deferrals.

While the January 31, 2021 debt report provides debt information on FY 2020, *Table 1* includes the overall and General Fund debt payments and year-end balances for FY 2022.

The Baseline, as permanent law, would change the January 31 reporting requirement to include information for the upcoming fiscal year instead of the prior fiscal year, and eliminates the requirement that the JLBC Debt Report be based on the ADOA Report of Bonded Indebtedness (as the ADOA report uses prior year information). This would allow the JLBC Debt Report to include information for the upcoming budget year, as that budget year is being considered during the legislative session when the report is released.

Table 1

## Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance	1/ GF Balance	Overall FY 22 Payment	2/ FY 22 GF Payment	Retirement FY
<b>ADDA Building System</b>					
<b>2008 A Issuance</b>					
ADC 4000 Prison Beds, Wastewater and DHS Forensic Lab	\$ 4,050,000	\$ 4,050,000	\$ 182,300	\$ 182,300	FY 28
<b>2013 A Issuance</b>					
PLTO Refinance - DHS Building	\$ 13,900,000	\$ 8,340,000	\$ 3,806,000	\$ 2,283,600	FY 29
<b>2013 B Issuance</b>					
Refinance - 2002A Health Lab	\$ 1,995,000	\$ -	\$ 2,057,400	\$ -	FY 23
<b>2015 Issuance</b>					
Refinance - 2008A ADC and DHS	\$ 82,025,000	\$ 82,025,000	\$ 18,756,700	\$ 18,756,700	FY 28
<b>2015 A Issuance</b>					
PLTO Refinance - Capitol Mall	\$ 24,755,000	\$ 6,665,100	\$ 10,099,100	\$ 2,719,100	FY 28
<b>2016 Issuance</b>					
ADC Kingman Refinance	\$ 45,150,000	\$ 45,150,000	\$ 17,468,300	\$ 17,468,300	FY 25
<b>2019 A Issuance</b>					
Refinance - Sale/Leaseback	\$ 393,615,000	\$ 393,615,000	\$ 53,703,900	\$ 53,703,900	FY 30
<i>Subtotal - ADDA</i>	\$ 565,490,000	\$ 539,845,100	\$ 106,073,700	\$ 95,113,900	
<b>School Facilities Board</b>					
Federal Bonds	\$ 30,173,300	\$ 30,173,300	\$ 9,938,100 3/	\$ 9,938,100 3/	FY 28
2015 Refinance	\$ 109,650,000	\$ 109,650,000	\$ 57,238,700	\$ 57,238,700	FY 24
<i>Subtotal - SFB</i>	\$ 139,823,300	\$ 139,823,300	\$ 67,176,800	\$ 67,176,800	
<b>ABOR Building System</b>					
Arizona State University	\$ 206,478,700	\$ 103,885,000	\$ 26,258,500	\$ 13,451,900	FY 39
Northern Arizona University	\$ 36,220,000	\$ 36,220,000	\$ 5,039,800	\$ 5,039,800	FY 31
University of Arizona	\$ 151,001,700	\$ 99,580,000	\$ 38,849,200	\$ 14,248,900	FY 72
<i>Subtotal - ABOR</i>	\$ 393,700,400	\$ 239,685,000	\$ 70,147,500	\$ 32,740,600	
Phoenix Convention Center 4/	\$ 248,145,500	\$ 248,145,500	\$ 24,498,500	\$ 24,498,500	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 1,347,159,200	\$ 1,167,498,900	\$ 267,896,500	\$ 219,529,800	
<b>Bonding Summary</b>					
Department of Transportation 5/	\$ 1,327,789,000	\$ -	\$ 178,878,000	\$ -	FY 14 - 38
<b>ABOR Building System</b>					
Arizona State University	\$ 1,349,675,000	\$ -	\$ 115,976,000	\$ -	FY 51
Northern Arizona University	\$ 279,760,000	\$ -	\$ 21,063,700	\$ -	FY 44
University of Arizona	\$ 751,035,000	\$ -	\$ 64,216,800	\$ -	FY 48
University Lottery Bond (SPEED)	\$ 516,275,000 6/	\$ -	\$ 47,977,600	\$ -	FY 48
University Infrastructure (2017) 7/	\$ 362,130,000	\$ -	\$ 17,321,200	\$ 8,660,600	FY 44
<i>Subtotal - ABOR</i>	\$ 3,258,875,000	\$ -	\$ 266,555,300	\$ 8,660,600	
Lottery Revenue Bond Refinance (2019)	\$ 199,690,000	\$ -	\$ 34,512,500 8/	\$ -	FY 29
<i>TOTAL - Bonding</i>	\$ 4,786,354,000	\$ -	\$ 479,945,800	\$ 8,660,600	
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	\$ 6,133,513,200	\$ 1,167,498,900	\$ 747,842,300	\$ 228,190,400	

1/ Represents principal balances as of June 30, 2022. 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 21 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 2022 this subsidy is expected to be \$3,729,900 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 \$1,164,084,000 for Highway User Revenue Fund bonds and \$163,705,000 for Grant Anticipation Notes.

6/ Represents outstanding balance as of the end of FY 2022 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/ The universities will receive \$28,372,000 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding program. As of December 2020, JCCR has reviewed a total of 13 projects for the program, of which 9 are funded by system revenue bonds and 4 are cash-funded. The General Fund is expected to pay \$8,660,600 in FY 2022 for debt service.

8/ These obligations will be repaid with foregone General Fund revenues.

## LEASE-PURCHASE APPROPRIATIONS <sup>1/</sup> Department of Administration Building System

	Fiscal Year 2021 - Appropriations Report				Fiscal Year 2022 - Baseline				Difference FY 2022 - FY 2021			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<b>BUDGET UNITS</b>												
Administration, AZ Department of Sale/Lease-Back 2/	\$53,701,800			\$53,701,800	\$53,703,900			\$53,703,900	\$2,100	-	-	\$2,100
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$120,600		\$120,600		\$121,800		\$121,800	-	\$1,200	-	\$1,200
Administration, Arizona Department of	\$621,600	1,601,800	\$167,400	2,390,800	\$628,600	1,619,800	\$169,200	2,417,600	\$7,000	18,000	1,800	26,800
Deaf and the Hard of Hearing, Commission for the		231,400		231,400		233,700		233,700	-	2,300	-	2,300
Equalization, State Board of	94,300			94,300	95,300			95,300	1,000	-	-	1,000
Insurance & Financial Institutions, Department of	242,600	46,200		288,800	588,200	112,000		700,200	345,600	65,800	-	411,400
Insurance, Department of	304,700		101,600	406,300	-	-	-	-	(304,700)	-	(101,600)	(406,300)
Real Estate Department, State	187,600			187,600	189,300			189,300	1,700	-	-	1,700
Tax Appeals, State Board of	36,300			36,300	36,700			36,700	400	-	-	400
Subtotal - ADOA Building	\$1,487,100	\$2,000,000	\$269,000	\$3,756,100	\$1,538,100	\$2,087,300	\$169,200	\$3,794,600	\$51,000	\$87,300	(\$99,800)	\$38,500
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,344,500			\$15,344,500	\$15,339,900			\$15,339,900	(\$4,600)	-	-	(\$4,600)
Water and Wastewater Projects	628,000			628,000	\$628,100			628,100	100	-	-	100
Kingman - Refinance	17,468,300			17,468,300	\$17,468,300			17,468,300	-	-	-	-
Subtotal - AZ Department of Corrections	\$33,440,800	\$0	\$0	\$33,440,800	\$33,436,300	\$0	\$0	\$33,436,300	(\$4,500)	\$0	\$0	(\$4,500)
Department of Environmental Quality Building												
Automobile Theft Authority		\$45,000		\$45,000		\$48,900		\$48,900	-	\$3,900	-	\$3,900
Criminal Justice Commission, Arizona		11,300	\$176,900	188,200		11,400	\$178,800	190,200	-	100	\$1,900	2,000
Environmental Quality, Department of		3,370,500		3,370,500		3,405,100		3,405,100	-	34,600	-	34,600
Forestry and Fire Management, AZ Department of	\$235,800		35,200	271,000	\$235,200		35,100	270,300	(\$600)	-	(100)	(700)
Gaming, Department of		585,100		585,100		591,200		591,200	-	6,100	-	6,100
Housing, AZ Department of	69,200	23,100	369,100	461,400	69,900	23,300	372,900	466,100	700	200	3,800	4,700
Residential Utility Consumer Office		112,800		112,800		113,900		113,900	-	1,100	-	1,100
Technical Registration, State Board of		184,100		184,100		186,000		186,000	-	1,900	-	1,900
Water Resources, Department of	1,022,300			1,022,300	1,032,800			1,032,800	\$10,500	-	-	10,500
Subtotal - ADEQ Building	\$1,327,300	\$4,331,900	\$581,200	\$6,240,400	\$1,337,900	\$4,379,800	\$586,800	\$6,304,500	\$10,600	\$47,900	\$5,600	\$64,100
Health Services, Department of												
Health Services Building - Refinance	\$2,206,900	\$1,471,200		\$3,678,100	\$2,283,600	\$1,522,400		\$3,806,000	\$76,700	\$51,200	-	\$127,900
Health Lab - Refinance		2,034,800		2,034,800		2,057,400		2,057,400	-	22,600	-	22,600
Arizona State Hospital Forensic Unit	2,972,300			2,972,300	2,971,000			2,971,000	(1,300)	-	-	(1,300)
Subtotal - Department of Health Services	\$5,179,200	\$3,506,000	\$0	\$8,685,200	\$5,254,600	\$3,579,800	\$0	\$8,834,400	\$75,400	\$73,800	\$0	\$149,200
<b>GRAND TOTAL</b>	<b>\$95,136,200</b>	<b>\$9,837,900</b>	<b>\$850,200</b>	<b>\$105,824,300</b>	<b>\$95,270,800</b>	<b>\$10,046,900</b>	<b>\$756,000</b>	<b>\$106,073,700</b>	<b>\$134,600</b>	<b>\$209,000</b>	<b>(\$94,200)</b>	<b>\$249,400</b>

<sup>1/</sup> 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.

<sup>2/</sup> In January 2019, ADOA refinanced the 2010A sale/leaseback agreement. In addition, the FY 2020 budget appropriated \$190,000,000 to retire the 2010B sale/leaseback agreement.

**Capital Outlay**  
**Local Assistance**

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>DISTRIBUTIONS</b>			
Phoenix Convention Center	23,500,000	23,997,900	24,498,500 <sup>1/</sup>
Rio Nuevo District	14,478,800	16,000,000	16,000,000 <sup>2/</sup>
<b>TOTAL - ALL DISTRIBUTIONS</b>	<b>37,978,800</b>	<b>39,997,900</b>	<b>40,498,500 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	37,978,800	39,997,900	40,498,500
<b>TOTAL - ALL SOURCES</b>	<b>37,978,800</b>	<b>39,997,900</b>	<b>40,498,500</b>

**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 section 9-602, Arizona Revised Statutes, \$24,498,450 of state general fund revenue is allocated in fiscal year 2021-2022 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ Pursuant to section 42-5031, Arizona Revised Statutes, 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 \$16,000,000 in fiscal year 2021-2022. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

**Phoenix Convention Center**

The Baseline includes \$24,498,450 from the General Fund in FY 2022 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2022 adjustments are as follows:

**Distribution Increase**

The Baseline includes an increase of \$500,550 from the General Fund in FY 2022 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 \$24,498,450 in FY 2022 to \$29,998,925 by FY 2044.

**Table 1**

**Phoenix Convention Center Debt Service**

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2022	24,498,450	FY 2034	\$29,996,250
FY 2023	24,999,400	FY 2035	29,995,775
FY 2024	25,498,550	FY 2036	29,999,975
FY 2025	25,998,700	FY 2037	29,995,825
FY 2026	26,497,375	FY 2038	29,995,850
FY 2027	26,997,100	FY 2039	29,996,750
FY 2028	27,495,125	FY 2040	29,995,225
FY 2029	27,998,700	FY 2041	29,997,975
FY 2030	28,499,525	FY 2042	29,996,150
FY 2031	28,999,575	FY 2043	29,996,175
FY 2032	29,495,550	FY 2044	29,998,925
FY 2033	29,999,150		

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 \$47,528,800 through CY 2019 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time.

**Table 2**  
**Project Revenue and Debt Service Payments**  
(\$ in Millions)

Calendar Year <sup>1/</sup>	Project Revenue	Debt Service	Annual Net Revenues <sup>2/</sup>	Cumulative Net Revenues
2019	\$23.6	\$23.5	\$0.1	\$47.5
2018	23.5	23.0	0.5	47.4
2017	19.0	22.5	(3.5)	46.9
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

<sup>1/</sup> 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.  
<sup>2/</sup> Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2020)*

The COVID-19 pandemic is expected to have a negative impact on the level of revenue generated from convention activity at the facility. However, the study compares current convention center revenues to a "base scenario" (had the facility not been upgraded) in order to determine the project's net revenues. This "base scenario" assumed the facility would become functionally obsolete and generate minimal revenues by 2021. Comparing the current low convention activity resulting from COVID-19 to this "base scenario" is not expected to generate a reduction in payments to the City of Phoenix over the next several fiscal years.

### Rio Nuevo District

The Baseline includes \$16,000,000 from the General Fund in FY 2022 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 2021.

The FY 2021 General Appropriation Act displays a \$16,000,000 estimated distribution in FY 2021. This

amount was effectively based on the FY 2019 actual distribution, which was the most recent information available at the time the budget was enacted. While the General Appropriation Act displays a projected amount for information purposes, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Subsequent to the passage of the FY 2021 General Appropriation Act, actual FY 2020 information is now available, and the FY 2020 actual distribution was \$14,478,796. Given the recent trends of overall Sales Tax growth, the FY 2021 estimate of \$16,000,000 has been retained for both FY 2021 and FY 2022 in the Baseline.

*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. (See Table 3 for the history of TPT payments).

**Table 3**  
**State TPT Payments to the Rio Nuevo District**

Fiscal Year	Distributions
FY 2020	\$ 14,478,796
FY 2019	15,958,879
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
<b>Total</b>	<b>\$196,412,198</b>

A.R.S. § 48-4203 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 (JCCR).

At the April 2019 JCCR meeting, the Committee gave a favorable review of 3 projects that were approved by the Rio Nuevo Board of Directors and have executed development agreements in place. The board agreed to spend up to a total of \$12,400,000 on these projects.

***REVENUE FORECAST***

## GENERAL FUND REVENUE

### FY 2021

FY 2021 Baseline General Fund revenues are projected to be \$12.58 billion under the 4-Sector forecast (described in the *FY 2022 and Beyond* section below) and \$12.88 billion under the JLBC Staff forecast.

Under the 4-Sector forecast, the revised FY 2021 ongoing revenue estimate is \$281.0 million above the estimate from the FY 2021 budget enacted in March 2020 compared to \$581.6 million under the JLBC Staff forecast, as shown in *Table 1* and *Table 2* below. This means that the forecast revision under the JLBC Staff forecast is \$300.6 million above the 4-Sector forecast. (For a definition of "Ongoing Revenues," see below.)

After the enactment of the FY 2021 budget in March 2020, the Governor issued an Executive Order that deferred the state income tax filing due date from April 15 to July 15, 2020. This had the effect of deferring an estimated \$553.3 million in tax payments from FY 2020 to FY 2021. Therefore, after adjusting for the deferral, the 4-Sector forecast is \$(272.3) million below the original FY 2021 forecast enacted in March 2020. The JLBC Staff forecast without deferral is \$28.3 million above the original FY 2021 forecast.

We are presenting 2 forecasts as we believe that the 4-Sector forecast significantly understates the potential FY 2021 growth rate.

**Table 1**

**FY 2021 Ongoing Revenue Forecast – 4-Sector  
(\$ in Millions)**

March - FY 2021 Revenue Estimate	\$ 12,739.8
Revised - FY 2021 Revenue Estimate	\$ 13,020.8
Difference with Deferral	\$ 281.0
Difference without Deferral	\$ (272.3)

**Table 2**

**FY 2021 Ongoing Revenue Forecast – JLBC Staff  
(\$ in Millions)**

March - FY 2021 Revenue Estimate	\$ 12,739.8
Revised - FY 2021 Revenue Estimate	\$ 13,321.4
Difference with Deferral	\$ 581.6
Difference without Deferral	\$ 28.3

Total General Fund revenue under the 4-Sector forecast is \$91.2 million above the original FY 2021 forecast enacted in March 2020 due to:

- An increase of \$281.0 million in ongoing revenues.
- A decrease of \$(189.8) million in the balance forward from FY 2020. The March enacted budget assumed an ending balance of \$562.3 million for FY 2020 while the actual balance carried forward was \$372.5 million.

As noted above, the FY 2021 ongoing revenue forecast provided by the JLBC Staff is \$300.6 million above the 4-Sector forecast and \$581.6 million above the March enacted budget forecast. After adjusting for the deferral, the JLBC Staff forecast is \$28.3 million above the March enacted forecast. The balance forward of \$372.5 million is the same in both the 4-Sector and the JLBC Staff forecasts.

As noted above, current year ongoing revenue estimates reflect 2 alternative scenarios: the 4-Sector forecast (see *FY 2022 and Beyond* section below) and the JLBC Staff forecast. "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 3* shows the ongoing revenue growth rates in FY 2021 through FY 2024 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 forecast. The separate JLBC Staff forecast is displayed in the same table.

Through December FY 2021, year-to-date ongoing revenues are 17.8% above the same period in the prior year. Based on the weighted average of the components of the 4-Sector forecast, ongoing revenue growth is projected to be 12.1% in FY 2021. This compares to the JLBC Staff's projection of a 14.7% increase in ongoing revenues.

The revenue growth rate in FY 2021 is artificially inflated as a result of the deferral of the income tax filing due date from April 15 to July 15, 2020. After adjusting for the deferral, the year-to-date growth rate is 8.6%. Revenues would have to decline by (3.6)% for the remaining 6 months of the fiscal year to reach the 4-Sector forecast. In comparison, revenues would have to grow by 1.3% under the JLBC Staff forecast.

Based on our current assessment of the Arizona economy, we believe that it is unlikely for revenue growth (after adjusting for the deferral) to decline by (3.6)% over the

next 6 months. Instead, our assessment is that the JLBC Staff's projected growth rate of 1.3% for the remainder of FY 2021 is more reasonable. Even this growth factor, however, may be too low.

After including Urban Revenue Sharing, one-time revenues, and the carry-forward balance, overall revenues are projected to increase by 5.5% in FY 2021 under the 4-Sector forecast compared to 8.0% under the JLBC Staff forecast. Both forecasts reflect net revenue growth, which includes the impact of previously enacted tax legislation. As discussed in more detail in the *Revenue Adjustments* section, the net impact of tax law changes is estimated to be \$(0.9) million in FY 2021. The individual revenue detail for FY 2021 under the 4-Sector forecast and the JLBC Staff forecast are displayed in *Table 9* and *Table 11*, respectively, at the end of this section.

### **FY 2022 and Beyond**

The FY 2022 Baseline projects total net revenues of \$13.87 billion under the 4-Sector forecast and \$14.32 billion under the JLBC Staff forecast, which represent growth rates of 10.3% and 11.2%, respectively, above FY 2021.

Ongoing net revenue, which excludes Urban Revenue Sharing and one-time revenues, is projected to be \$13.12 billion under the 4-Sector and \$13.26 billion under the JLBC Staff forecast. These amounts reflect a revenue change of 0.7% under the 4-Sector forecast and (0.4)% under the JLBC Staff forecast compared to FY 2021.

In dollar terms, the JLBC Staff forecast is \$148.3 million above the 4-Sector forecast in FY 2022. This means that for FY 2021 and FY 2022 combined, the JLBC Staff revenue forecast is \$448.9 million above the 4-Sector forecast.

The FY 2022 Baseline also incorporates revenue planning estimates for FY 2023 and FY 2024, which are shown in *Table 10* and *Table 12*. Under the 4-Sector forecast, ongoing net revenue would increase by 4.6% in FY 2023 and 4.5% in FY 2024. These growth rates are slightly above the JLBC Staff's revenue planning estimates of 4.4% in FY 2023 and 4.3% in FY 2024.

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 averaging process. This process is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2021. Consisting of 12 public and private sector economists, this independent panel usually

meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.

- 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 2021 through FY 2024 are detailed in *Table 3*. This table also separately displays the projected growth rates for the "Big 4" revenue categories developed by the JLBC Staff.

### **Risks to the Revenue Forecast**

The recent approval and distribution of coronavirus vaccines as well as the enactment of another round of federal fiscal stimulus in late December have prompted many economists to revise their forecasts upward. The general assessment in the forecasting profession is that the greatest risk to economic recovery is the continued threat from COVID-19. In recent weeks, there has been a significant upturn in new cases of infections, hospitalizations and deaths, all of which could result in the reintroduction of measures aimed at containing the spread of the virus. The rise in infections along with the potential reintroduction of containment measures could result in some retrenchment in consumer spending, which in turn could cause the economic recovery to stall. A pullback in consumer spending will adversely affect production and employment, all of which would also have a negative impact on state revenue collections.

On the upside, if the distribution of vaccines is widespread and rapid and the daily number of new cases, hospitalizations and deaths reverses course, the economic recovery could also be faster than expected. Such a scenario would result in increased consumer spending, production, and employment, which in turn would generate more tax revenues for the state.

### **Revenue Adjustments**

*Table 4* and *Table 5* provide an overview of ongoing and total revenue growth for FY 2021 and FY 2022. 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. As shown in *Table 4*, under the 4-Sector forecast, ongoing revenue is projected to grow by 12.1% in FY 2021 and 0.7% in FY 2022. Total revenue, which represents all General Fund revenue sources, including the beginning

Table 3

**4-Sector Estimates  
Forecast Percentages (FY 2021 - FY 2024)  
Ongoing Revenue**

	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	6.6%	4.8%	8.2%	8.1%	6.9%	5.8%	2.6%	5.0%	4.0%	4.4%
Individual Income Tax	19.0%	21.1%	23.4%	27.5%	22.7%	1.3%	(4.6)%	(2.0)%	(4.5)%	(2.5)%
Corporate Income Tax	7.0%	(2.1)%	2.2%	6.9%	3.5%	1.6%	(2.1)%	(0.8)%	(2.5)%	(0.9)%
Insurance Premium Tax	1.5%	2.7%	1.0%	2.0%	1.3%	2.2%	1.8%	4.6%	2.8%	3.5%
<b>Overall <sup>1/</sup></b>	<b>10.6%</b>	<b>10.2%</b>	<b>12.9%</b>	<b>14.7%</b>	<b>12.1%</b>	<b>3.1%</b>	<b>(1.0)%</b>	<b>1.3%</b>	<b>(0.4)%</b>	<b>0.7%</b>
	FY 2023					FY 2024				
	<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	4.5%	4.4%	5.5%	4.4%	4.7%	5.1%	4.2%	5.5%	4.2%	4.8%
Individual Income Tax	5.9%	4.0%	5.3%	5.9%	5.0%	5.5%	3.3%	4.6%	4.9%	4.6%
Corporate Income Tax	6.5%	3.6%	5.7%	5.0%	5.2%	5.2%	5.6%	7.4%	4.7%	5.7%
Insurance Premium Tax	2.6%	0.8%	5.0%	3.5%	3.8%	3.0%	0.7%	3.2%	3.2%	2.9%
<b>Overall <sup>1/</sup></b>	<b>4.9%</b>	<b>4.0%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>4.6%</b>	<b>5.0%</b>	<b>3.7%</b>	<b>4.9%</b>	<b>4.3%</b>	<b>4.5%</b>

<sup>1/</sup> The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue categories.

balance, is estimated to increase by 5.5% in FY 2021 and 10.3% in FY 2022. As displayed in *Table 5*, under the JLBC Staff forecast, ongoing revenue is projected to grow by 14.7% in FY 2021, followed by a small decline of (0.4)% in FY 2022. Total revenue is projected to increase by 8.0% and 11.2% in FY 2021 and FY 2022, respectively.

#### **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, state conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the U.S. Congress and signed into law by the President on March 27, 2020. The CARES Act included several federal income tax provisions that made changes to the Internal Revenue Code (IRC). If Arizona conforms with these changes, the estimated state revenue impact is \$(356.6) million in FY 2021 and \$(210.2)

million in FY 2022, for a total revenue loss of \$(566.8) million over 2 years. The JLBC Baseline does not include the impact of conformity as any such changes will require statutory enactment.

The Consolidated Appropriations Act of 2021 was signed into law by the President on December 27, 2020 and as with the CARES Act, if Arizona conforms to the federal income tax provisions contained in this Act, there would be an impact on state income tax collections. At the current time, however, we do not have an estimate of the impact of conformity to the Consolidated Appropriations Act.

The following section provides a detailed description of prior year budget legislation included in ongoing revenue collections in FY 2021 through FY 2024 (see *Table 6* for a complete list of each of the tax law and revenue changes

Table 4

**General Fund Revenue 4-Sector Forecast  
For FY 2021 and FY 2022 Budget  
(\$ in Millions)**

	<u>FY 2021</u>	<u>%</u>	<u>FY 2022</u>	<u>%</u>
Ongoing Revenue <sup>1/2/</sup>	\$13,020.8	12.1%	\$13,116.5	0.7%
Urban Revenue Sharing	(828.5)		(756.4)	
One-Time Financing Sources:				
Balance Forward	372.5		1,476.0	
Fund Transfers	<u>16.7</u>		<u>36.7</u>	
Subtotal	389.2		1,512.7	
<b>Total Revenue</b>	<b><u>\$12,581.5</u></b>	<b>5.5%</b>	<b><u>\$13,872.8</u></b>	<b>10.3%</b>

<sup>1/</sup> 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.

<sup>2/</sup> FY 2021 ongoing revenue includes an estimated \$(0.9) million in previously enacted tax reductions.

Table 5

**General Fund Revenue JLBC Staff Forecast  
For FY 2021 and FY 2022 Budget  
(\$ in Millions)**

	<u>FY 2021</u>	<u>%</u>	<u>FY 2022</u>	<u>%</u>
Ongoing Revenue <sup>1/2/</sup>	\$13,321.4	14.7%	\$13,264.8	(0.4)%
Urban Revenue Sharing	(828.5)		(756.4)	
One-Time Financing Sources:				
Balance Forward	372.5		1,776.5	
Fund Transfers	<u>16.7</u>		<u>36.7</u>	
Subtotal	389.2		1,813.2	
<b>Total Revenue</b>	<b><u>\$12,882.1</u></b>	<b>8.0%</b>	<b><u>\$14,321.6</u></b>	<b>11.2%</b>

<sup>1/</sup> 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.

<sup>2/</sup> FY 2021 ongoing revenue includes an estimated \$(0.9) million in previously enacted tax reductions.

included in ongoing revenue collections in FY 2021 through FY 2024). As shown in *Table 6*, ongoing budget legislation enacted prior to the 2021 Regular Session is estimated to reduce ongoing revenue by \$(0.9) million in FY 2021, followed by an additional reduction of \$(40.2)

million in FY 2022, \$(6.0) million in FY 2023, and \$(2.1) million in FY 2024. All revenue impacts in *Table 6* 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 7* and *Table 8*.

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.)

Laws 2019, Chapter 281 limits the annual increase of the cap for the corporate school tuition tax credit to 15% in FY 2021, 10% in FY 2022, and 5% in FY 2023. Beginning in FY 2024, the increase of the credit cap is limited to the greater of 2% or the annual change of the Metropolitan Phoenix consumer price index. In dollar terms, Chapter 281 limits the credit to \$123.0 million in FY 2021, \$135.3 million in FY 2022, and \$142.1 million in FY 2023. The JLBC Staff expects that the credit cap will increase to \$145.0 million in FY 2024, which is an increase of 2% over the prior fiscal year.

In terms of credit history, credit donations were made up to the cap each fiscal year from FY 2013 through FY 2020. According to the Department of Revenue's most recent *Arizona's Individual and Corporate Income Tax Credit Report*, close to \$101 million of the FY 2021 credit cap of \$123.0 million had been reached by mid-October. The JLBC Staff expects that the \$123.0 million credit cap will be reached before the fiscal year ends on June 30, 2021.

The JLBC Staff assumes that the credit cap under Laws 2019, Chapter 281 will be reached in each of the next 3 fiscal years for the following reasons. First, despite increasing by 20% annually through FY 2020 (as provided by Laws 2006, Chapter 325), the credit cap was reached in each of the prior 8 fiscal years. The history of this credit

program suggests that credit use will continue to be fully utilized through FY 2024, especially after considering the smaller increase of the credit cap under Laws 2019, Chapter 281.

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 only 23% of total credit use in FY 2020 was attributable to C corporations. This suggests there is enough combined corporate, individual, and insurance premium tax liability for the credit to be fully utilized through FY 2024.

This means that Laws 2019, Chapter 281 is expected to result in a revenue reduction of \$(16.0) million in FY 2021, followed by an additional reduction \$(12.3) million in FY 2022, \$(6.8) million in FY 2023, and \$(2.9) million in FY 2024.

2) 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 \$(5.0) million in FY 2021, followed by a further decrease of \$(5.4) million in FY 2022.

3) 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 have no revenue impact in FY 2021. However, for technical reasons, Chapter 319 is projected to increase individual income tax revenue by \$0.8 million in FY 2022, followed by an additional increase of \$0.8 million in FY 2023, and \$0.8 million in FY 2024.

4) Extension and Expansion of Job Tax Credit Laws 2011, 2<sup>nd</sup> 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 2021.

5) Reduction of Public Safety Transfers – Laws 2018, Chapter 265 established a new highway safety fee charged on vehicle registrations. Chapter 265 requires the Director of the Arizona Department of Transportation (ADOT) to set the fee on car registrations sufficient to fund 110% of the Department of Public Safety's (DPS) highway patrol budget for each upcoming year, less any unencumbered balance in the Highway Patrol Fund not exceeding 10% of the prior year deposit. The highway safety fee, set at \$32 per vehicle, went into effect January 1, 2019.

The new highway safety fee established by Laws 2018, Chapter 265 changed the funding of DPS such that it resulted in transfers (hereafter referred to as "public safety transfers") of \$72.4 million to the General Fund, beginning in FY 2019.

The FY 2020 Criminal Justice Budget Reconciliation Bill (Laws 2019, Chapter 268) eliminates the highway safety fee on July 1, 2021 and repeals the statutory requirement that the ADOT Director sets the fee at 110% of the highway patrol budget. As a result, the current highway safety fee of \$32 per vehicle will be levied through FY 2021.

Relative to Laws 2018, Chapter 265, the changes under Laws 2019, Chapter 268 have the effect of reducing public safety transfers to the General Fund from \$72.4 million to \$23.3 million in FY 2020 and FY 2021, and from \$72.4 million to \$0 in FY 2022, FY 2023 and FY 2024. Therefore, the revenue impact of Laws 2019, Chapter 268 relative to Laws 2018, Chapter 265 is \$(49.0) million in FY 2020 and FY 2021, and \$(72.4) in FY 2022, FY 2023 and FY 2024. As shown in *Table 6*, this means that relative to the prior year, Laws 2019, Chapter 268 reduces public safety transfers by \$0 in FY 2021, \$(23.3) million in FY 2022, and \$0 in FY 2023 and FY 2024.

6) Enactment of Wayfair Legislation – In June 2018, the United States Supreme Court overruled in *South Dakota v. Wayfair Inc.* a 1992 ruling made by the same court in *Quill Corp v. North Dakota*, which had held that only out-of-state ("remote") businesses with a physical presence ("nexus") inside a state could be required to collect and remit sales tax in that state. As a result of the Wayfair ruling, the physical presence requirement was effectively replaced by an economic nexus requirement.

Beginning October 1, 2019, Laws 2019, Chapter 273 establishes the economic nexus thresholds under which an out-of-state business is required to collect and remit tax on retail sales in Arizona, which are as follows:

- If the out-of-state business does not conduct sales through a marketplace facilitator, economic nexus applies if sales in Arizona exceed \$200,000 in calendar year (CY) 2019, \$150,000 in CY 2020, and \$100,000 in CY 2021 and thereafter.

- If the out-of-state business is a marketplace facilitator, economic nexus applies if sales in Arizona from the marketplace facilitator's own business or on behalf of at least one marketplace seller exceed \$100,000 in the calendar year.

Besides establishing the state's economic nexus threshold requirements, Chapter 273 also added new language in state statutes with respect to the municipal tax treatment of retail sales. (*For more details, see page 433 in the FY 2020 Appropriations Report.*)

Chapter 273 is estimated to result in a General Fund revenue gain of \$28.0 million in FY 2021.

- 7) Expands TPT Exemption for Propagative Materials – Under current law, propagative materials such as seeds, roots, bulbs, and cuttings are exempt from state TPT and use tax. Beginning on December 1, 2019, Laws 2019, Chapter 288 expands this exemption to include fertilizers, insecticides and similar materials. Chapter 288 is

<u>Prior Year Legislation / Description of Provision</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>Laws 2019, Ch. 281</u>				
1) Limits the annual increase of the corporate tuition credit cap to 15% in FY 2021, 10% in FY 2022, and 5% in FY 2023	(16.0)	(12.3)	(6.8)	(2.9)
<u>Laws 2015, Ch. 220 &amp; Laws 2016, Ch. 358</u>				
2) Phases down insurance premium tax rate from 2.0% to 1.7% over 6 years, beginning in FY 2017	(5.0)	(5.4)	0.0	0.0
<u>Laws 2017, Ch. 319</u>				
3) Adds a total of \$10 million in new angel investment credits	0.0	0.8	0.8	0.8
<u>Laws 2017, Ch. 340</u>				
4) Modifies eligibility requirements for job tax credit and extends credit through FY 2025	(0.8)	0.0	0.0	0.0
<u>Laws 2019, Ch. 268</u>				
5) Reduces Public Safety Transfers to General Fund	0.0	(23.3)	0.0	0.0
<u>Laws 2019, Ch. 273</u>				
6) Enacts Arizona's Wayfair Legislation on Remote Sales	28.0	0.0	0.0	0.0
<u>Laws 2019, Ch. 288</u>				
7) Expands TPT exemption on propagative materials (including fertilizers), beginning December 1, 2019.	(7.4)	0.0	0.0	0.0
<u>Laws 2019, Ch. 290</u>				
8) Increases the June estimated payment threshold from \$1 million to \$4.1 million over 4 years, beginning in FY 2020	0.3	0.0	\$0.0	\$0.0
<b>Revenue Impact over Prior Year</b>	<b>\$(0.9)</b>	<b>\$(40.2)</b>	<b>\$(6.0)</b>	<b>\$(2.1)</b>

<sup>1/</sup> Represents marginal pricing: All revenue impacts are stated relative to the prior year.

estimated to reduce General Fund revenues by \$(7.4) million in FY 2021.

8) TPT Estimated Payment Threshold Change – A business with a combined tax liability for transaction privilege, telecommunication services excise, and county excise taxes above a certain amount, as provided in statute, is required to make a single estimated advance payment in June of each year. From FY 2013 through FY 2019, the annual liability threshold for making the June advance payment was \$1.0 million. The estimated payment, which is in addition to the regular June sales tax bill, is required to equal either: (1) one-half of the actual tax liability for May, or (2) the actual tax liability for the first 15 days of June. In July of each year, those taxpayers that made an estimated payment in the prior month can subtract that amount from their July tax bill. While the June estimated payment does not result in any increase of a business' sales tax liability on a calendar year basis, it has the effect of advancing a portion of next fiscal year's General Fund revenue into the current fiscal year.

Laws 2019, Chapter 290 increases the liability threshold for the June estimated payment to \$1.6 million in 2020, \$2.3 million in 2021, \$3.1 million in 2022, and \$4.1 million in 2023 and each year thereafter. Relative to FY 2020, Chapter 290 is expected to result in a revenue gain of \$0.3 million in FY 2021. On a year-over-year basis, there is no anticipated revenue gain or loss in FY 2022 through FY 2024.

#### **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 9 and Table 11*, total URS distributions will decrease from \$828.5 million in FY 2021 to \$756.4 million in FY 2022. This URS decrease results in a FY 2022 General Fund revenue gain of \$72.1 million relative to FY 2021. As shown in *Table 10*, under the 4-Sector, URS distributions are estimated to increase to \$913.6 million in FY 2023 and \$892.0 million in FY 2024, which will result in net General Fund revenue loss of \$(157.2) million in FY 2023 and a net revenue gain of \$21.6 million in FY 2024. The corresponding net General Fund revenue loss under the JLBC Staff forecast is \$(192.2) million in FY 2023 and a net gain of \$41.0 million in FY 2024, as displayed in *Table 12*.

#### **One-Time Financing**

As shown in *Table 7 and Table 8*, one-time financing sources are included in the budget for FY 2021. The following is a discussion of the one-time financing sources.

##### **FY 2021**

The \$389.2 million in one-time financing sources for FY 2021 includes:

##### **Prescription Drug Rebate Fund Transfer**

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) required the Arizona Health Care Cost Containment System (AHCCCS) to transfer \$69.0 million from the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 to the General Fund on or before June 30, 2020. The Prescription Drug Rebate Fund consists of federally-mandated and state-negotiated rebates paid by drug manufacturers to AHCCCS for prescription drugs used by AHCCCS enrollees. The \$69.0 million transfer consisted of higher-than-budgeted rebate receipts from prior years. Based on rebate growth trends, the multi-year spending plan associated with the FY 2020 enacted budget further assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2021 as well as in FY 2022 through FY 2024.

##### **Balance Forward**

The FY 2020 General Fund ending balance carried forward into FY 2021 was \$372.5 million.

##### **FY 2022**

As shown in *Table 7*, under the 4-Sector forecast, a total of \$1.51 billion in one-time financing sources are included in FY 2022. The total amount of one-time financing sources under the JLBC Staff forecast is \$1.81 billion, as displayed in *Table 8*.

##### **Prescription Drug Rebate Fund Transfer**

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2022.

##### **DWR Infrastructure Repayment**

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriates \$20.0 million from the General Fund to the Department of Water Resources' (DWR) Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be fully reimbursed to the General Fund on or before December 31, 2021.

**Table 7**

**FY 2021 through FY 2024 One-Time Financing Sources: 4-Sector Forecast  
(\$ in Millions)**

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Balance Forward	\$372.5	\$1,476.0	\$0.0	\$0.0
Budget Legislation:				
Prescription Drug Rebate Fund Transfer	16.7	16.7	16.7	16.7
Water Infrastructure Repayment	<u>0.0</u>	<u>20.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total One-Time Financing</b>	<b><u>\$389.2</u></b>	<b><u>\$1,512.7</u></b>	<b><u>\$16.7</u></b>	<b><u>\$16.7</u></b>

**Table 8**

**FY 2021 through FY 2024 One-Time Financing Sources: JLBC Staff Forecast  
(\$ in Millions)**

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Balance Forward	\$372.5	\$1,776.5	\$0.0	\$0.0
Budget Legislation:				
Prescription Drug Rebate Fund Transfer	16.7	16.7	16.7	16.7
Water Infrastructure Repayment	<u>0.0</u>	<u>20.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total One-Time Financing</b>	<b><u>\$389.2</u></b>	<b><u>\$1,813.2</u></b>	<b><u>\$16.7</u></b>	<b><u>\$16.7</u></b>

Balance Forward

The FY 2021 General Fund ending balance carried into FY 2022 is projected to be \$1.48 billion under the 4-Sector forecast and \$1.78 billion under the JLBC Staff forecast.

million of rebate monies will be available for transfer to the General Fund in FY 2024.

**FY 2023**

The \$16.7 million in one-time financing sources for FY 2023 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2023.

Balance Forward

The Baseline assumes that the FY 2022 cash balance will be allocated as part of the FY 2023 budget process. Therefore, the FY 2022 General Fund ending balance carried into FY 2023 is assumed to be \$0 million.

**FY 2024**

The \$16.7 million in one-time financing sources for FY 2024 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7

Table 9

## 4-SECTOR FORECAST: GENERAL FUND REVENUE - FY 2020 - FY 2022

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2020	% CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,392,289.3	5.8%	5,765,089.0	6.9%	372,799.8	6,017,010.5	4.4%	251,921.5
Income - Individual	4,530,725.5	-9.5%	5,560,980.1	22.7%	1,030,254.6	5,422,033.3	-2.5%	(138,946.8)
- Corporate	511,881.9	-0.5%	529,852.6	3.5%	17,970.7	524,959.6	-0.9%	(4,892.9)
Property	24,142.9	-18.7%	22,474.0	-6.9%	(1,669.0)	22,505.1	0.1%	31.2
Luxury - Tobacco	20,872.5	-0.8%	20,825.0	-0.2%	(47.5)	20,580.9	-1.2%	(244.1)
- Liquor	36,265.2	-2.7%	37,026.7	2.1%	761.6	38,026.5	2.7%	999.7
Insurance Premium	535,163.4	-2.7%	542,330.7	1.3%	7,167.4	561,361.5	3.5%	19,030.7
Other Taxes	14,408.1	6.4%	16,093.1	11.7%	1,685.0	18,027.1	12.0%	1,934.0
Subtotal - Taxes	11,065,748.7	-1.8%	12,494,671.2	12.9%	1,428,922.5	12,624,504.5	1.0%	129,833.3
<b>Other Non-Tax Revenues:</b>								
Lottery	103,594.7	25.0%	109,033.7	5.3%	5,438.9	111,710.7	2.5%	2,677.0
Licenses, Fees and Permits	34,787.2	8.6%	42,431.9	22.0%	7,644.7	43,584.2	2.7%	1,152.3
Interest	39,398.1	-25.8%	23,298.8	-40.9%	(16,099.4)	22,500.0	-3.4%	(798.8)
Sales and Services	22,425.1	-6.8%	22,994.1	2.5%	569.0	22,490.8	-2.2%	(503.3)
Other Miscellaneous	126,013.5	13.2%	134,299.8	6.6%	8,286.3	142,587.0	6.2%	8,287.2
Transfers and Reimbursements	116,512.3	83.9%	66,508.2	-42.9%	(50,004.1)	53,720.6	-19.2%	(12,787.6)
Public Safety Transfers	23,343.2	-67.7%	23,343.2	0.0%	0.0	0.0	-100.0%	(23,343.2)
Disproportionate Share Revenue	84,949.1	-11.1%	104,253.8	22.7%	19,304.7	95,417.3	-8.5%	(8,836.5)
Subtotal - Other Non-Tax	551,023.3	3.1%	526,163.4	-4.5%	(24,859.8)	492,010	-6.5%	(34,153.0)
<b>Net Ongoing Revenue</b>	<b>11,616,772.0</b>	<b>-1.6%</b>	<b>13,020,834.8</b>	<b>12.1%</b>	<b>1,404,062.7</b>	<b>13,116,515.0</b>	<b>0.7%</b>	<b>95,680.4</b>
Urban Revenue Sharing (URS)	(737,561.2)	N/A	(828,492.9)	N/A	(90,931.7)	(756,391.1)	N/A	72,101.8
<b>Net Ongoing Revenue w/ URS</b>	<b>10,879,210.8</b>	<b>-2.3%</b>	<b>12,192,341.9</b>	<b>12.1%</b>	<b>1,313,131.0</b>	<b>12,360,123.9</b>	<b>1.4%</b>	<b>167,782.2</b>
<b>One-Time Financing Sources:</b>								
Pre-2019 Enacted Fund Transfers	1,840.7	-98.2%	0.0	-100.0%	(1,840.7)	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	69,000.0	N/A	16,700.0	-75.8%	(52,300.0)	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	20,000.0	N/A	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	20,000.0	N/A	20,000.0
Subtotal - One-Time Financing Sources	90,840.7	-9.5%	16,700.0	-81.6%	(74,140.7)	36,700.0	119.8%	20,000.0
<b>Subtotal - Revenues</b>	<b>10,970,051.5</b>	<b>-2.3%</b>	<b>12,209,041.9</b>	<b>11.3%</b>	<b>1,238,990.3</b>	<b>12,396,823.9</b>	<b>1.5%</b>	<b>187,782.2</b>
Balance Forward	957,241.0	112.9%	372,457.0	-61.1%	(584,784.0)	1,475,946.4	296.3%	1,103,489.4
<b>Total - Resources</b>	<b>11,927,292.5</b>	<b>2.1%</b>	<b>12,581,498.9</b>	<b>5.5%</b>	<b>654,206.3</b>	<b>13,872,770.3</b>	<b>10.3%</b>	<b>1,291,271.6</b>

Table 10

## 4-SECTOR FORECAST: GENERAL FUND REVENUE - FY 2023 - FY 2024

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2023	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2024	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	6,300,587.8	4.7%	283,577.3	6,600,039.6	4.8%	299,451.8
Income - Individual	5,694,876.1	5.0%	272,842.7	5,956,718.1	4.6%	261,842.1
- Corporate	552,434.1	5.2%	27,474.5	583,937.9	5.7%	31,503.8
Property	22,536.4	0.1%	31.3	22,567.8	0.1%	31.4
Luxury - Tobacco	20,389.9	-0.9%	(191.0)	20,205.6	-0.9%	(184.3)
- Liquor	39,129.2	2.9%	1,102.8	40,342.2	3.1%	1,213.0
Insurance Premium	582,666.7	3.8%	21,305.3	599,601.6	2.9%	16,934.8
Other Taxes	20,211.0	12.1%	2,184.0	22,677.6	12.2%	2,466.6
Subtotal - Taxes	13,232,831.3	4.8%	608,326.8	13,846,090.4	4.6%	613,259.1
<b>Other Non-Tax Revenues:</b>						
Lottery	109,897.6	-1.6%	(1,813.1)	111,735.1	1.7%	1,837.6
Licenses, Fees and Permits	44,782.3	2.7%	1,198.1	46,028.2	2.8%	1,246.0
Interest	20,425.4	-9.2%	(2,074.6)	20,058.8	-1.8%	(366.6)
Sales and Services	22,011.8	-2.1%	(479.0)	21,556.2	-2.1%	(455.6)
Other Miscellaneous	142,505.9	-0.1%	(81.1)	142,425.9	-0.1%	(80.0)
Transfers and Reimbursements	54,043.6	0.6%	323.0	54,381.9	0.6%	338.3
Public Safety Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Disproportionate Share Revenue	95,474.3	0.1%	57.0	95,644.9	0.2%	170.6
Subtotal - Other Non-Tax	489,140.8	-0.6%	(2,869.6)	491,831.1	0.5%	2,690.2
<b>Net Ongoing Revenue</b>	<b>13,721,972.0</b>	<b>4.6%</b>	<b>605,457.1</b>	<b>14,337,921.4</b>	<b>4.5%</b>	<b>615,949.3</b>
Urban Revenue Sharing (URS)	(913,624.9)	N/A	(157,233.8)	(892,048.9)	N/A	21,575.9
<b>Net Ongoing Revenue w/ URS</b>	<b>12,808,347.1</b>	<b>3.6%</b>	<b>448,223.3</b>	<b>13,445,872.5</b>	<b>5.0%</b>	<b>637,525.2</b>
<b>One-Time Financing Sources:</b>						
Pre-2019 Enacted Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	16,700.0	0.0%	0.0	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	16,700.0	-54.5%	(20,000.0)	16,700.0	0.0%	0.0
<b>Subtotal - Revenues</b>	<b>12,825,047.1</b>	<b>3.5%</b>	<b>428,223.3</b>	<b>13,462,572.5</b>	<b>5.0%</b>	<b>637,525.2</b>
Balance Forward	-	-100.0%	(1,475,946.4)	-	N/A	0.0
<b>Total - Resources</b>	<b>12,825,047.1</b>	<b>-7.6%</b>	<b>(1,047,723.1)</b>	<b>13,462,572.5</b>	<b>5.0%</b>	<b>637,525.2</b>

Table 11

### JLBC STAFF FORECAST: GENERAL FUND REVENUE - FY 2020 - FY 2022

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2020	% CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,392,289.3	5.8%	5,829,064.7	8.1%	436,775.4	6,062,227.3	4.0%	233,162.6
Income - Individual	4,530,725.5	-9.5%	5,776,675.0	27.5%	1,245,949.5	5,516,724.6	-4.5%	(259,950.4)
- Corporate	511,881.9	-0.5%	547,201.7	6.9%	35,319.8	533,521.7	-2.5%	(13,680.0)
Property	24,142.9	-18.7%	22,474.0	-6.9%	(1,669.0)	22,505.1	0.1%	31.2
Luxury - Tobacco	20,872.5	-0.8%	20,825.0	-0.2%	(47.5)	20,580.9	-1.2%	(244.1)
- Liquor	36,265.2	-2.7%	37,026.7	2.1%	761.6	38,026.5	2.7%	999.7
Insurance Premium	535,163.4	-2.7%	545,866.6	2.0%	10,703.3	561,150.9	2.8%	15,284.3
Other Taxes	14,408.1	6.4%	16,093.1	11.7%	1,685.0	18,027.1	12.0%	1,934.0
Subtotal - Taxes	11,065,748.7	-1.8%	12,795,226.8	15.6%	1,729,478.1	12,772,764.0	-0.2%	(22,462.8)
<b>Other Non-Tax Revenues:</b>								
Lottery	103,594.7	25.0%	109,033.7	5.3%	5,438.9	111,710.7	2.5%	2,677.0
Licenses, Fees and Permits	34,787.2	8.6%	42,431.9	22.0%	7,644.7	43,584.2	2.7%	1,152.3
Interest	39,398.1	-25.8%	23,298.8	-40.9%	(16,099.4)	22,500.0	-3.4%	(798.8)
Sales and Services	22,425.1	-6.8%	22,994.1	2.5%	569.0	22,490.8	-2.2%	(503.3)
Other Miscellaneous	126,013.5	13.2%	134,299.8	6.6%	8,286.3	142,587.0	6.2%	8,287.2
Transfers and Reimbursements	116,512.3	83.9%	66,508.2	-42.9%	(50,004.1)	53,720.6	-19.2%	(12,787.6)
Public Safety Transfers	23,343.2	-67.7%	23,343.2	0.0%	0.0	0.0	-100.0%	(23,343.2)
Disproportionate Share Revenue	84,949.1	-11.1%	104,253.8	22.7%	19,304.7	95,417.3	-8.5%	(8,836.5)
Subtotal - Other Non-Tax	551,023.3	3.1%	526,163.4	-4.5%	(24,859.8)	492,010	-6.5%	(34,153.0)
<b>Net Ongoing Revenue</b>	<b>11,616,772.0</b>	<b>-1.6%</b>	<b>13,321,390.4</b>	<b>14.7%</b>	<b>1,704,618.3</b>	<b>13,264,774.5</b>	<b>-0.4%</b>	<b>(56,615.7)</b>
Urban Revenue Sharing (URS)	(737,561.2)	N/A	(828,492.9)	N/A	(90,931.7)	(756,391.1)	N/A	72,101.8
<b>Net Ongoing Revenue w/ URS</b>	<b>10,879,210.8</b>	<b>-2.3%</b>	<b>12,492,897.5</b>	<b>14.8%</b>	<b>1,613,686.6</b>	<b>12,508,383.4</b>	<b>0.1%</b>	<b>15,486.1</b>
<b>One-Time Financing Sources:</b>								
Pre-2019 Enacted Fund Transfers	1,840.7	-98.2%	0.0	-100.0%	(1,840.7)	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	69,000.0	N/A	16,700.0	-75.8%	(52,300.0)	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	20,000.0	N/A	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	20,000.0	N/A	20,000.0
Subtotal - One-Time Financing Sources	90,840.7	-9.5%	16,700.0	-81.6%	(74,140.7)	36,700.0	119.8%	20,000.0
<b>Subtotal - Revenues</b>	<b>10,970,051.5</b>	<b>-2.3%</b>	<b>12,509,597.5</b>	<b>14.0%</b>	<b>1,539,545.9</b>	<b>12,545,083.4</b>	<b>0.3%</b>	<b>35,486.1</b>
Balance Forward	957,241.0	112.9%	372,457.0	-61.1%	(584,784.0)	1,776,502.0	377.0%	1,404,045.0
<b>Total - Resources</b>	<b>11,927,292.5</b>	<b>2.1%</b>	<b>12,882,054.5</b>	<b>8.0%</b>	<b>954,761.9</b>	<b>14,321,585.4</b>	<b>11.2%</b>	<b>1,439,531.1</b>

Table 12

### JLBC STAFF FORECAST: GENERAL FUND REVENUE - FY 2023 - FY 2024

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2023	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2024	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	6,328,965.3	4.4%	266,738.0	6,594,781.8	4.2%	265,816.5
Income - Individual	5,787,044.1	4.9%	270,319.5	6,070,609.3	4.9%	283,565.2
- Corporate	560,197.7	5.0%	26,676.1	586,527.0	4.7%	26,329.3
Property	22,536.4	0.1%	31.3	22,567.8	0.1%	31.4
Luxury - Tobacco	20,389.9	-0.9%	(191.0)	20,205.6	-0.9%	(184.3)
- Liquor	39,129.2	2.9%	1,102.8	40,342.2	3.1%	1,213.0
Insurance Premium	580,791.2	3.5%	19,640.3	599,376.5	3.2%	18,585.3
Other Taxes	20,211.0	12.1%	2,184.0	22,677.6	12.2%	2,466.6
Subtotal - Taxes	13,359,264.9	4.6%	586,500.9	13,957,087.9	4.5%	597,823.0
<b>Other Non-Tax Revenues:</b>						
Lottery	109,897.6	-1.6%	(1,813.1)	111,735.1	1.7%	1,837.6
Licenses, Fees and Permits	44,782.3	2.7%	1,198.1	46,028.2	2.8%	1,246.0
Interest	20,425.4	-9.2%	(2,074.6)	20,058.8	-1.8%	(366.6)
Sales and Services	22,011.8	-2.1%	(479.0)	21,556.2	-2.1%	(455.6)
Other Miscellaneous	142,505.9	-0.1%	(81.1)	142,425.9	-0.1%	(80.0)
Transfers and Reimbursements	54,043.6	0.6%	323.0	54,381.9	0.6%	338.3
Public Safety Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Disproportionate Share Revenue	95,474.3	0.1%	57.0	95,644.9	0.2%	170.6
Subtotal - Other Non-Tax	489,140.8	-0.6%	(2,869.6)	491,831.1	0.5%	2,690.2
<b>Net Ongoing Revenue</b>	<b>13,848,405.6</b>	<b>4.4%</b>	<b>583,631.2</b>	<b>14,448,918.8</b>	<b>4.3%</b>	<b>600,513.2</b>
Urban Revenue Sharing (URS)	(948,581.5)	N/A	(192,190.4)	(907,536.9)	N/A	41,044.6
<b>Net Ongoing Revenue w/ URS</b>	<b>12,899,824.1</b>	<b>3.1%</b>	<b>391,440.8</b>	<b>13,541,381.9</b>	<b>5.0%</b>	<b>641,557.8</b>
<b>One-Time Financing Sources:</b>						
Pre-2019 Enacted Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	16,700.0	0.0%	0.0	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	16,700.0	-54.5%	(20,000.0)	16,700.0	0.0%	0.0
<b>Subtotal - Revenues</b>	<b>12,916,524.1</b>	<b>3.0%</b>	<b>371,440.8</b>	<b>13,558,081.9</b>	<b>5.0%</b>	<b>641,557.8</b>
Balance Forward	-	-100.0%	(1,776,502.0)	-	N/A	0.0
<b>Total - Resources</b>	<b>12,916,524.1</b>	<b>-9.8%</b>	<b>(1,405,061.2)</b>	<b>13,558,081.9</b>	<b>5.0%</b>	<b>641,557.8</b>

## 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 10.0% of the current year's General Fund revenues, excluding the beginning balance. Prior to Laws 2019, Chapter 54, the percentage was set at 7.0%.
- 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 2019

In CY 2018, Arizona adjusted personal income increased by 3.31%, with a trend growth rate of 3.29%. Since the CY 2018 "excess" growth rate was 0.02%, the formula recommended a deposit of \$2.0 million in FY 2019. 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. However, independent of the formula, the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$271.1 million for deposit into the BSF in FY 2019.

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. Through FY 2019, the State Forester's outstanding unreimbursed claims balance could not exceed \$10.0 million. Beginning in FY 2020, Laws 2019, Chapter 269 increases the cap to \$20.0 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 2019, the State Forester repaid \$6.0 million to the BSF, leaving an FY 2019 ending balance of \$4.0 million.

Laws 2018, Chapter 276 appropriated \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

Laws 2018, Chapter 276 also allowed 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 required 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. DPS reimbursed the State Treasurer at the end of FY 2019.

#### **FY 2020**

In CY 2019, Arizona adjusted personal income increased by 3.50%, with a trend growth rate of 3.38%. Since the CY 2019 "excess" growth rate was 0.12%, the formula recommended a deposit of \$13.4 million in FY 2020. The Legislature did not authorize the deposit. However, independent of the formula, the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$271.1 million for deposit into the BSF in FY 2020.

Laws 2019, Chapter 269 increased the maximum outstanding unreimbursed claims balance from \$10.0 million to \$20.0 million. By increasing the maximum balance, the State Forester will be able to pay any new claims until its outstanding balance reaches \$20.0 million. In FY 2020, the State Forester repaid \$2.3 million to the BSF, leaving an FY 2020 ending usage balance of \$1.7 million.

Chapter 263 also 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 2020. DES intends to spend the full \$25.0 million authorized by Chapter 263 to pay the immediate grant costs prior to reimbursement. Chapter 263 required the BSF to be fully reimbursed by September 1, 2020. DES withdrew these monies and reimbursed them prior to September 1, 2020.

Laws 2019, Chapter 54 adjusted the limit on the fiscal year-end BSF balance from 7.0% of General Fund revenues for the fiscal year to 10.0% of General Fund revenues for the fiscal year.

Laws 2020, Chapter 6 appropriated \$55.0 million from the BSF to the Public Health Emergencies Fund in FY 2020 to address the public health emergency related to COVID-19. Any monies that are unspent as of June 30, 2021, up to \$50.0 million, will revert to the BSF.

#### **FY 2021**

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted income will decrease by (1.20)% in CY 2020. Since this is (4.34)% below the estimated trend growth rate of 3.14% and below 2.0%, the formula is projected to recommend a withdrawal from the BSF in FY 2021 in the amount of \$(472.2) million.

Laws 2020, Chapter 58 also authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 requires the BSF to be fully reimbursed by September 1, 2021.

#### **FY 2022**

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted income will increase by 4.20% in CY 2020. Since this is 1.02% above the estimated trend growth rate of 3.18%, the formula is projected to recommend a deposit of \$124.4 million in FY 2022 under the 4-Sector forecast (*for more details, see Table 1*).

#### **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 2024.

Table 1

**4-Sector Forecast: Budget Stabilization Fund <sup>1/</sup>**  
**(\$ in Thousands)**

	<u>Actual</u> <u>FY 2019</u>	<u>Actual</u> <u>FY 2020</u>	<u>Estimate</u> <u>FY 2021</u>	<u>Estimate</u> <u>FY 2022</u>
<b>General Fund Revenues</b>				
Adjusted Revenues	\$11,131,305.9 <sup>2/</sup>	\$10,879,210.8	\$12,192,341.9 <sup>3/</sup>	\$12,360,123.9 <sup>4/</sup>
Statutory Limit of Revenues	7.0%	10.0%	10.0%	10.0%
Maximum Balance	779,191.4	1,087,921.1	1,219,234.2 <sup>3/</sup>	1,236,012.4
<b>Arizona Personal Income in Prior CY</b>				
Real Adjusted Annual Income Growth	3.31%	3.50%	(1.20)%	4.20%
7-Year Average Income Growth	<u>3.29%</u>	<u>3.38%</u>	<u>3.14%</u>	<u>3.18%</u>
Annual Difference	0.02%	0.12%	(4.34)%	1.02%
<b>BSF Transactions</b>				
Beginning BSF Balance	457,786.0	742,968.0	978,531.0	985,531.0
BSF Formula Recommendation	2,007.2	13,357.6	(472,157.7)	124,361.9 <sup>4/</sup>
<b>Actual Transfer In</b>				
General Fund Appropriation	271,107.0 <sup>5/</sup>	271,107.0 <sup>5/</sup>	0.0	0.0
<b>Actual Transfer Out</b>				
State Forester Claims <sup>6/7/</sup>	6,028.8	2,281.0	0.0	0.0
Arts Commission <sup>8/</sup>	(2,000.0)	0.0	0.0	0.0
DHS Public Health Emergencies Fund <sup>9/</sup>	0.0	(55,000.0)	0.0	0.0
DES Reimbursement Grants <sup>10/11/</sup>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	4,028.8	(52,719.0)	0.0	0.0
Balance	732,921.8	961,356.0	978,531.0	985,531.0
Interest Earnings & Equity Gains/Losses <sup>12/</sup>	10,046.2	17,175.0	7,000.0	7,000.0
<b>Ending BSF Balance</b>	<b>\$742,968.0</b>	<b>\$978,531.0</b>	<b>\$985,531.0</b>	<b>\$992,531.0</b>
<b>Percent of Revenues</b>	<b>6.7%</b>	<b>9.0%</b>	<b>8.1%</b>	<b>8.0%</b>

<sup>1/</sup> BSF history prior to FY 2018 can be found on the JLBC website.

<sup>2/</sup> Actual General Fund revenue for FY 2019, as determined by the Economic Estimates Commission.

<sup>3/</sup> Under the FY 2021 JLBC Staff forecast, revenues would be \$12.49 billion and the maximum BSF balance would be \$1.25 billion.

<sup>4/</sup> Under the FY 2022 JLBC Staff forecast, revenues would be \$12.51 billion, the maximum BSF balance would be \$1.25 billion, and the BSF formula recommendation would be \$127.4 million.

<sup>5/</sup> Laws 2019, Chapter 263 appropriated \$271.1 million from the General Fund in each of FY 2019 and FY 2020 for deposit into the BSF.

<sup>6/</sup> 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.

<sup>7/</sup> Laws 2019, Chapter 269 increases the maximum outstanding balance to \$20.0 million beginning in FY 2020.

<sup>8/</sup> Laws 2018, Chapter 276 appropriated \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

<sup>9/</sup> Laws 2020, Chapter 6 appropriated \$55.0 million in FY 2020 from the BSF to DHS Public Health Emergencies Fund for costs to address the COVID-19 public health emergency. Any unspent monies as of June 30, 2021 up to \$50.0 million of the total will revert to the BSF.

<sup>10/</sup> Laws 2019, Chapter 263 authorizes the DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2020. Chapter 263 requires the BSF to be fully reimbursed by September 1, 2020. These monies were spent and repaid by September 1, 2020.

<sup>11/</sup> Laws 2020, Chapter 58 authorizes the DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 requires the BSF to be fully reimbursed by September 1, 2021.

<sup>12/</sup> Interest earnings for FY 2021 and FY 2022 were estimated by the JLBC Staff based on information 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 Officers 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 will be enrolled 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 2022 Impacts and 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 2022 is estimated to be \$259.8 million and the Total State Funds cost is \$710.9 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 2022 is estimated to be \$74.2 million and the Total State Funds cost is \$382.0 million.

At its November 2020 meeting, the ASRS Board of Trustees increased the pension contribution rate to 12.22% of Personal Services in FY 2022. The FY 2021 rate was 12.04%. The employer contribution rate for disability

**Table 1**

### Arizona Public Retirement FY 2022 System Employer Cost

	<u>FY 2022 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 74,225,200	\$ 307,767,300	\$381,992,500
Public Safety Personnel Retirement System	27,567,300	102,066,500	129,633,800
Corrections Officer Retirement Plan	123,181,700	4,526,900	127,708,600
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	15,507,300	287,200	15,794,500
University Optional Retirement Plan	19,291,400	36,475,100	55,766,500
<b>Grand Total</b>	<b>\$ 259,772,900</b>	<b>\$ 451,123,000</b>	<b>\$710,895,900</b>

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2021 enacted budget changes in Personal Services costs. These estimates are based on Tier 1 and Tier 2 employer contribution rates, and do not include the impact of Tier 3 employer contribution rates.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

insurance increased from 0.18% to 0.19%, for a total overall employer contribution rate of 12.44% (compared to 12.22% last year).

**PSPRS**

The PSPRS system consists of numerous state and local subgroups, each with its own contribution rate.

The General Fund cost associated with PSPRS in FY 2022 is estimated to be \$27.6 million and the Total State Funds cost is \$129.6 million.

In aggregate, the Tier 1 and Tier 2 PSPRS employer contribution rate is 1.78% higher (see Table 4 below).

**CORP**

The General Fund cost associated with CORP is \$123.2 million in FY 2022 and the Total State Funds cost is \$127.7 million.

In aggregate, the Tier 1 and Tier 2 CORP employer contribution rate is 0.49% higher (see Table 4).

**EORP and EODCRS System**

The General Fund cost associated with EORP and the EODCRS in FY 2022 is estimated to be \$15.5 million and the Total State Funds cost is \$15.8 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

For EODCRS members, the total employer contribution rate is the same as EORP, 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.

**UORP**

The General Fund cost associated with UORP in FY 2022 is estimated to be \$19.3 million and the Total State Funds cost is \$55.8 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 2022.

**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 2003	2.00
FY 1984	7.00	FY 2004	5.20
FY 1985	6.27	FY 2005	5.20
FY 1986	5.67	FY 2006	6.90
FY 1987	5.53	FY 2007	8.60
FY 1988	4.00	FY 2008	9.10
FY 1989 2/	4.78	FY 2009	8.95
FY 1990 2/	1.29	FY 2010	9.00
FY 1991 2/	3.37	FY 2011	9.60
FY 1992 2/	3.17	FY 2012	10.50
FY 1993 2/	3.10	FY 2013	10.90
FY 1994 2/	2.65	FY 2014	11.30
FY 1995 2/	3.26	FY 2015	11.48
FY 1996	3.36	FY 2016	11.35
FY 1997	3.20	FY 2017	11.34
FY 1998	3.05	FY 2018	11.34
FY 1999	2.85	FY 2019	11.64
FY 2000	2.17	FY 2020	11.94
FY 2001	2.17	FY 2021	12.04
FY 2002	2.00	FY 2022	12.22

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)**

Retirement System	Employer				Employee		
	FY 2021		FY 2022		FY 2022		
	Tier 1 and 2	Tier 3 <sup>1/</sup>	Tier 1 and 2	Tier 3 <sup>1/</sup>	Tier 1	Tier 2	Tier 3 <sup>1/</sup>
<b><u>Public Safety Personnel Ret. System</u></b>							
Liquor License Investigators	112.83	107.21	108.44	103.00	7.65	11.65	9.94
Department of Public Safety <sup>2/</sup>	107.87	104.04	106.95	104.22	2.65	6.65	5.55
Northern Arizona University Police	53.60	52.87	48.68	48.57	7.65	11.65	9.94
University of Arizona Police	50.12	45.26	49.16	45.87	7.65	11.65	9.94
Arizona State University Police	45.48	40.66	46.67	42.74	7.65	11.65	9.94
Game and Fish Department	130.29	125.22	131.05	127.47	7.65	11.65	9.94
Attorney General Investigators	63.91	53.42	52.29	51.87	7.65	11.65	9.94
DEMA Firefighters	41.77	37.01	46.90	42.36	7.65	11.65	9.94
Parks Police	114.87	110.44	118.02	111.62	7.65	11.65	9.94
<b><u>Corrections Officer Ret. Plan</u></b>							
Corrections Officer - ADC	30.72	29.25	30.88	31.22	8.41	8.41	7.49
Corrections Officer - DJC	48.94	48.11	46.55	47.42	8.41	8.41	7.49
DPS Dispatchers <sup>3/</sup>	49.78	51.06	71.44	73.13	7.96	7.96	7.49
Probation Officers	34.11	33.14	35.97	36.66	8.41	8.41	7.49

<sup>1/</sup> FY 2020 rates for Tier 3 for PSPRS based on Defined Benefit Plan and based on Defined Contribution for CORP.

<sup>2/</sup> The displayed rates reflect that 5% of the DPS member contribution is paid by the state.

<sup>3/</sup> Dispatchers hired after November 24, 2009 are ASRS members.

### **Funded Status**

As of June 30, 2020, there were 670,028 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.)

To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. The funded status, or the amount of actuarial assets relative to the amount of liabilities, of each plan is:

- 72.8% for ASRS;
- 43.5% for PSPRS;
- 49.0% for CORP; and
- 29.9% 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 8 shows information on each retirement system and employer tier.

**Table 4****Reasons for Change in the Employer Contribution Rate <sup>1/</sup>**

	<u>ASRS</u>	<u>PSPRS</u>	<u>CORP</u>
FY 2021 Contribution Rate	12.22%	54.68%	31.04%
Asset (Gain)/Loss	0.21%	0.87%	0.45%
Payroll <sup>2/</sup>	0.00%	-1.20%	-1.76%
Liability Experience	N/A	0.26%	-0.44%
Disability Rate Change	0.01%	0.00%	0.00%
Tier 2 Employee Benefits	0.00%	0.00%	0.00%
COLA Adjustment	0.00%	0.00%	0.00%
Benefit Changes	N/A	0.00%	0.00%
Assumption Changes	N/A	0.44%	1.52%
Amortization Change	N/A	0.00%	0.00%
Other	<u>0.00%</u>	<u>1.41%</u>	<u>0.72%</u>
<b>FY 2022 Contribution Rate</b>	<b>12.44%</b>	<b>56.46%</b>	<b>31.53%</b>
<b>Net Change</b>	<b>0.22%</b>	<b>1.78%</b>	<b>0.49%</b>

<sup>1/</sup> 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.

<sup>2/</sup> Actual payroll growth for PSPRS/CORP was higher than the assumed rate (3.5% for PSPRS and 3.0% for CORP), requiring a lower employer contribution rate on the greater than projected salary base.

Table 5

## Arizona Public Retirement System Valuation Data as of June 30, 2020

Membership	ASRS		PSPRS		CORP		EORP	
	<u>FY 2021</u>	<u>FY 2022</u>						
Active (working and contributing)	208,244	210,135	18,146	18,667	12,113	10,936	485	457
State Active Members	25,586	26,664	1,248	1,404	7,116	5,063	N/A	N/A
Other Active Members <sup>1/</sup>	182,658	183,471	16,898	17,263	4,997	4,997	N/A	N/A
Inactive	239,073	244,592	2,223	2,366	3,639	3,604	166	175
Retired Members, Disabled and Survivor Beneficiaries	155,067	155,924	13,270	15,869	5,721	6,049	1,240	1,254
Deferred Retirement Option Plan	N/A	N/A	1,832	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>602,384</b>	<b>610,651</b>	<b>35,471</b>	<b>36,902</b>	<b>21,473</b>	<b>20,589</b>	<b>1,891</b>	<b>1,886</b>
<b>Funding Status (dollar values in millions) <sup>2/</sup></b>								
	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2019</u>
Market Value of Assets	\$41,557	\$40,872	\$7,811	\$8,058	\$1,996	\$2,071	\$286	\$287
Total Actuarial Liability	\$56,126	\$58,266	\$17,394	\$18,512	\$3,884	\$4,225	\$949	\$961
Unfunded Actuarial Liability <sup>3/</sup>	\$15,559	\$15,586	\$9,583	\$10,454	\$1,888	\$2,154	\$663	\$674
Funded Status <sup>3/</sup>	72.3%	72.8%	44.9%	43.5%	51.4%	49.0%	30.1%	29.9%

N/A=Not Available

<sup>1/</sup> Includes city, county, political subdivision, higher education and other education active members.<sup>2/</sup> 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.<sup>3/</sup> Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.

Table 6 State Retirement Plan Summary											
	PSPRS			CORP			EORP			ASRS	
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC_1/	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	
<b>Normal Retirement Age</b>	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	
<b>Minimum Years of Service</b>	20 years; 15 years if aged 62 or older	15 years	15 years	25 years	25 years		20 years	10 years			
<b>Multiplier</b>	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%  If less than 25 years: Avg. Salary X Yrs of src 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%	
<b>PBI or COLA</b>	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%		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.
<b>Benefit Cap</b>	Adjusted by IRS	Adjusted by IRS	\$110,000	Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS
<b>Normal Cost Split</b>	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)		Set Employee Rate (Employers pay remaining)	50/50
<b>Assumed Rate of Return</b>	7.40%	7.40%	7.40%	7.40%	7.40%		7.40%	7.40%		7.40%	7.50%
<b>Employee Rate</b>	7.65%	11.65%	9.85% DC: 9.00%	8.41%	8.41%	7.00%	7.00%	13.00%	8.00%	12.11%	
<b>Aggregate Employer Rate</b>	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 includes a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.

***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 2022 budget.

### FY 2022 Budget

The Baseline includes only FY 2022 for all budget units. The Baseline also includes supplemental FY 2021 funding for selected budget units. All FY 2022 changes are referenced to the original FY 2021 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 2024.

### 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 2020 Actual* - This dollar amount represents the FY 2020 expenditures as reported by the agency. Pursuant to the Executive's budget instructions, the amount is to exclude administrative adjustments, or payments for obligations incurred in FY 2019 but for which the state was not billed until FY 2020.
- *FY 2021 Estimate* - This dollar amount represents the FY 2021 appropriations as of the end of the 54<sup>th</sup> Legislature, 2<sup>nd</sup> Regular Session. It does *not* include any supplemental FY 2021 funding in the Baseline.

- *FY 2022 Baseline* - This dollar amount represents the FY 2022 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.

**ERE Rates** - This category typically represents changes in the state's cost of employee benefits. The rates have been held constant from FY 2021 to FY 2022 in the Baseline.

*Medical and Dental Insurance* - The Baseline includes a decrease of \$(22,000,000) from the General Fund and \$(21,500,000) from Other Appropriated Funds to remove one-time funding for a deposit into the Health Insurance Trust Fund (HITF). Although these monies were allocated to individual budgets in FY 2021, this decrease is reflected as a statewide adjustment in the Baseline for FY 2022. The Baseline includes no further 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* - \$7.28 per employee per year, unchanged from the FY 2021 rate set by ADOA.

*Unemployment Insurance* - 0.10% of Personal Services for each agency, unchanged from the FY 2021 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 2021 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* - 0.43% of Personal Services for each agency, unchanged from the FY 2021 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 2021 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 2021 amount set in the FY 2021 budget. (Please see the Attorney General narrative for details.)

*Workers' Compensation* - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2021 workers' compensation rates. ADOA estimates the average statewide rate is 0.96%.

*Federal Insurance Contributions Act (FICA)* - Effective January 1, 2021, Social Security employer taxes are paid at a rate of 6.20% up to \$142,800, an increase from the previous maximum of \$137,700. 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 2021. An additional 0.9% is withheld 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 2022 rates as determined by the state's retirement systems have changed from the FY 2021 rates. The total contribution from ASRS employees

and employers combined will be 24.44%, an increase from the FY 2021 rate of 24.08%; both employers and employees will see their rates increase in FY 2022 to 12.22% from 12.04% in FY 2021. 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.)

*Disability Insurance* - For Arizona State Retirement Systems (ASRS) employees, the employer will pay 0.19% of Personal Services for disability insurance, an increase of 0.01% from the FY 2021 rate of 0.18%. The employee rate will also be 0.19%.

Rates for disability insurance for PSPRS and CORP employers are changed from FY 2021. The PSPRS rate is 0.88% for defined-contribution employees (a decrease from 1.41%). The CORP rate is 0.49% (a decrease from 0.65%) for employees in defined-contribution plans. The Baseline assumes no changes in the rates for employees in defined-benefit plans, which were 2.41% in PSPRS and 0.32% in CORP in FY 2021. The disability insurance rate for participants in the Elected Officials' Defined Contribution Retirement System will be 0.125%. The Baseline does not adjust agency budgets for any changes in disability insurance rates.

**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. 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 \$17.87 per square foot for all state agencies occupying state-owned space and \$6.43 per square foot for state-owned storage space in FY 2021. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2022. (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 and Governor's Office of Strategic Planning and Budgeting (OSP) approval.

*Lump Sum by Program* - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA and OSPB 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 and OSPB before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173E). 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 and OSPB 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 2021 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 2021.)*

### **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 2021 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 2022 for submission to the JLBC Director by October 1, 2022. 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, 2021 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2021.

*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 2021 General Fund ending balance by September 15, 2020. The JLBC Staff shall report to JLBC by October 15, 2020 as to whether FY 2022'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 FY 2022 Baseline Summary section for details on the FY 2022 - FY 2024 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 2022 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 2021 supplementals, Auditor General reports, and COVID-Related spending.

### **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 \$55,000,000 in FY 2021 for FY 2020 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2020, but for which the state was unbilled until FY 2021. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$55,000,000 is a decrease of \$(91,000,000) from the originally-budgeted FY 2021 total.

In addition to the FY 2021 figure, the Baseline assumes a FY 2022 administrative adjustment total of \$120,000,000,

an increase of \$65,000,000 from the revised FY 2021 total. The FY 2021 amount reflects 80% of prior-year revertsments (*see Revertments discussion below*).

*Revertments* - The Baseline assumes that state agencies will revert \$(150,000,000) of FY 2021 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 2022. This amount is \$(34,000,000) less than the originally-budgeted FY 2021 total of \$(184,000,000).

In addition to the FY 2021 estimate, the Baseline also assumes a FY 2022 revertment total of \$(192,000,000), an increase of \$(42,000,000) from the revised FY 2021 total. The FY 2021 and FY 2022 amounts reflect between 1.3% and 1.6% of non-capital-related appropriated spending.



***JLBC STAFF  
AND  
AGENCY DIRECTORY***

**DIRECTORY OF JLBC ANALYSTS  
AND AGENCY/DEPARTMENT HEADS  
(As of January 14, 2021)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Lauren Jorgensen	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	Andy Tobin [Director]	602-542-1500
Administrative Hearings, Office of	Ben Newcomb	Greg Hanchett [Interim Director]	602-542-9830
African-American Affairs, Arizona Commission of	Molly Murphy	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	Maggie Rocker	Jami Snyder [Director]	602-417-4111
Arizona State University	Morgan Dorcheus	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Ryan Fleischman	Jaime Dempsey [Executive Director]	602-771-6520
Athletic Training, Board of	Steve Grunig	Karen Whiteford [Executive Director]	602-589-8353
Attorney General - Department of Law	Ryan Fleischman	Honorable Mark Brnovich [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Lindsey Perry [Auditor General]	602-553-0333
Barbers, Board of	David Hoffer	Bruce Bueno [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Nicole Lovato	Tobi Zavala [Executive Director]	602-542-1617
Charter Schools, State Board for	Molly Murphy	Ashley Berg [Executive Director]	602-364-3080
Child Safety, Department of	Nicole Lovato	Mike Faust [Director]	602-255-2564
Chiropractic Examiners, State Board of	Lauren Jorgensen	Martin Kollasch [Executive Director]	602-542-9101
Citizens Clean Elections Commission	Maggie Rocker	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Ben Newcomb	Sandra Watson [President and CEO]	602-845-1229
Community Colleges, Arizona	Lydia Chew	--	--
Constable Ethics Standards and Training Board	Ryan Fleischman	Scott Blake [Chairman]	602-343-6280
Contractors, Registrar of	Ben Newcomb	Jeffrey Fleetham [Director]	602-771-6700
Corporation Commission	Jeremy Gunderson	Honorable Bob Burns [Chairman]	602-542-3682
Corrections, State Department of	Geoffrey Paulsen	David Shinn [Director]	602-542-5225
Cosmetology, Board of	David Hoffer	Kim Scoplitte [Director]	480-784-4539
Court of Appeals, Division I	Ryan Fleischman	Honorable Peter B. Swann [Chief Judge]	602-452-6780
Court of Appeals, Division II	Ryan Fleischman	Honorable Garye L. Vásquez [Chief Judge]	520-628-6949
Criminal Justice Commission, Arizona	Ryan Fleischman	Andrew LeFevre [Executive Director]	602-364-1156
Deaf and the Blind, Arizona State Schools for the	Molly Murphy	Annette Reichman [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Molly Murphy	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Lauren Jorgensen	Ryan Edmonson [Executive Director]	602-542-4451
Early Childhood Development and Health Board, Arizona	Nicole Lovato	Marilee Dal Pra [Executive Director]	602-771-5100
Economic Opportunity, Office of	Ben Newcomb	Sandra Watson [Director]	602-771-0484
Economic Security, Department of	Alexis Pagel/ Lauren Jorgensen	Michael Wisheart [Director]	602-542-5757
Education, State Board of	Lydia Chew	Alicia Williams [Executive Director]	602-542-5057
Education, Department of	Patrick Moran/Lydia Chew	Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-364-1972
Emergency and Military Affairs, Department of	Alexis Pagel	Michael McGuire [Adjutant General]	602-267-2710
Environmental Quality, Department of	Ryan Fleischman	Misael Cabrera [Director]	602-771-2203
Equal Opportunity, Governor's Office of	Molly Murphy	Barry Wong [Executive Director]	602-542-5732
Equalization, State Board of	Lydia Chew	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Nicole Lovato	Kathryn Blades [Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Henry Furtick	Wanell Costello [Executive Director]	602-252-6771
Forestry and Fire Management, Arizona Department of	Henry Furtick	David Tenney [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	David Hoffer	Ty Gray [Director]	602-942-3000
Gaming, Department of	Henry Furtick	Ted Vogt [Director]	602-771-4263
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
Health Services, Department of	Morgan Dorcheus	Dr. Cara Christ [Director]	602-542-1025
Historical Society, Arizona	Nicole Lovato	W. James Burns [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Nicole Lovato	Fred Veil [Executive Director]	928-445-3122

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Homeland Security, Arizona Department of Homeopathic and Integrated Medicine Examiners, Board of House of Representatives Housing, Arizona Department of Independent Redistricting Commission	Alexis Pagel Steve Grunig Steve Grunig David Hoffer Molly Murphy	Gilbert M. Orrantia [Director] David Geriminsky [Executive Director] Honorable Rusty Bowers [Speaker of the House] Carol Ditmore [Director] Vacant	602-542-7013 602-542-3095 602-926-3312 602-771-1007
Industrial Commission of Arizona Insurance and Financial Institutions, Department of Joint Legislative Budget Committee Juvenile Corrections, Department of Land Department, State	David Hoffer Jeremy Gunderson Steve Grunig Ryan Fleischman Henry Furtick	James Ashley [Director] Evan Daniels [Director] Richard Stavneak [Director] Jeff Hood [Director] Lisa Atkins [Land Commissioner]	602-542-4411 602-364-3471 602-926-5491 602-542-4121 602-542-4621
Legislative Council Liquor Licenses and Control, Department of Lottery Commission, Arizona State Massage Therapy, Board of Medical Board, Arizona	Steve Grunig David Hoffer Jeremy Gunderson Steve Grunig Maggie Rocker	Mike E. Braun [Executive Director] John Cocca [Director] Gregory Edgar [Executive Director] Thomas Aughterton [Interim Executive Director] Patricia McSorley [Executive Director]	602-926-4236 602-542-9020 480-921-4505 602-542-8804 480-551-2700
Mine Inspector, State Naturopathic Physicians Medical Board Navigable Stream Adjudication Commission, Arizona Northern Arizona University Nursing, State Board of	Henry Furtick Steve Grunig Henry Furtick Alexis Pagel Lauren Jorgensen	Honorable Joe Hart [State Mine Inspector] Gail Anthony [Director] George Mehnert [Executive Director] Rita Cheng, Ph.D. [President] Joey Ridenour [Executive Director]	602-542-5971 602-542-8242 602-542-9214 928-523-3232 602-771-7801
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of Occupational Therapy Examiners, Board of Opticians, State Board of Dispensing Optometry, State Board of Osteopathic Examiners, Arizona Board of	Steve Grunig  Steve Grunig Steve Grunig Steve Grunig Maggie Rocker	Allen Imig [Executive Director]  Karen Whiteford [Executive Director] Megan Darian [Executive Director] Margaret Whelan [Executive Director] Justin Bohall [Executive Director]	602-542-8156  602-589-8352 602-542-8158 602-542-8155 480-657-7703
Parents Commission on Drug Education and Prevention, AZ Parks Board, Arizona State Personnel Board, State Pharmacy, Arizona State Board of Physical Therapy, Board of	Nicole Lovato Henry Furtick Molly Murphy Nicole Lovato Steve Grunig	Maria Fuentes [Director] Robert Broscheid [Executive Director] Robin Van Staeyen [Executive Director] Kamlesh Gandhi [Executive Director] Karen Donahue [Executive Director]	602-542-1773 602-542-4174 602-542-3888 602-771-2740 602-542-8157
Pioneers' Home, Arizona Podiatry Examiners, State Board of Postsecondary Education, Commission for Power Authority, Arizona Private Postsecondary Education, State Board for	Lauren Jorgensen Steve Grunig Alexis Pagel Ryan Fleischman Alexis Pagel	Ted Ihrman [Interim Superintendent] Heather Broaddus [Executive Director] Daniel Helm [Interim Executive Director] Edward A. Gerak [Executive Director] Kevin LaMountain [Executive Director]	928-277-2750 602-542-8151 602-542-7236 602-368-4265 602-542-5716
Psychologist Examiners, State Board of Public Safety, Department of Public Safety Personnel Retirement System Real Estate Department, State Regents, Arizona Board of	Steve Grunig Jordan Johnston Molly Murphy Ben Newcomb Morgan Dorcheus	Heidi Herbst Paakkonen [Director] Colonel Heston Silbert [Director] Michael Townsend [Administrator] Judy Lowe [Commissioner] John Arnold [Executive Director]	602-542-8162 602-223-2359 602-255-5575 602-771-7799 602-229-2507
Residential Utility Consumer Office Respiratory Care Examiners, Board of Retirement System, Arizona State Revenue, Department of School Facilities Board	Jeremy Gunderson Steve Grunig Molly Murphy Jeremy Gunderson Rebecca Perrera	Jordy Fuentes [Director] Jack Confer [Director] Paul Matson [Director] Rob Woods [Interim Director] Andy Tobin [Interim Director]	602-364-4835 602-542-5995 602-240-2000 602-716-6090 602-542-6504
Secretary of State, Department of State Senate Superior Court Supreme Court Tax Appeals, State Board of	Maggie Rocker Steve Grunig Geoffrey Paulsen Ryan Fleischman David Hoffer	Honorable Katie Hobbs [Secretary of State] Honorable Karen Fann [President of the Senate] David K. Byers [Director] Robert Brutinel [Chief Justice] Patricia Walker [Chairperson]	602-542-4285 602-926-4371 602-452-3301 602-452-3534 602-364-1102
Technical Registration, State Board of Tourism, Office of Transportation, Department of Treasurer, State Tribal Relations, Governor's Office on	David Hoffer Henry Furtick Jordan Johnston David Hoffer Molly Murphy	Melissa Cornelius [Executive Director] Debbie Johnson [Director] John Halikowski [Director] Honorable Kimberly Yee [State Treasurer] Kristine FireThunder [Executive Director]	602-364-4930 602-364-3717 602-712-7227 602-542-7800 602-542-4421

AGENCY/DEPARTMENT/BUDGET AREA

University of Arizona  
Veterans' Services, Department of  
Veterinary Medical Examining Board, Arizona State  
Water Resources, Department of

OTHER ASSIGNMENTS

Capital Review  
Economic and Revenue Forecast  
Federal/Non-Appropriated Funds  
Fiscal Note Manager

JLBC ANALYST

Morgan Dorcheus  
Lauren Jorgensen  
Steve Grunig  
Lauren Jorgensen

Jack Brown  
Hans Olofsson  
Stefan Shepherd  
Stefan Shepherd

AGENCY/DEPARTMENT HEADS

Robert Robbins, M.D. [President]  
Colonel Wanda Wright [Director]  
Victoria Whitmore [Executive Director]  
Thomas Buschatzke [Director]

TELEPHONE  
NUMBER

520-621-5511  
602-255-3373  
602-542-8150  
602-771-8426

[ ] Denotes Title for Information Purposes

**STAFF OF THE  
JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director ..... Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors ..... Stefan Shepherd  
..... Jack Brown
- Chief Economist..... Hans Olofsson
- Senior Consultant..... Micaela Larkin
- Principal Fiscal Analysts..... Patrick Moran  
..... Rebecca Perrera
- Senior Fiscal Analysts ..... Morgan Dorcheus  
..... Henry Furtick  
..... Steve Grunig  
..... Jeremy Gunderson  
..... Geoff Paulsen
- Fiscal Analysts ..... Lydia Chew  
..... Ryan Fleischman  
..... Jordan Johnston  
..... Lauren Jorgensen  
..... Nicole Lovato  
..... Alexis Pagel  
..... Maggie Rocker
- Economists ..... David Hoffer  
..... Molly Murphy  
..... Ben Newcomb
- Senior Administrative Assistant/JLBC & JCCR Clerk ..... Kristy Paddock