

## FY 2023 BUDGET RECONCILIATION BILLS (BRBs) AND MAJOR FOOTNOTE CHANGES\*

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\*Chapter numbers refer to Laws 2022, 2<sup>nd</sup> Regular Session.

## FY 2023 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).

### AMUSEMENTS – CHAPTER 306 (HB 2855)

|   | <u>Section</u> |
|---|----------------|
| <b>Department of Gaming</b>   |                |
| 1. As session law, continues to set the Racing Wagering Assessment at 0.5% in FY 2023 only.   | AMUS 5         |
| 2. As permanent law, amend A.R.S. § 5-1318 to transfer 90% of the monies deposited into the Event Wagering Fund from the prior month to the State General Fund.   | AMUS 3,4       |
| 3. As permanent law, amend A.R.S. § 5-1212 to specify that any revenues in excess of the amount appropriated from the Fantasy Sports Fund be transferred to the General Fund at the end of each fiscal year.  | AMUS 2         |
| 4. As permanent law, limit the Department of Gaming privilege fees applied to fantasy sports contest operator revenue and event wagering operator revenue to 10%. Currently, the department assesses the following privilege fees: 5% for fantasy sports contest operator revenue, 8% for event wagering operator revenue (retail wagers), and 10% for event wagering operator revenue (mobile wagers). | AMUS 1,4       |

### AUTOMATION – CHAPTER 307 (HB 2856)

|  | <u>Section</u> |
|--|----------------|
| <b>Arizona Department of Administration</b>  |                |
| 5. As permanent law, amend A.R.S. § 18-401 to increase the information technology pro rata from 0.43% to 0.61% for increased Cybersecurity costs.  | AUT 1          |
| 6. As permanent law, transfer unexpended and unencumbered monies remaining in an agency's Automation Projects Fund subaccount to their fund of origin upon completion of a project. Require ADOA to report on each Automation Project Fund reversion made in the prior fiscal year to the JLBC Staff and OSPB. Also repeals comparable FY 2022 Procedures BRB provision.           | AUT 2,3        |
| 7. As permanent law, transfer the existing School Safety Interoperability Fund from the Treasurer to the Department of Administration, make the fund non-appropriated, and require ADOA to distribute funding as grants to county sheriffs or cities implementing eligible systems that include remote lockdown capabilities (in addition to retaining the existing requirements). | AUT 4          |

### BUDGET IMPLEMENTATION – CHAPTER 308 (HB 2857)

|   | <u>Section</u> |
|---|----------------|
| <b>Statewide</b>  |                |
| 8. As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.  | BI 6           |
| 9. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2025. Also notwithstanding the 10% BSF cap for FY 2023.  | BI 7           |
| <b>Arizona Department of Administration</b>   |                |
| 10. As permanent law, establish the appropriated Cyber Risk Insurance Fund for costs associated with a Cybersecurity Risk Management program.   | BI 1,2         |
| <b>Arizona Commerce Authority</b>   |                |
| 11. As permanent law, establish the Major Events Fund consisting of monies appropriated by the Legislature for a special event promotion and attraction pilot program. Monies are non-lapsing and can be used for planning and operations of competitively bid major events, grants to local organizing committees for infrastructure and operations costs of major events, and other | BI 4,5         |

economic development activities associated with major event operations. Require ACA to report semi-annually on expenditures. Also repeals comparable FY 2022 Procedures BRB provision.

**Legislative Council/Ombudsman-Citizens Aide**

12. As permanent law, remove the requirement that Legislative Council request funding for the Ombudsman-Citizens Aide budget. BI 3

**COURTS – CHAPTER 310 (HB 2859)**

Section

**Judiciary**

13. As session law, amend Laws 2018, Chapter 278, Section 17 as amended by Laws 2021, Chapter 403, Section 24 to allow the Supreme Court to spend money on a new appellate case management system in FY 2023. CRTS 6
14. As permanent law, allow a petit juror in the Superior Court to be eligible for replacement and supplemental earnings after one day of service. CRTS 4
15. As permanent law, change the name of the Arizona Lengthy Trial and Digital Evidence Fund to the "Arizona Trial and Digital Evidence Fund." CRTS 1
16. As permanent law, add new 3-judge Court of Appeals panels to Division I and Division II of the Arizona Court of Appeals, makes 4 judges in Division I and 3 judges in Division II "at-large" judges who can reside in any county in the judges' division, and allows cases to be transferred between divisions. As session law, allow the Chief Judge of each division to designate specialized departments to process different types of cases and requires the Administrative Office of the Courts to evaluate the distribution of cases between divisions and submit a report on the findings to JLBC and OSPB by January 1, 2025. CRTS 2,3,7,8

**State Treasurer**

17. As permanent law, amend A.R.S. § 22-117 to raise the portion of justice of the peace compensation and Employee Related Expenditures paid by the state to 40% from 19.25%. CRTS 5

**CRIMINAL JUSTICE – CHAPTER 311 (HB 2860)**

Section

**Attorney General**

18. As session law, notwithstanding the \$50 per hour fixed fee in A.R.S. § 41-191(D) for counsel appointed in suits to enforce state or federal statutes pertaining to antitrust, restraint of trade, or price-fixing activities or conspiracies pursuant to A.R.S. § 41-4801 through 41-4804. CJ 8

**Arizona Criminal Justice Commission**

19. As permanent law, establish the State Aid for Juvenile Dependency Proceedings Fund consisting of legislative appropriations. The fund is continuously appropriated and administered by the Arizona Criminal Justice Commission. Monies are non-lapsing and can be used to provide state aid to county public defenders, legal defenders, and contract indigent defense counsel for the processing of juvenile dependency cases. CJ 6,7

**Arizona Department of Corrections**

20. As permanent law, require ADC to establish the Community Treatment Program for Imprisoned Women by contracting with a non-profit organization to provide a facility for imprisoned women that have given birth while incarcerated. The program must provide additional treatment and services including substance abuse treatment, parenting skills, education and employments skills, and workforce training. To be eligible for the program, imprisoned women must give birth in prison and be scheduled for release within 5 years. Subject to available monies, the department is required to place up to 20 women in the program in the first year, and up to 50 women in the program beginning in year 2. CJ 2

**Department of Emergency and Military Affairs**

21. As permanent law, create the Antihuman Trafficking Grant Fund. The fund is continuously appropriated and administered by the Department of Emergency and Military Affairs. Monies in the fund can be distributed to organizations to reduce human trafficking in the state. CJ 1

**Department of Public Safety**

22. As permanent law, create a Major Incident Division (MID) with the department to conduct independent investigations of critical force incidents. Requires each law enforcement agency in Arizona to require the MID, a regional law enforcement task force, or another law enforcement agency to perform the investigation of any critical force incidents in the state. CJ 3,4,9
23. As permanent law, remove the Peace Officers' Training Fund as a recipient of the Criminal Justice Enhancement Fund (CJEF) distribution and reallocates the monies to all other CJEF recipients. CJ 3,5

**ENVIRONMENT – CHAPTER 312 (HB 2861)**

**Section**

**Arizona Department of Agriculture**

24. As session law, continues fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2023, including legislative intent that limits additional revenues to \$357,000. ENV 9

**Arizona Commerce Authority**

25. As permanent law, establish the non-appropriated Water Infrastructure and Commerce Grant Fund consisting of legislative appropriations, donations, and federal monies to provide water infrastructure grants to public service corporations acting on behalf of an employer with at least 250 employees and is located in a county with a population of more than 400,000 and less than 1,000,000. Up to 1% of monies in the fund may be used for annual administration costs. Requires the authority to submit a report to JLBC on December 15 of each year that includes actual expenditures from the fund by project and an expenditure plan for any remaining monies. ENV 1

**Department of Environmental Quality**

26. As session law, continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2023 for department administrative expenses and for sewage remediation. ENV 5
27. As session law, continues to notwithstanding the \$18,000,000 annual funding level for the Water Quality Assurance Revolving Fund (WQARF) and limiting the General Fund transfer to \$15,000,000. ENV 7
28. As session law, continues to charge fees that are not greater than the FY 2022 level of vehicle emissions inspection fees in FY 2023. ENV 8
29. As permanent law, establish a direct potable reuse of treated wastewater program in the Department of Environmental Quality by December 31, 2024. Monies collected by the program are to be deposited in the Water Quality Fee Fund. ENV 2-3

**Arizona Navigable Stream Adjudication Commission**

30. As session law, continues to allow use of the Water Banking Fund for the commission's legal obligations. ENV 6

**Department of Water Resources**

31. As session law, continues 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 2023. ENV 4

## HEALTH CARE – CHAPTER 314 (HB 2863)

|  | <u>Section</u> |
|--|----------------|
| <b>Arizona Department of Administration</b>  |                |
| 32. As permanent law, establish a health care interoperability grant program in ADOA with the purpose of providing grant for an interoperability software technology solution to support rural hospitals, health care providers and urban trauma centers to reducing public and private health care costs and unnecessary transportation costs. Requires the grantees to demonstrate proof of veteran employment and report on cost savings and effectiveness of interpretability system and requires the department to submit a consolidated report on grantees annually. Defines rural counties as having a population of less than 900,000. | HLTH 5,6       |
| <b>AHCCCS</b>  |                |
| <i>Rates and Services</i>  |                |
| 33. As session law, continues the FY 2010 risk contingency rate reduction for all managed care organizations. Continues to impose a reduction on funding for all managed care organizations administrative funding levels.   | HLTH 21        |
| 34. As permanent law, require AHCCCS to cover medically necessary chiropractic services ordered by a primary care physician and submit a report documenting chiropractic service utilization and cost savings by January 21, 2027.   | HLTH 3,24      |
| 35. As permanent law, expand AHCCCS eligibility to women less than one year postpartum with a family income not exceeding 150% FPL.  | HLTH 2,27      |
| <i>Counties</i>  |                |
| 36. As session law, set the FY 2023 county Arizona Long Term Care System (ALTCS) contributions at \$352.7 million.   | HLTH 14        |
| 37. As session law, set the County Acute Care contribution at \$44,917,500.  | HLTH 17        |
| 38. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations.   | HLTH 19        |
| 39. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2023, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.  | HLTH 16        |
| <i>Hospitals</i>   |                |
| 40. As session law, continues to establish FY 2023 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 2023.   | HLTH 15        |
| 41. As session law, continues 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.   | HLTH 15        |
| 42. As session law, modify distribution of FY 2021, FY 2022 and FY 2023 private disproportionate share hospital payments to reflect new 2020 census figures. Places certain Pinal County hospitals below other rural hospitals but above urban hospitals.  | HLTH 7,13      |
| 43. As session law, provide a rulemaking exemption for the expanded Health Care Investment Fund assessment.  | HLTH 23        |
| <i>Available Funding</i>   |                |
| 44. As session law, continues to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.  | HLTH 26        |
| <b>Department of Health Services</b>   |                |
| 45. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.  | HLTH 20        |
| 46. As session law, continues 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.  | HLTH 22        |
| 47. As permanent law, establish the Behavioral Health Care Provider Loan Repayment Program to provide loan repayment assistance to behavioral health technicians, nurses, physicians,  | HLTH 1         |

- psychiatrists, psychologists, and other behavioral health providers who agree to work in a behavioral health hospitals or behavioral health residential facility for at least 2 years. Awards are limited to the amount of principal, interest and related expenses of educational loans and are capped at \$50,000 in the first 2 years of service and \$25,000 for subsequent years.
48. As session law, require DHS to distribute monies appropriated for accelerated nursing programs as follows: HLTH 18
- \$6,000,000 to a private university with a health sciences campus located in Phoenix for capital costs associated with adding a new cohort of accelerating nursing students.
  - \$44,000,000 to public and private universities and community colleges for the purpose of expanding accelerated nursing programs. Requires at least 80% of the monies to be used for scholarship costs and no more than 20% to be used for faculty and equipment costs. Requires scholarship recipients to practice nursing in Arizona for at least 4 years after graduation. States that priority will be given to 12-month programs, but programs up to 18 months in length are also eligible. Requires students to reimburse universities if the service commitment is not fulfilled. States that the monies do not supplant other institutional aid sources and may only be used for newly added program seats. Requires recipients to report annually on the number of students awarded a scholarship, number of students completing a service commitment, and the number of students required to provide reimbursement.
49. As session law, accelerate the transfer of the Psychiatric Security Review Board to the Superior Court from June 30, 2023 to January 1, 2023. HLTH 8-12
50. As session law, provide a rulemaking exemption for air ambulance service medical staffing. HLTH 25

**State Treasurer**

51. As permanent law, establish the non-appropriated Arizona Health Innovation Trust Fund. Requires the State Treasurer to annually allocate 4% of the monies in the fund to a qualified 501(c)(3) organization which meets specified requirements. HLTH 4

**HIGHER EDUCATION – CHAPTER 315 (HB 2864)**

- |   | <u>Section</u> |
|---|----------------|
| <b>Arizona Community Colleges</b>   |                |
| 52. As session law, continues to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2023 for only Maricopa and Pima Counties.   | HEd 9          |
| 53. As session law, continues to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriation Act, which effectively means suspending the inflation adjustment in FY 2023.   | HEd 8          |
| 54. As permanent law, reduce the out-of-county reimbursement amounts due from Apache and Greenlee Counties to the community college districts and require the difference to be paid by the General Fund.  | HEd 1,4,6      |
| <b>Universities</b>   |                |
| 55. 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 Arizona Financial Aid Trust (AFAT).   | HEd 7          |
| 56. As permanent law, establish the Spouses for Military Veterans Tuition Scholarship Fund administered by the Arizona Board of Regents to provide scholarships to resident students who are spouses of honorably discharged veterans on a first-come first-serve basis for up to 4 academic years/8 semesters. | HEd 3          |
| 57. As permanent law, establish the non-appropriated Veterinary Loan Assistance Program Fund for costs associated with a Veterinary Loan Assistance Program. Allows up to 3% of monies in the fund to be used for administrative expenses.  | HEd 2          |
| 58. As session law, direct ADOA to convey the Mining, Mineral and Natural Resources Museum to the University of Arizona. The prior conveyance expires in June 2022.   | HEd 5          |

## HUMAN SERVICES – CHAPTER 316 (HB 2865)

|  | <u>Section</u> |
|--|----------------|
| <b>Department of Child Safety</b>  |                |
| 59. As permanent law, set the minimum monthly stipend for foster youth enrolled in the Independent Living Program shall be no less than \$1,200.   | HS 1           |
| <b>Department of Economic Security</b>   |                |
| 60. As session law, continues 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. | HS 5           |
| 61. As permanent law, establish the Developmental Disabilities Group Home Monitoring Pilot Program.  | HS 2,3,4       |

## K-12 EDUCATION – CHAPTER 317 (HB 2866)

|   | <u>Section</u>            |
|---|---------------------------|
| <b>Department of Education</b>  |                           |
| <i>Formula Requirements</i>   |                           |
| 62. As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school “Additional Assistance” amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation. Provides an additional 5.88% increase to the Base Level over and above the regular inflation adjustment in FY 2023 for a total adjustment of 8.76%. Results in an FY 2023 Base Level of \$4,775.27.   | K12 1,5,9                 |
| 63. As permanent law, increase the Group B weight for children with developmental delays, emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech language impairment, or other health impairments from 0.093 to 0.292 (increase of \$950 per pupil).  | K12 8                     |
| 64. As permanent law, establish new Group B weight in Basic State Aid formula of 0.018 (approximately \$86 per pupil) for children eligible for the federal Free-and Reduced Price Lunch (FRPL) program.  |                           |
| 65. As permanent law, eliminate the 1.25% increase to the Base Level for school districts associated with Additional Monies for Teacher Compensation established in A.R.S. 15-952.  | K12 4,5,6,10,<br>11,15,16 |
| 66. As permanent law, allocate \$47,900,000 to increase District Additional Assistance (DAA) per pupil formula allocations by an average of \$55 per pupil. The adjustment will increase the General Fund the DAA per pupil formula amounts by 11.44% in FY 2023.   | K12 12                    |
| 67. As permanent law, allocate \$12,100,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations by an average of \$55 per pupil. The adjustment will result in a 2.62% increase above regular inflation (for total increase of 4.62%) in FY 2023.   | K12 1                     |
| 68. As permanent law, allow county jail education programs to receive state aid for inmates ages 18-21 who do not have a disability and do not have a high school diploma or general equivalency diploma.   | K12 7                     |
| <i>Results-Based Funding</i>  |                           |
| 69. As session law, continue to notwithstanding A.R.S. § 15-249.08 to fund Results-Based Funding in FY 2023 as follows: <ul style="list-style-type: none"> <li>– \$225 per pupil to schools with statewide assessment scores in the top 13% statewide</li> <li>– \$225 per pupil to schools with statewide assessment scores between the top 13% and 27% among schools with at least 60% FRPL-eligibility</li> <li>– \$400 per pupil to schools with statewide assessment scores in the top 13% among schools with at least 60% FRPL-eligibility</li> <li>– \$400 per pupil for alternative schools in the top 27% among schools with at least 60% FRPL-eligibility.</li> </ul> | K12 22                    |

*Other*

- |     |   |                          |
|-----|---|--------------------------|
| 70. | As session law, continues to state 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.  | K12 24                   |
| 71. | As permanent law, update the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2023.  | K12 19                   |
| 72. | As permanent law, eliminate the State Equalization Tax Rate.  | K12 4,13,<br>14,18,19,21 |
| 73. | As permanent law, establish the Code Writers Initiative Program within ADE to provide competitive grants to be used for computer code writing instruction for Native American students. Requires grantees to report to the President of the Senate, the Speaker of the House, the Indian Advisory Council, and the Department of Education on their use of the grants by September 1 annually.  | K12 3                    |
| 74. | As permanent law, require SBE, in cooperation with ADE, to adopt performance measures for adult education and workforce development programs in Arizona by July 1, 2024.  | K12 2                    |
| 75. | As permanent law, establish the Continuing High School and Workforce Training Program within the State Board of Education to provide adults with alternative study services that lead to the issuance of a high school diploma and industry-recognized credentials. ADE shall administer the program. SBE shall authorize eligible service providers that have established a partnership with a school district or charter school that is not otherwise receiving Basic State Aid funding for participating adult students. Participating schools shall receive \$7,700 per student. Total participation is capped at 600 students in FY 2023, 1,000 students in FY 2024, and 1,400 students in FY 2025. If the number of program students exceeds the participation thresholds, ADE shall prioritize funding for programs demonstrating the highest performance. | K12 2                    |
| 76. | As permanent law, require ADE to submit a report to the Governor, the President of the Senate, and the Speaker of the House, and SBE by December 15, 2025 and each year thereafter evaluating the effectiveness of the Continuing High School and Workforce Training Program.   | K12 2                    |
| 77. | As permanent law, establish the Adult Workforce Diploma Program within the State Board of Education (SBE) to individuals 21 years or older to earn a high school diploma and employment skills. ADE shall administer the program. Providers may furnish services in a campus-based, online, or blended format.  | K12 2                    |
| 78. | As permanent law, establish the Adult Workforce Diploma Program Fund to be administered by ADE. The fund shall consist of legislative appropriations, gifts, grants, and other donations and is non-lapsing. Monies in the fund shall be used to make payments to approved providers in the Adult Workforce Diploma Program of \$1,000 per recipient that earns a high school diploma and lower awards for other specified program milestones. ADE shall distribute the full award amounts on a first-come-first-serve basis.   | K12 2                    |
| 79. | As permanent law, require SBE, in consultation with ADE, to approve qualified program providers in the Adult Workforce Diploma Program by October 15 annually. Establishes reporting requirements for approved program providers and stipulates that SBE shall revoke an approved provider's authorization after 2 years if the provider that does not achieve a graduation rate of at least 50% or has an average cost per student that exceeds \$7,000.   | K12 2                    |
| 80. | As permanent law, establish the Community College Adult Education Workforce Development Program within SBE, to be administered by ADE. The program shall provide adult learners with education programs and support services to adult learners that lead to both a high school diploma and an industry-recognized credential or community college degree. Support services may include transportation assistance, child care, college and career counseling, and job placement assistance.  | K12 2                    |
| 81. | As permanent law, establish the Community College Adult Education Workforce Development Program Fund to be administered by ADE. The fund shall consist of legislative appropriations, gifts, grants, and other donations and is non-lapsing. Monies in the fund shall be used to make payments to Community Colleges that offer a high school diploma and that provide workforce training leading to industry recognized credentials. Stipulates that payments shall be up to \$3,000 per full-time program participant and may be distributed proportionally among program providers based on their number of enrolled adult students.   | K12 2                    |



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|-----|---|--------|
| 82. | As permanent law, require community colleges participating in the Community College Adult Education Workforce Development Program to submit a report by October 30 annually to ADE that details the number of participants, the completion rate and average progress toward a high school degree, the number of industry-recognized credentials and community college credits earned, and other specified information. ADE shall compile and submit the reports to the Governor, the Speaker of the House, the President of the Senate, and SBE by December 15 annually.      | K12 2  |
| 83. | As permanent law, establish the Arizona Empowerment Scholarship Accounts Parent Oversight Committee. The committee would consist of 6 parents of children participating in the ESA program. The President of the Senate, the Speaker of the House, the Senate Minority leader, and the House Minority leader would each have 1 appointment to the Committee. The Governor would have 2 appointments to the committee. The committee shall review ADE's administration of the ESA program.   | K12 17 |
| 84. | As permanent law, establish the Invest in Postsecondary Success Program within ADE. Requires the department to contract with a nonprofit vendor that provides college match savings accounts for students that match each dollar saved by the student with \$8 and that meets other eligibility criteria. Establishes the Invest in Postsecondary Success Program Fund consisting of legislative appropriations. ADE may use monies in the fund for administrative costs and distributions to the contracted vendor. Monies in the fund are non-appropriated and non-lapsing. | K12 3  |
| 85. | As session law, allow schools districts to revise their FY 2023 primary and secondary property tax rates prior to August 1, 2022 to allow school districts to account for legislatively-enacted K-12 funding changes that occur after June 20, 2022.  | K12 23 |

**Arizona Department of Administration – School Facilities Division**

- |     |   |        |
|-----|---|--------|
| 86. | As permanent law, require ADOA to report any unobligated funding in the Building Renewal Grant Fund to OSPB and JLBC Staff by June 30th of each year. | K12 20 |
|-----|---|--------|

**LOCAL GOVERNMENT – CHAPTER 318 (HB 2867)**

**Section**

**Counties and Cities & Towns**

- |     |   |      |
|-----|---|------|
| 87. | As session law, continues to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2023, up to \$1,250,000 of county revenue for each county. Continues to require counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2022. | LG 1 |
|-----|---|------|

**MANAGEMENT OF STATE BUILDINGS – CHAPTER 319 (HB 2868)**

**Section**

**Statewide**

- |     |  |       |
|-----|--|-------|
| 88. | As session law, continues 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.   | MSB 4 |
| 89. | As permanent law, allow ADOA to approve whole or partial rent exemptions without recommendation from the Joint Committee on Capital Review. ADOA is required to report each proposed rent exemption to the Joint Legislative Budget Committee staff before approval.   | MSB 1 |
| 90. | As permanent law, require all agencies to provide quarterly reports to the Joint Legislative Budget Committee staff and the Governor's Office of Strategic Planning and Budgeting on the status of all capital projects and capital expenditures through the life of a project. Reports are bases on spending of appropriated funding. | MSB 3 |

**Arizona Department of Administration**

- 91. As session law, deposit direct sale proceeds from the properties at 519 Beale Street in Kingman and 1919 West Jefferson in Phoenix, into the Capitol Mall Consolidation Fund. MSB 5
- 92. As permanent law, amend A.R.S. §41-791.01 to provide the Department of Administration the authority for the management of buildings within the capitol mall complex once the certificates of participation are retired and the buildings released as collateral. This excludes the following certificates related to State prisons which are not within the capitol mall complex: COP2016 (Kingman Prison) and COP2017 (4,000 Prison Beds, Prison Wastewater). Require ADOA to submit in its annual budget request any costs to COSF associated with the retirement of certificates of participation. MSB 1

**Legislative Council/Ombudsman-Citizens Aide**

- 93. As permanent law, remove the requirement that the Ombudsman-Citizens Aide Office not be located within a state office building complex or adjacent to another a state agency. MSB 3

**PROCUREMENT – CHAPTER 320 (HB 2869)**

Section

**Department of Revenue**

- 94. As session law, require DOR to review any bid from a vendor who has developed, in whole or in part, of similar size and complexity of the DOR tax system. In soliciting bids, DOR may not include any mandatory minimum qualifications. PROC 2

**Secretary of State**

- 95. As permanent law, cap the procurement exemption for the Library, Archives and Public Records Division at \$150,000. Also repeals comparable FY 2022 Procedures BRB provision. PROC 1

**TRANSPORTATION – CHAPTER 322 (HB 2872)**

Section

**Game and Fish Department**

- 96. As permanent law, establish two separate non-appropriated funds : a) the AGFD Fleet Vehicle Replacement Fund consisting of monies deposited pursuant to the AGFD fee schedule for replacing and purchasing vehicles and equipment and b) the AGFD Fleet Operations Fund consisting of monies deposited pursuant to the AGFD fee schedule for vehicle maintenance and operations. TR 2

**Judiciary**

- 97. As permanent law, establish a separate non-appropriated State Court Fleet Operations and Replacement Fund consisting of proceeds from the sale of the Court's surplus motor vehicles for Court motor vehicle replacements and vehicle replacement fees. TR 1,7

**Department of Transportation**

- 98. As permanent law, establish the State Match Advantage for Rural Transportation Fund consisting of monies appropriated to the fund by the Legislature for the purposes of assisting political subdivisions outside of Maricopa and Pima Counties and the Arizona Department of Transportation with costs associated with applying for and securing federal transportation grants for projects outside of Maricopa and Pima Counties. The fund will allocate available monies as follows: TR 3,5
  - 40% to counties, with half going to counties larger than 100,000 persons, half to smaller
  - 40% to municipalities, with half going to municipalities larger than 10,000 persons, half to smaller
  - 20% to ADOT for projects on the system outside of Maricopa and Pima Counties

ADOT may utilize 1% of the total funding from the ADOT portion for administrative costs to manage the grant program. These grants can be utilized for one of the following:

- Shovel ready costs for a project that meets federal requirements
  - Application fee to apply for the competitive grant, and
  - The matching portion to draw down the competitive federal funding.
99. As permanent law, the ADOT “Transportation Department Equipment Fund” is renamed “ADOT Fleet Operations Fund”. TR 6
100. As permanent law, exempt ADOT from the statewide State Fleet. TR 4

## **TAX OMNIBUS – CHAPTER 321 (HB 2871)**

|  | <u>Section</u> |
|--|----------------|
| <b>Department of Revenue</b>   |                |
| 101. As permanent law, require the Department of Revenue to charge a fee to local governments from FY 2023 through FY 2028 to recover a portion of administrative, development and other operating costs incurred in implementing the integrated tax system modernization project at the department. The monies would be deposited into the Department of Revenue Integrated Tax System Project Fund. Permits local governments to meet their obligations from any source of revenue. Requires that a portion of revenues from the 0.6% education sales tax as well as the 16% recreational marijuana excise tax be transferred to the department’s Integrated Tax System Project Fund.  | TO 6           |
| 102. As session law, stipulate legislative intent that fees charged to local governments not exceed \$5,388,200 in FY 2023 and be allocated among counties, cities and towns, councils of governments and regional transportation authorities located in a county with a population of more than 800,000 based on the proportionate share of revenues distributed to them two fiscal years prior to the current fiscal year. Provides that population is the basis for determining the apportioning of the fees among counties as well as among cities and towns.  | TO 18          |
| 103. As session law, stipulate legislative intent that the amount transferred from the 0.6% education sales tax and the 16% recreational marijuana excise tax to the department to cover a portion of the costs of implementing the integrated tax system modernization project not exceed \$653,400 and \$145,500, respectively, in FY 2023.  | TO 18          |
| 104. As permanent law, establish the Department of Revenue Integrated Tax System Project Fund consisting of monies deposited into the fund from the fees assessed to local governments and revenues transferred from the 0.6% education sales tax and 16% recreational marijuana excise tax. The fund is subject to legislative appropriation and the monies in the fund shall be used solely for the administrative, development and other operating costs incurred in implementing the integrated tax system modernization project at the department.  | TO 6           |
| 105. As permanent law, amend A.R.S. § 42-5029.02 to authorize monies from the 0.6% education sales tax to be transferred to the Department of Revenue Integrated Tax System Project Fund. The amounts transferred would cover the department’s tax system upgrade costs related to collecting the 0.6% education sales tax.  | TO 4           |
| 106. As permanent law, establish the Department of Revenue tax system modernization project advisory committee which shall serve as a liaison between the department and users of the tax system. The Director of DOR shall serve as chairperson of the committee, which sunsets December 31, 2029. The committee shall consist of the following members: <ul style="list-style-type: none"> <li>– One member appointed by the President of the Senate</li> <li>– One member appointed by the Speaker of the House of Representatives</li> <li>– The Auditor General, or the Auditor General's designee (non-voting member)</li> <li>– The JLBC Director, or the Director's designee (non-voting member)</li> <li>– The OSPB Director, or the Director's designee</li> <li>– The Director of the Department of Revenue, or the Director's designee</li> <li>– The Director of the Department of Administration, or the Director's designee</li> <li>– A representative from a city or town in this state, appointed by the DOR director</li> <li>– A representative from a county in this state, appointed by the DOR director</li> <li>– A representative from the business community, appointed by the DOR director</li> </ul> | TO 2,3         |
| 107. As permanent law, require DOR to maintain an individual income tax model that estimates the fiscal impact of proposed individual income tax legislation. Require that the staff of DOR, JLBC,   | TO 14          |

and OSPB have access to the model when the Integrated Tax System Modernization Project developed pursuant to A.R.S. § 42-5041 is completed.

**Tax Provisions**

- 108. As permanent law, expand an existing sales tax exemption to include the purchase of used (as opposed to only new) agricultural machinery and equipment and short-term rentals of agricultural machinery and equipment (leases for less than 2 years). Provide a new sales tax exemption for “Off-Highway Vehicles” that have been modified to be used for agricultural purposes. TO 7-9,  
11,22,24
- 109. As permanent law, limit the annual increase of the average fair market value of aircraft for the purpose of assessing the aircraft license tax to the annual percentage change of the U.S. Consumer Price Index. Benchmark the FY 2022 value of aircraft to the 2019 average fair market value. As session law, require a credit to be applied in FY 2023 to any aircraft that was assessed and paid an aircraft license tax in FY 2022 that exceeds the benchmark. TO 1,19,23
- 110. As permanent law, add clarifying language retroactively from January 1, 2015 with respect to transaction privilege tax and use tax exemption for containment structures enacted by Laws 2021, Chapter 412. TO 7,8,  
10-13,  
16,17,24
- 111. As permanent law, increase the aggregate cap, from \$50 million to \$100 million, for the total amount of state Transaction Privilege Tax (TPT) that the state is allowed to distribute to cities or counties to fund up to 80% of the costs of public infrastructure improvements needed to support manufacturing facilities. TO 5
- 112. As permanent law, retroactive to TY 2022, provide that the income tax rate paid by the partners or shareholders of a business organized as a pass-through-entity and elected to be taxed at the entity-level, is the same as that paid by other individual income taxpayers. TO 15

**Transaction Privilege Tax (TPT) Diversion**

- 113. As session law, during FY 2023 divert \$1,618,489,600 of General Fund transaction privilege tax (TPT) revenues to various non-General Fund agency funds. The distributions may be made in even monthly installments. Includes legislative intent that the distributions will not impact TPT revenues shared with cities and counties. The diverted amount will be allocated as follows: TO 20
  - ADOT State Highway Fund: \$925,447,500
  - ADOT State Aviation Fund: \$20,600,000
  - DEMA Border Security Fund: \$209,205,000
  - Budget Stabilization Fund: \$425,000,000
  - Parks Board State Parks Revenue Fund: \$38,237,100
- 114. As session law, require the Directors of JLBC and OSPB to add the total amount of TPT distributions to various non-General Fund agencies in FY 2023 to the actual amount of General Fund revenue reported for FY 2023, excluding the beginning balance, for the purposes of determining the TY 2024 income tax rate under the previously enacted “revenue triggers” (enacted by Laws 2021, Chapter 412). TO 21

## FY 2023 GENERAL APPROPRIATION ACT PROVISIONS – CHAPTER 313 (HB 2862)/CAPITAL OUTLAY – CHAPTER 309 (HB 2858)

The budget 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.

|  | <u>Section</u> |
|--|----------------|
| <b>Department of Education</b>   |                |
| 1. As session law, reduce deferral of FY 2023 Basic State Aid payments from \$865,727,700 in FY 2022 to \$800,727,700 in FY 2023. Eliminate deferral for districts with more than 2,000 but less than 4,000 students. Continue to exempt districts with less than 4,000 students from the deferral, an increase from 2,000 students in FY 2022. Appropriate \$800,727,700 in FY 2024 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2023 | 122            |
| 2. As session law, continue to require school districts to include in the FY 2023 revenue estimates that they use for computing their FY 2023 tax rates the rollover monies that they will receive for FY 2023 in July 2023.   | 122            |
| <b>Revenues</b>  |                |
| 3. As session law, continue to specify revenue and expenditure estimates for FY 2022, FY 2023, FY 2024, and FY 2025.   | 136            |
| 4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2022 ending balances by September 15, 2022. Require the Joint Legislative Budget Committee (JLBC) Staff to report to JLBC by October 15, 2022, as to whether FY 2023 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.   | 136            |
| <b>Statewide</b>   |                |
| 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.   | 132            |
| 6. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2023 in all agencies and provide it to the Director by October 1, 2023. The Universities are exempt from the report but are required to report separately.  | 133            |
| 7. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2022, on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2022.   | 134            |
| 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.  | 135            |
| 9. As session law, require the following entities to report quarterly on all expenditures through the end of FY 2025 to the Senate President, Speaker of the House of Representatives, Appropriations Committee chairmen, and the JLBC Director on the use of monies received from the American Rescue Plan Act (ARPA):  | 131            |
| – The Governor's Office would report on the ARPA Coronavirus State Fiscal Recovery Fund and the Coronavirus Capital Projects Fund under ARPA. Would also require reporting prior to spending more than \$10,000,000.   |                |
| – The Superintendent of Public Instruction would report on the Elementary and Secondary School Emergency Relief Fund. Would also require reporting prior to spending more than \$10,000,000.   |                |
| – The Arizona Board of Regents and each community college district would report on the Higher Education Emergency Relief Fund.   |                |
| The Legislature's intent is that the Executive branch also report on any additional federal aid distributed to Arizona through federal legislation enacted before the end of FY 2023.  |                |
| <b>General</b>   |                |
| 10. As session law, continue to define “*” as designating an appropriation exempt from lapsing.  | 137            |

- |     |  |     |
|-----|--|-----|
| 11. | As session law, continue to define “expenditure authority” as continuously appropriated monies included in individual line items of appropriations.          | 138 |
| 12. | 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. | 139 |

**FY 2023 MAJOR FOOTNOTE CHANGES – CHAPTER 313 (HB 2862)**

The Budget 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.

|   |   | <u>Section</u> |
|---|---|----------------|
| <b>Arizona Department of Administration</b> |   |                |
| 13.   | Deletes footnote requiring the department to charge state agencies not more than \$10.42 per user per month for the statewide email and calendar service.   | 5              |
| 14.   | Modifies a footnote to no longer require Joint Legislative Budget Committee (JLBC) review of a report on travel reduction pilot programs but continues to require the report.   | 5              |
| 15.   | Adds footnote lapsing the Health Care Interoperability Grant funding at the end of FY 2025.   | 5              |
| 16.   | Adds footnote specifying \$1,000,000 of the Election Security Grants line item shall be distributed to county recorders to test ballot paper in tabulation systems with specific security features including watermarks and/or a unique ballot identifier. The testing cannot make the ballot identifiable to a particular elector. The department shall distribute funding such that ballot security features and paper shall be tested in at least one county for each ballot tabulation company currently used in the state of Arizona. The department shall report on the recommended ballot security features shall be submitted to the President of the Senate, Speaker of the House, and Secretary of State no later than May 1, 2023. | 5              |
| 17.   | Adds footnote specifying \$500,000 of the Election Security Grants line item shall be distributed to counties for the cost to procure, install and maintain 24/7 smart and secure ballot boxes as follows: 6 ballot boxes in Cochise County, 7 ballot boxes in Yuma County, and 3 ballot boxes in Pinal County.   | 5              |
| 18.   | Adds footnote delineating that the Fire Incident Management line item shall be used for grants to local fire districts for fire incident management hardware and software. The appropriation is nonlapsing.   | 5              |
| 19.   | Adds footnote requiring the department to report to the JLBC and OSPB within 10 days of executing the debt retirement or defeasance of financing agreements paid off in this budget on the date and final cost of each retirement or defeasance. Reverts any amounts remaining after the payments to the General Fund.  | 99             |
| 20.   | Adds footnote allocating monies from the School Safety Interoperability Fund to county sheriffs and city police.  | 5              |
| 21.   | Adds footnote extending the lapsing date of the FY 2022 appropriation for the repair of the Enduring Freedom Memorial through FY 2023.  | 5              |
| 22.   | Adds footnote to extend by one fiscal year the \$7.2 million FY 2022 appropriation from the Department of Education Automation Projects Fund subaccount for the replacement of the school finance system.   | 1              |
| <b>Arizona Department of Agriculture</b>    |   |                |
| 23.   | Adds footnote to extend by one fiscal year any unexpended monies from the \$2.0 million appropriation to the Department of Agriculture made by Laws 2021, Chapter 408, Section 8.   | 9              |
| <b>AHCCCS</b>                               |   |                |
| 24.   | Adds footnote requiring the Arizona Strategic Enterprise Technology (ASET) Office to submit an expenditure plan on behalf of the Department to the JLBC for review prior to the expenditure of any monies for the replacement of prepaid Medicaid management information system. The expenditure plan shall include the project cost, deliverables, and timeline for completion and method of procurement consistent with the Department’s prior reports for its appropriations from the Automation Projects Fund (APF).  | 10             |

- 25. Adds footnote stating that the \$8.9 million appropriation for services to eligible women who are less than one year postpartum is contingent on CMS approval by July 1, 2023. 10
- 26. Adds footnote stating that the ALTCS line item appropriation includes \$24.2 million from the General Fund, \$19.4 million from county funds, and \$100.1 million from expenditure authority to fund an 11% increase to HCBS and SNF provider rates. 10
- 27. Adds footnote stipulating that, subject to approval by the Centers for Medicare and Medicaid Services, AHCCCS shall distribute a differential adjusted payment of \$1,250 per day to a 24-bed pediatric skilled nursing facility. 10
- 28. Adds footnote allocating \$5 million each for the construction of 5 secure behavioral health residential facilities (SBHRF), with priority given to providers that can open in 12 months. Requires 3 SBHRFs be located in the central region, 1 SBHRF in the south region, and 1 SBHRF in the north region. 10
- 29. Adds footnote increasing the physician fee schedule rates associated with the AHCCCS global obstetrical package by 88%. 10
- 30. Adds footnote indicating that the Health Care Investment Fund assessment includes \$400 million expenditure authority for expanded directed payments. 10
- 31. Modifies footnote to increase threshold for JLBC review of policy changes from \$500,000 to \$1,000,000. 10
- 32. Modifies footnote to remove language requiring AHCCCS to prioritize hospitals in counties with a higher percentage of people residing in health professional shortage areas. Applies to the urban portion of the graduate medical education pool. 10
- 33. Adds footnote stating that the appropriated amount includes \$7.5 million GF and \$25.2 million EA for a 2.5% increase to outpatient behavioral health fee schedule. Includes reporting requirement. 10
- 34. Continues footnote requiring AHCCCS to provide quarterly reports to the JLBC reflecting changes to the administration's ARPA HCBS spending plan. States that the ALTCS services line item includes \$237.2 million from expenditure authority to implement AHCCCS's ARPA HCBS spending plan in FY 2023. Specifies that the appropriation may not be used for marketing purposes, directs AHCCCS to include notification that monies direct payments/grants are one-time, and exempts the appropriation from lapsing. 10

**Attorney General**

- 35. Adds footnote stipulating that the FY 2022 appropriation of \$500,000 from the Risk Management Revolving Fund for one-time election litigation expenses is non-lapsing through FY 2023. 13

**Department of Child Safety**

- 36. Modifies footnote regarding reporting benchmarks by eliminating the out-of-home caseload benchmark and adding a requirement for a benchmark based on the number of out of home placements lasting at least 18 months. That benchmark would be based upon the caseload reported on February 28, 2023, for December 2022. 17
- 37. Adds footnote requiring DCS to report to the JLBC on or before March 31, 2023 on the number of children in the kinship stipend program who are placed with a person who is not related to the child. 17
- 38. Adds footnote outlining distribution of Qualified Residential Treatment Program provider rate increase. 17

**Arizona Commerce Authority**

- 39. Adds footnote outlining guidelines for the distribution of the monies in the Blockchain/Wearable Research line item. Exempts the appropriation from lapsing through FY 2026. 19
- 40. Adds footnote extending the lapsing date of the FY 2022 deposit into the Major Events Fund through FY 2023. 19

**Department of Corrections**

- 41. Modifies FY 2022 footnote requiring ADC to continue submitting semi-annual report to JLBC on the inmate health care performance measures tracked by the department for contract monitoring purposes. 23

- 42. Modifies footnote requiring JLBC review of capacity changes only if the department opens or closes 100 or more state-operated or private prison beds. 23
- 43. Adds footnote requiring the department to submit actual FY 2022, estimated FY 2023, and requested FY 2024 expenditures when the department submits its FY 2024 budget request. (Previously included in the Criminal Justice Budget Reconciliation Bill) 23
- 44. Adds footnote specifying that the appropriation includes \$17,505,300 from the General Fund to provide a 20% salary adjustment at private prisons beginning and after July 8, 2022. 23
- 45. Adds footnote allowing the private prisons to utilize vacancy savings to pay overtime costs. Also allows ADC to transfer department vacancy savings to the private prison per diem SLI to pay for stipends for private prison staff commensurate with stipends given to ADC staff. ADC is required to submit an expenditure plan to JLBC, but it is not subject to JLBC review. 23
- 46. Adds footnote exempting the one-time vehicle replacement funding from lapsing through FY 2024. 23

**Arizona Criminal Justice Commission**

- 47. Adds footnote requiring ACJC to allocate diversion funding to rural county attorneys for the purpose of establishing and operating an alternative prosecution and diversion program. Requires that the monies not supplant county funding for these programs. Requires ACJC to submit a report to the JLBC on the use of the monies and outcomes of the program. 24

**Department of Economic Security**

- 48. Deletes footnote requiring DES to submit an expenditure plan report to the JLBC on any new Division of Developmental Disabilities salary adjustments not previously reviewed by the Committee. 29
- 49. Deletes footnote requiring report on the number of filled positions for case managers and non-case managers in the Division of Developmental Disabilities. 29
- 50. Adds footnote specifying how the \$65.8 million from the General Fund and \$130.2 million appropriated for provider rate increases is allocated among line items. 29
- 51. Adds footnote requiring the department to submit report to JLBC on or before November 30, 2022, and November 30, 2023, on Cost Effectiveness Study-related expenditures including number of clients and total amount spent. 29
- 52. Adds footnote requiring DES to engage with community stakeholders prior to implementing provider rate increases for FY 2023. Requires DES to report to JLBC on its stakeholder engagement efforts and plans to increase provider rates by September 1, 2022. 29
- 53. Adds footnote requiring DES to provide quarterly reports to the JLBC reflecting changes to the department's ARPA HCBS spending plan. States that the Home and Community Based Services - Medicaid line item includes \$280.0 million from expenditure authority to implement the department's ARPA HCBS spending plan in FY 2023. Specifies that the appropriation may not be used for marketing purposes, directs DES to include notification that monies direct payments/grants are one-time, and exempts the appropriation from lapsing. 29
- 54. Adds a footnote exempting the FY 2022 Sexual Violence Services line item from lapsing. 29

**Department of Education**

- 55. Adds footnote stipulating that ADE distribute \$10,000,000 appropriated for foster youth transitional housing to the East Valley Institute of Technology (EVIT) for construction and furnishing of a 64-bed transitional housing unit for foster youths ages 17 to 21 in a high school diploma or high school equivalency program and are earning an industry certification program offered by EVIT. Requires EVIT to report by September 15th of 2025, 2026, and 2027 to the Governor, the President of the Senate, the Speaker of the House, JLBC, and OSPB on the number of foster youths served by the unit and their academic progress. 31
- 56. Adds footnote stipulating that that ADE distribute \$150,000 appropriated for one-time electronic incident prevention programs to public schools to procure and implement an electronic incident prevention program. 31
- 57. Adds footnote stipulating the ADE distribute \$4,620,000 of its appropriation for Adult Education to the Continuing High School and Workforce Training Program, \$6,000,000 for deposit in the 31



- Adult Workforce Diploma Program Fund, and \$6,000,000 for deposit in the Community College Adult Education Workforce Development Program Fund.
58. Adds footnote stipulating that in allocating the \$50,000,000 increase for the School Safety program, ADE shall first distribute monies to schools on the school safety program waiting list to receive grants for the costs of placing school resource officers on school campuses. If the cost of funding all schools on the waiting list is less than \$50,000,000, ADE may allocate the remaining grant monies to schools for the costs of placing school counselors and social workers on school campuses 31
59. Adds footnote stipulating that the \$100,000 appropriation to ADE for onetime childhood trauma awareness and prevention grants be distributed to a nonprofit organization that provides childhood trauma awareness and prevention training to certificated teachers and public school administrators in this state. 116

**Department of Emergency and Military Affairs**

60. Adds footnote specifying the distribution of the \$209,205,000 DEMA Border Security Fund appropriation. Of the appropriation: 110
- \$15,000,000 shall be used to reimburse a county or local law enforcement for costs incurred by the agency for participating in a program with the U.S. ICE.
  - \$10,000,000 shall be deposited in the Antihuman Trafficking Grant Fund. Of this amount \$2,000,000 shall be distributed to the DPS ACTIC and \$8,000,000 shall be distributed as grants to local law enforcement agencies.
  - \$30,000,000 will be distributed to cities and counties for prosecution of border-related crimes.
  - \$10,000,000 is allocated for Arizona National Guard costs in the southern border region.
  - \$10,000,000 is allocated for emergency health care and testing for immigrants along the southern border.
  - \$15,000,000 is allocated for transportation of individuals seeking asylum to other states in the U.S.
  - \$53,405,000 is allocated for Deputy Sheriff compensation, including a \$10,000 retention bonus paid over 2 years and a \$5,000 signing bonus paid over 1 year.
  - \$800,000 is allocated for the chain of command in the Arizona State Guard.
  - \$30,000,000 is allocated for construction costs of a state emergency operations center.
  - \$15,000,000 is distributed to DPS for the construction costs of a southern border coordinated response center.
  - \$20,000,000 is distributed to for the Cochise County Jail for up to a 20% match in project costs. The state share shall not exceed \$20 million. Any unspent funding shall be returned to the Border Security Fund.
  - Adds footnote permitting DEMA to transfer monies between the FY 2023 Border Security Fund project allocations upon review of JLBC by a majority vote.
  - Adds footnote requiring DEMA to report quarterly on the status of the project allocations and monies expended from the Border Security Fund.

**Department of Environmental Quality**

61. Adds footnote that mandates that the DEQ establish an interagency service agreement with the Department of Forestry and Fire Management to transfer \$1.0 million from the Recycling Fund to the Department of Forestry and Fire Management to administer grants to businesses for the purpose of recovering and processing biomass waste. 33
62. Modifies footnote on the availability of indirect cost fund monies to include the beginning balance. 33

**Department of Forestry and Fire Management**

63. Adds footnote specifying that the funding in the Wildfire Emergency Response line item shall be used for the purposes and subject to the restrictions outlined in Laws 2021, 1st Special Session, Chapter 1. The FY 2023 appropriation would also be exempt from lapsing through FY 2025. 38

- 64. Adds footnote specifying that \$3,000,000 of the amount appropriated for the Wildfire Emergency Response line item shall be used for purposes related to the Woodbury fire. 38
- 65. Adds footnote to Gila River Nonnative Species Eradication establishes geographical area to eradicate salt cedar along the Gila River and requires the department to submit a report annually on for before September 1 to the JLBC on the progress in removing the nonnative plants and the effectiveness on long-term eradication in previously treated areas. The appropriation is nonlapsing through FY 2025. 38

**Department of Gaming**

- 66. Adds footnote requiring the department to report to the JLBC and OSPB by October 1, 2022, on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2023. 41
- 67. Adds footnote requiring the department to report to the JLBC and OSPB by August 1, 2022, on the expected amount and purpose of expenditures from the Event Wagering Fund for FY 2023. 41
- 68. Adds footnote requiring the department to report on a quarterly basis the number of equine deaths and injuries that occurred as a result of a horse race and the commercial live racing facility where each incident occurred. The report shall also include the number of pre-race inspections performed by a veterinarian employed by or contracting with the state. 41
- 69. Adds footnote specifying how the appropriation for the FY 2023 Racetrack Purse and Maintenance and Operations Fund is to be allocated. The amounts of \$4,231,800 is to be distributed to Turf Paradise, \$815,600 to Arizona Downs, and \$339,500 to Rillito Park. 41
- 70. Adds footnote specifying the allocations from the FY 2022 supplemental appropriation for Racetrack Purse and Maintenance. 103
- 71. Adds footnote specifying how the appropriation to pay the Horse Racing Integrity and Safety Authority's 2022 assessment is to be allocated. Of the \$355,100, \$309,300 is to be distributed to Turf Paradise and \$45,800 is to be distributed to Arizona Downs. 41

**Department of Health Services**

- 72. Moves the reporting footnote on the Suicide Prevention program to assist school districts and charter schools from AHCCCS to DHS. 44
- 73. Adds footnote to allow a one year extension for the Department to utilize a \$1.0 million General Fund appropriation to upgrade its Vital Records Electronic System to comply with requirements outlined in Laws 2021, Ch. 384. 44
- 74. Adds footnote specifying that monies appropriated for replacing the Arizona State Hospital surveillance system be used for a system that includes both video and audio capability. 44
- 75. Adds footnote requiring any unused monies appropriated for the Preceptor Grant Program for Graduate Students to revert to the General Fund on July 1, 2026. 44
- 76. Adds footnote extending the lapsing date of the Accelerated Nursing Program line item through FY 2024. 44

**Arizona Department of Homeland Security**

- 77. Adds footnote allowing the department to spend up to \$310,000 of the \$10 million appropriated for the Cyber Security Grant line item to administer the statewide the grant program. 47
- 78. Adds footnote specifying for the \$2.0 million in Cybersecurity Software line item, the department shall acquire through a competitive procurement process security software that detects security threats by using at least 2 specified testing mechanisms. 47

**Department of Housing**

- 79. Adds footnote establishing requirements for a grant program to municipalities and counties for a homeless support program. Requires participating local governments to provide a 50% match for any grant. 49
- 80. Adds footnote requiring all monies in the \$60 million Housing Trust Fund deposit to be distributed as grants not loans for projects in cities, towns and counties in the state. Requires \$20 million of \$60 million Housing Trust Fund deposit to be distributed to projects in counties other than Maricopa and Pima Counties and requires an additional \$4 million of the total deposit to be distributed to Navajo and Hopi tribal nations. 49

**Judiciary – Superior Court**

- 81. Modifies footnote to no longer require JLBC review of a report on county-approved salary adjustments provided to probation officers but continues to require the report. 52
- 82. Adds footnote stating that \$1,136,100 in the Judges’ Compensation line item is for the first year cost to increase the annual salary of a Superior Court judge to \$164,700 as of January 1, 2023 and to \$180,000 as of January 1, 2024. 52
- 83. Adds footnote stipulating that the FY 2022 appropriation of \$187,500 from the General Fund for the purchase of six vehicles for Adult Intensive Probation officers is non-lapsing through FY 2023. 52

**Judiciary – Court of Appeals**

- 84. Adds footnote stating that \$468,600 in the operating lump sum for Division I is to increase the annual salary of Court of Appeals justices. States that the annual salary of a Court of Appeals judge is \$190,000 as of January 1, 2023. 52
- 85. Adds footnote stating that \$1,115,400 in the operating lump sum for Division I is for the implementation of a new 3-judge Court of Appeals panel and 10 support staff, effective January 1, 2023. 52
- 86. Adds footnote stating that \$175,800 in the operating lump sum for Division II is for is to increase the annual salary of Court of Appeals justices. States that the annual salary of a Court of Appeals judge is \$190,000 as of January 1, 2023. 52
- 87. Adds footnote stating that \$1,115,400 in the operating lump sum for Division II is for the implementation of a new 3-judge Court of Appeals panel and 10 support staff, effective January 1, 2023. 52

**Judiciary – Supreme Court**

- 88. Adds footnote stating that \$263,500 in the Supreme Court’s operating lump sum is to increase the annual salary of Supreme Court justices. States that the annual salary of the Chief Justice of the Supreme Court shall be \$212,000 and that the annual salary for other justices of the Supreme Court is \$205,000 as of January 1, 2023. 52

**Legislature- House of Representatives and Senate**

- 89. Modifies footnote to increase the amount of monies permitted to be used for the purchase of mementos and items for visiting officials from \$1,000 to \$5,000. 55

**Legislature - Auditor General**

- 90. Adds footnote specifying that of the amount appropriated for the operating lump sum, the Auditor General shall use \$3.3 million for additional agency performance audits and school district audits. 55
- 91. Adds footnote that the Auditor General hire an independent consultant to examine the current Adult Protective Services and best practices for delivery of such services in the state. The consultant is to submit a report on or before October 1, 2023. 55

**Legislature – Legislative Council**

- 92. Adds footnote earmarking \$50,000 for planning and operational costs for Arizona's participation in an Article V convention. 55

**Legislature - Ombudsman**

- 93. Adds footnote that requires 1 new FTE Position to address complaints relating to the administration of ESA accounts. 55

**State Parks Board**

- 94. Adds footnote specifying that the agency may distribute the monies in the State Parks Heritage Fund Deposit line item to grantees for local, regional, and state historic preservation projects; local, regional, and state non-motorized trails; and outdoor and environmental education. 69
- 95. Adds footnote stipulating that the monies appropriated for the Arizona Trail is for the department to manage and may be distributed to a non-profit entity. 69

**Department of Public Safety**

- 96. Adds footnote requiring the department to use the \$11,709,300 appropriated for one-time vehicle replacement to replace up to 276 vehicles and makes the funding nonlapsing through FY 2024. 77
- 97. Adds footnote requiring an annual report on the distribution of funds from the Civil Air Patrol Infrastructure line item and the intended purpose of the distributed funds. 77
- 98. Adds footnote specifying that of the \$13,459,600 appropriated for one-time helicopter replacement, \$2,559,600 shall be used to cover the cost of upfitting a previously purchased helicopter. 77
- 99. Adds footnote requiring DPS to report an operational and expenditure plan to JLBC for review prior to expending any monies appropriated to the commercial vehicle enforcement consolidation line item. 77
- 100. Adds footnote requiring the department to submit an expenditure plan to JLBC for review prior to expending the specified monies for personal services and employee-related appropriations on other expenditures. 77

**Department of Revenue**

- 101. Adds footnote to the appropriation for the DOR integrated tax system modernization project to include the following system requirements: 107
  - Capturing data fields from electronically-filed individual and corporate income tax returns and make the data available for querying and reporting purposes.
  - For electronic corporate income tax returns, capture information regarding the Principal Business Activity of the corporation. This requirement may be satisfied through North American Industry Classification System data listed on federal tax forms. The tax system shall allow for querying and reporting based on principal business activity.
  - Include an integrated income tax model within the project and provide DOR as well as JLBC Staff and OSPB Staff with direct access to the model. At a minimum, the model shall allow either DOR, JLBC Staff, or OSPB Staff to adjust tax law parameters against an anonymized sample of income tax returns to estimate the fiscal impact of proposed tax legislation. The model shall include procedures to protect taxpayer confidentiality.
  - The system shall make individual and corporate income tax data available for querying, modeling, and reporting within 24 months following the end of a tax year.
  - Require DOR to submit a report on meeting the project specifications to JLBC for review prior to completing the procurement process.

**Secretary of State**

- 102. Adds footnote extending by one fiscal year the \$5.4 million FY 2020 appropriation from the Election Systems Improvement Fund for the county allocation of the 2020 Help America Vote Act Election Security Grant. 83
- 103. Adds footnote stipulating that monies in the access voter information database line item only be used for the voter registration database. Specifies that no monies can be transferred in or out of the line item. 83

**Public Safety Personnel Retirement System**

- 104. Adds footnote requiring PSPRS within 12 months of the deposit to evaluate the PSPRS and CORP actuarial assumptions and submit a report to OSPB and the JLBC. 105
- 105. Adds footnote requiring PSPRS to incorporate the FY 2022 public safety pension payoff appropriations in the June 30, 2022, PSPRS and CORP valuations, and account for the appropriations in calculating FY 2024 ADC employee and employer contribution rates. 105

**Office of Tourism**

- 106. Adds footnote exempting the Wine Promotion line item from lapsing. 86
- 107. Adds footnote requiring the agency to submit an annual report beginning in FY 2023 to the JLBC on expenditures from the Wine Promotion line item from the previous fiscal year on or before July 31. 86

**Department of Transportation**

- 108. Adds footnote allowing ADOT to use \$37,954.04 from their FY 2023 State Highway Fund appropriation to pay an FY 2017 invoice. 87

**State Treasurer**

- 109. Adds footnote stipulating that the FY 2024 appropriation for election security funding shall be distributed to county recorders of the 6 largest counties proportionately by population to review the accuracy of the voter registration rolls, including whether any registrations should be cancelled pursuant to A.R.S. §16-165. 129
- 110. Adds footnote stipulating that the FY 2024 and FY 2025 appropriations for ballot paper shall be distributed proportionately to county recorders to purchase secure ballot paper. The appropriations are nonlapsing. 130

**Universities**

- 111. Adds footnote requiring the University of Arizona to report to JLBC the number of resident and non-resident students in the College of Veterinary Medicine. 93
- 112. Adds footnote requiring the University of Arizona to report on Veterinary Diagnostic Lab operating expenditures to JLBC and capital expenditures to JCCR. 93
- 113. Modifies footnote to eliminate the requirement that ABOR redistribute unspent monies for Washington D.C. internships, remove the requirement that the third-party organization provide at least one academic course and fully furnished housing, and makes the appropriation non-lapsing. 90
- 114. Adds footnote requiring the universities to submit a detailed expenditure plan for one-time operating funding to JLBC by September 1, 2022. 91, 92, 93
- 115. Adds footnote requiring ABOR to distribute the food product and safety lab appropriation to the University of Arizona for expansion of their programs and prohibits the use of the appropriation for administrative costs. 90
- 116. Adds footnote requiring ABOR to distribute the enclosed feeding facility appropriation to the University of Arizona for expansion of their programs and prohibits the use of the appropriation for administrative costs. 90
- 117. Adds footnote requiring ABOR to distribute the Camp Verde meat processing facility appropriation to the University of Arizona and prohibiting the use of the appropriation for administrative costs. Requires the entity receiving funds to provide an educational component as part of its operations. Requires the entity to transfer any sale proceeds back to the state. 90
- 118. Modifies footnote stipulating that, of the Natural Resource Users Law and Policy Center line item, \$500,000 shall be used for general stream adjudication of water rights, \$1,000,000 for the center's operational costs, and \$450,000 for an endangered species study. 93
- 119. Adds footnote requiring ASU and NAU to report to JLBC on the intended use of one-time operating and capital funding. Requires NAU to use \$5 million for expanding the NAU-Yuma campus. Requires the universities to submit any capital expenditures for JCCR review. 117

**Department of Veterans' Services**

- 120. Adds footnote stipulating that the \$2.2 million is appropriated to hire 20 additional FTE Positions for veteran services officers to provide services in rural tribal nations that have communities further than 100 miles from a US Veterans' Affairs service centers. The appropriation is nonlapsing. 118
- 121. Adds footnote stipulating that \$1.0 million is appropriated to the department to distribute to Indian tribes to conduct tribal ceremonies for tribal members who are discharged from the military including those diagnosed with PTSD. The appropriation is nonlapsing.

**Water Infrastructure Financing Authority**

- 122. Adds footnote designating \$6,000,000 to be distributed for Eastern Arizona water projects assistance grants to cities and towns in Navajo and Apache Counties. 96
- 123. Adds footnote designating \$2,000,000 each for Cochise and Graham Counties distributed for Eastern Arizona water projects assistance grants to political irrigation districts. 96

**Department of Water Resources**

124. Adds a footnote requiring the department to use monies appropriated for the New River Flood Insurance Study to complete a study of the hydrology and hydraulics of the New River by March 31, 2024. DWR may contract with an engineering firm that has not contracted with or otherwise associated with the Maricopa County Flood Control District. 97

**Statewide**

125. Adds footnote requiring JLBC Staff, in consultation with OSPB, to determine and ADOA to allocate statewide salary increases, effective July 11, 2022, as follows: 124
- A 10% increase for state employees (excluding universities, elected officials, or otherwise noted below)
  - A 20% increase for all ADC staff.
  - A 15% increase for all DPS staff.
  - A 20% increase for all DJC staff.
  - Additional market rate adjustments above 10% for specified agencies.

Requires OSPB to report to JLBC on or before September 30, 2022, on the actual raises given by agency and classification. Requires agencies to allocate this pay raise by fund and line item in their FY 2024 budget request as an adjustment for FY 2024.

Specifies that ADC and DPS shall submit an expenditure plan to the JLBC for review prior to spending monies appropriated for pay raises for any purpose other than personal services or employee related expenditures.

126. Adds footnotes allowing the JLBC, in consultation with OSPB, to determine and ADOA to allocate General Fund and Other Fund statewide adjustments for adjustments to state agencies for: 123
- Relocating to and within state-owned and lease-purchase buildings
  - CORP, EORP, and state agency retirement adjustments.
  - One-time employer health insurance contribution adjustments including a University tuition backfill. Adds footnote that any future employer health insurance premium increases continue to be allocated using the overall allocation of General Fund and appropriated tuition monies.
  - The Arizona Financial Information System upgrade agency charges.
  - The Information Technology pro-rata.
  - State fleet charges.
  - Replacing the Human Resources Information System. The HRIS statewide adjustment shall be based on each fund's proportional share of payments to the Personal Division Fund.

**CAPITAL – CHAPTER 309 (HB 2858)**

**Arizona Department of Administration**

127. Adds footnote extending the lapsing date of the FY 2021 building renewal appropriation through FY 2023. 21
128. Adds footnote allowing the Department of Administration to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives. 2

**Arizona State Parks Board**

129. Adds footnote requiring Arizona State Parks Board to notify the JCCR and OSPB of revised expenditure plans should ASPB receive any Land and Water Conservation Fund grant funding for the respective capital projects included in the budget 3
130. Adds footnote allowing ASPB to shift up to 10% of the funds from a project to another project without JCCR review, but any larger shift shall be subject to JCCR review. 6, 19, 20
131. Adds footnote requiring the ASET Office to submit an expenditure plan on behalf of ASPB to the JLBC for review prior to the expenditure of any monies for the smart phone application. The expenditure plan shall include the project cost, deliverables, and timeline for completion and 6

method of procurement consistent with the Department's prior reports for its appropriations from the Automation Projects Fund.

**Department of Public Safety**

132. Adds footnote making the appropriation for remote officer housing lapse at the end of FY 2025. 3

**Department of Transportation**

133. Adds footnote making the FY 2022 appropriation of \$50.0 million to widen Interstate 10 between Phoenix and Casa Grande nonlapsing. 21
134. Adds footnote requiring ADOT to report quarterly on the projected cost and status of the appropriated highway projects. ADOT's report shall include any impacts of increases costs of concrete. 8
135. Adds footnote requiring ADOT to submit a report to JCCR for review prior to transferring monies between the FY 2023 appropriated projects. 8
136. Adds footnote requiring ADOT to submit a report to JCCR for review prior to transferring monies between the additional appropriations for projects from the FY 2022 budget. 12
137. Changes the fund source of the \$400 million I 10-widening appropriation in Laws 2022, Chapter 218 from the General Fund to the State Highway Fund. (The Highway Fund will be reimbursed with General Fund monies through a TPT diversion.) 1
138. Adds footnote stating legislative intent that the City of Buckeye contribute \$3 million, and MAG contribute at least \$10 million to the I-10 west project. The footnote further requires ADOT to use any federal discretionary monies awarded for the project prior to expending appropriated monies for the project. 8
139. Adds footnote stating legislative intent that the City of Buckeye contribute \$5 million to the Jackrabbit Trail project. 8
140. Adds footnote reverting the monies appropriated in FY 2024 to improve SR 97 near Bagdad if the department does not secure federal funding for the project before the end of FY 2025. 17

**Universities**

141. Adds footnote requiring ABOR to distribute Mining, Mineral and Natural Resources Museum appropriation to the University of Arizona and reverting any unexpended monies at the end of FY 2024. 7

**Statewide**

142. Deletes footnote reverting unexpended capital monies after 2 years. This deletion will return the lapsing policy to the existing permanent law provision.
143. Deletes redundant footnote requiring JCCR review of capital appropriations. Statute already requires JCCR review.