

## **FY 2024 STATE GENERAL FUND BUDGET SUMMARY**

The FY 2024 budget is based primarily upon the actions of the 56th Legislature's 1st Regular Session. On May 11, 2023, the Governor signed into law the FY 2024 General Appropriation Act for the fiscal year beginning July 1, 2023 as well as 15 other budget-related bills.

The Legislature transmitted its first budget proposal to the Governor in February. The Governor vetoed all 13 bills in the budget package.

### **Revised FY 2023 General Fund Budget**

At the time of publication of the *FY 2023 Appropriations Report* in August 2022, FY 2023 revenues were anticipated to be \$16.83 billion. Revenue projections for FY 2023 have been adjusted upward to \$18.12 billion based on:

- A projected 8.8% base revenue growth.
- An estimated \$(700.0) million one-time revenue loss associated with a reduction in individual income tax withholding rates.
- A one-time revenue gain of \$75.5 million associated with depositing a portion of an Attorney General litigation settlement into the General Fund.

The *FY 2023 Appropriations Report* also assumed total spending of \$15.76 billion in FY 2023, which has been adjusted downward to \$15.59 billion. This is primarily based on:

- \$(482.0) million in additional Medicaid revertments.
- \$180.6 million for a supplemental appropriation to fund Arizona Department of Education (ADE) formula costs.
- \$28.2 million in various other supplemental appropriations and ex-appropriations.

Based on these changes, the FY 2023 ending balance is expected to be \$2.53 billion.

### **FY 2024 General Fund Revenues**

The *FY 2024 Baseline Book* projected an available one-time balance of \$1.8 billion consistent with the January 4-sector forecast. This assumed that after a 17% increase in FY 2022, General Fund base revenue growth would moderate to 7.5% in FY 2023 and 2.0% in FY 2024. The declining growth rate was related to recession concerns as the Federal Reserve Board attempts to reduce inflation by raising interest rates.

The enacted budget revises projections for FY 2024 General Fund revenues based on the April 4-sector forecast. Including the beginning balance, the \$17.83 billion FY 2024 revenue forecast is based on the following:

- 2.1% base revenue growth.
- A decline in the carry-forward balances from the prior year.
- A revenue increase from eliminating \$2.29 billion in one-time diversions from the state share of FY 2023 transaction privilege tax (TPT) revenues to agency funds.
- \$(761.5) million revenue loss primarily from the 2<sup>nd</sup> year of the 2-year phase down of the income tax rate to a flat 2.5%.
- \$(457.9) million revenue loss from an increase in the cities' share of income tax collections from 15% to 18%.
- \$(259.8) million revenue loss associated with a one-time individual income tax rebate.
- The General Fund base revenue estimates are a product of the JLBC Staff's 4-sector forecast process. The forecast equally weights the projections for major revenue categories of 2 University of Arizona econometric models, the consensus of the private and public sector economists on the Finance Advisory Committee and the JLBC Staff.

### **FY 2024 General Fund Spending**

- FY 2024 General Fund spending is projected to be \$17.82 billion compared to \$15.59 billion in FY 2023, or an increase of 14.3% based on the following assumptions:
  - ⇒ A \$487.0 million increase in ongoing spending primarily due to increases in funding formula requirements.
  - ⇒ A \$1.74 billion increase in one-time spending to a level of \$2.88 billion.
- The entire FY 2024 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$64.75 billion.
- The main drivers of FY 2024 General Fund spending are delineated below by function of government.

### General Fund and Budget Stabilization Fund Balances

- The projected ending cash balance in FY 2024 is \$10.0 million. Due to various one-time spending initiatives and revenue projections, the balance is expected to increase to \$75.8 million in FY 2025 and \$745.1 million in FY 2026.
- In addition to the General Fund balance, the Budget Stabilization Fund will have an estimated balance of \$1.48 billion in FY 2024.

### Long Term Projections

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 based on statutory revenue and funding requirements:

- FY 2025 revenues are projected to be \$16.28 billion compared to FY 2025 spending of \$16.21 billion. This would result in a cash balance of \$75.8 million in FY 2025.
- FY 2026 revenues are projected to be \$17.31 billion compared to FY 2026 spending of \$16.56 billion with an ending cash balance of \$745.1 million.

### Education

#### **Department of Education (ADE)**

- ADE General Fund spending increases by \$656.6 million, or 9.2% above the final FY 2023 appropriation, including:
  - ⇒ \$221.9 million for enrollment growth. This amount consists of:
    - \$150.2 million Empowerment Scholarship Account (ESA) growth. This amount assumes total ESA program enrollment reaches 68,380 in FY 2024, including 52,500 enrollees in the Universal ESA program established by Laws 2022, Chapter 388. In comparison to the originally enacted FY 2023 budget, which did not include any adjustments for universal ESAs, the increase is \$425.0 million. In total, the budget provides \$625 million for original and universal ESA awards.
    - An increase of \$71.7 million for FY 2024 district and charter enrollment growth. Total unweighted public school Average Daily Membership (ADM) would reach an estimated 1,101,705 in FY 2024.
  - ⇒ \$157.7 million for a 2.0% statutory inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
  - ⇒ \$68.6 million for an additional ongoing 0.92% increase to the Base Level, and a corresponding decrease of \$(68.6) million to eliminate Results-Based Funding.
  - ⇒ \$(63.4) million in savings due to property tax and land trust earning increases.
  - ⇒ \$(65.0) million to eliminate one-time funding to reduce the K-12 rollover.
  - ⇒ \$300.0 million for a one-time state aid supplement.
  - ⇒ \$49.0 million for ongoing increases to Additional Assistance, including
    - \$29.0 million to increase the per pupil amounts of the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) formulas pursuant to Section 127 of the FY 2023 General Appropriation Act.
    - \$20.0 million for an additional 4.35% increase to DAA.
    - The total increases in FY 2024 above FY 2023 are 9.38% for DAA and 3.20% for CAA.
  - ⇒ \$15.5 million for one-time dual enrollment program funding.
  - ⇒ \$13.0 million ongoing to increase the Group B formula weight for pupils eligible for the federal Free and Reduced-Price Lunch (FRPL) program pursuant to Section 127 of the FY 2023 General Appropriation Act.
  - ⇒ \$10.0 million for one-time ADE operating expenses. These monies are non-lapsing through FY 2026.
  - ⇒ \$10.0 million one-time for Art Consumables.
  - ⇒ \$5.0 million for a one-time Broadband Expansion Fund deposit.
  - ⇒ \$5.0 million for one-time early education and career exploration funding.
  - ⇒ \$(2.1) million for all other miscellaneous adjustments.
- The budget includes a supplemental appropriation of \$180.6 million in FY 2023 to cover higher-than-budgeted expenses for Basic State Aid. The enacted FY 2023 budget did not include adjustments to Basic State Aid to account for enrollment increases associated with universal eligibility for the ESA program as established by Laws 2022, Chapter 388. As of ADE's June 1<sup>st</sup> county-associated districts report, Universal ESA enrollment reached 38,054.
- The budget assumes that Proposition 123 will expire as scheduled at the end of FY 2025 without a replacement. Proposition 123 increased the level of distributions from the state land trust. Without further statutory changes, the General Fund will be required to replace the reduced level of land trust earnings, which is estimated to be \$300 million in FY 2026.

## **Arizona Department of Administration/School Facilities Division (SFD)**

- SFD General Fund spending increases by \$32.3 million, or 10.0%, including:
  - ⇒ \$31.3 million one-time for a net increase in new school construction costs. The budget funds a total of \$144.5 million for new construction, including the completion of 3 FY 2023 schools, additional funding for a Santa Cruz Valley school, and the initial funding for 8 FY 2024 schools in the Agua Fria, Glendale, Liberty, Queen Creek (3), Saddle Mountain, and Snowflake School Districts.
  - ⇒ \$1.0 million for one-time school facility inspections.
  - ⇒ The budget continues funding Building Renewal Grants at the FY 2023 level which includes \$183.3 million in one-time funding.

## **Universities**

- University General Fund spending decreases by \$(63.5) million, or (5.8)%, including:
  - ⇒ \$589,100 for adjustments to capital appropriations.
  - ⇒ \$(80.0) million to remove one-time operating and capital funding for ASU and NAU.
  - ⇒ \$(36.6) million to remove one-time UA funding for numerous agriculture-related and other initiatives.
  - ⇒ \$(6.0) million to remove one-time funding for the Arizona Veterinary Loan Assistance Program.
  - ⇒ \$37.0 million one-time for ABOR scholarships programs, including \$20.0 million for the Arizona Promise Program, \$15.0 million for the Arizona Teachers Academy, and \$2,000,000 for the Spouse and Dependents of Law Enforcement Officers program.
  - ⇒ \$15.2 million for a one-time deposit to the UA On-Farm Irrigation Efficiency Fund.
  - ⇒ \$5.0 million for one-time university operating funding.
  - ⇒ \$5.0 million one-time to expand primary care residency programs.
  - ⇒ \$4.0 million one-time for the ASU Center for American Institutions.
  - ⇒ \$2.0 million one-time for a Museum of Democracy Presidential Project.
  - ⇒ \$2.0 million one-time for the Board of Medical Student Loans.
  - ⇒ \$1.5 million one-time for the UA Space Analog for the Moon and Mars program.
  - ⇒ \$1.0 million one-time for the UA Agricultural Workforce Development Program.
  - ⇒ \$1.0 million one-time for UA fall prevention studies.
  - ⇒ \$500,000 one-time for the UA AZ REACH program.
  - ⇒ \$500,000 one-time for the ASU Collegiate Women's Wrestling Program.
  - ⇒ \$(16.3) million for statewide adjustments.
- Fall 2022 enrollment increased by 6,520 full-time equivalent students, or 3.3% above Fall 2021, for total enrollment of 203,640.

## **Community Colleges**

- Community College General Fund spending increases by \$20.8 million, or 18.5%, including:
  - ⇒ \$3.8 million for formula adjustments.
  - ⇒ \$15.0 million for one-time AZ Western College career and technical education (CTE) workforce funding.
  - ⇒ \$10.0 million for new one-time FY 2024 rural aid offset by a \$(7.0) million reduction in one-time FY 2023 rural aid.
  - ⇒ \$10.0 million for one-time Diné College capital improvements.
  - ⇒ \$4.0 million for one-time remedial education at Tohono O'odham College and San Carlos Apache College.
  - ⇒ \$2.0 million for one-time Pima Community College operating aid.
  - ⇒ \$1.1 million for technical adjustments to rural county allocation funding.
  - ⇒ \$200,000 for one-time Santa Cruz provisional aid.
  - ⇒ \$(18.3) million to remove one-time FY 2023 funding for college specific projects.
- The Community College funding formula is based on student counts from 2 years prior. FY 2021 rural district enrollment increased by 2,124 full-time equivalent students, or 9.3%, for a total rural enrollment of 24,954. Including the Maricopa and Pima districts, total enrollment decreased by (1,731), or (1.9)%, for total enrollment of 89,004.

## **Health and Welfare**

### **AHCCCS**

- AHCCCS General Fund spending increases by \$219.4 million, or 9.6%, including:
  - ⇒ \$201.4 million for formula adjustments, including a caseload decline of (13.6)%, a 3.1% capitation rate increase, the reduction of the regular match rate from 69.56% to 66.29%, and the gradual reduction of the enhanced match rate throughout CY 2023. Under current federal law, AHCCCS was not able to disenroll individuals due to income changes

from March 18, 2020 until April 1, 2023. The budget assumes AHCCCS will disenroll some of these individuals over a 14-month period.

- ⇒ \$7.5 million in one-time funding for on-call obstetrics and gynecological services.
- ⇒ \$5.0 million for an ongoing KidsCare expansion from 200% to 225% of the federal poverty level (FPL).
- ⇒ \$4.2 million for one-time critical access hospital supplemental payments.
- ⇒ \$800,000 for ongoing chiropractic service funding.
- ⇒ \$700,000 for one-time PMMIS replacement costs.
- ⇒ \$280,300 for ongoing implementation of a newborn screening fee.
- ⇒ \$200,000 for ongoing Arizona Advisory Council on Indian Health Care positions.
- ⇒ \$160,000 one-time for rapid whole genome sequencing pilot funding.
- ⇒ \$(695,000) to remove one-time FY 2023 funding.
- ⇒ \$(173,100) for statewide adjustments.
- AHCCCS enrollment is projected to decline to 1.9 million recipients by June 2024. This level represents a caseload decrease of (306,739), or (13.6)%, from June 2023.
- The FY 2023 enacted budget assumed the state would not be receiving any enhanced match in FY 2023. The federal government extended the 6.2% enhanced match through March 2023. Additionally, from April 2023 through June 2023, AHCCCS received a 5.0% enhanced match. Compared to the enacted budget, state will generate an additional \$(482.0) million in FY 2023 General Fund savings across 3 federal match rate agencies (AHCCCS, DES, and DCS).

#### **Department of Child Safety (DCS)**

- DCS General Fund spending increases by \$25.1 million, or 5.3%, including:
  - ⇒ \$12.5 million one-time for the Extended Foster Care Services Model Fund deposit.
  - ⇒ \$10.9 million for a new one-time FY 2024 federal funding backfill for Congregate Group Care offset by a \$(25.1) million reduction in one-time FY 2023 funding for the same purpose.
  - ⇒ \$10.0 million one-time for Emergency Shelter Group Homes and Transition Living.
  - ⇒ \$4.3 million and a corresponding decrease of \$(4.3) million from Child Safety Expenditure Authority to offset a FY 2024 net decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate.
  - ⇒ \$4.0 million one-time for the Positive Parenting Program for Post Permanency Placements Pilot Program.
  - ⇒ \$2.5 million ongoing to expand the Healthy Families Arizona Program and replace expiring federal grant monies in line with the FY 2023 budget's 3-year spending plan.
  - ⇒ \$2.2 million one-time for fleet vehicle replacement funding.
  - ⇒ \$2.0 million one-time for a federal funding backfill for Adoption Services.
  - ⇒ \$1.8 million for statewide adjustments.

#### **Department of Economic Security (DES)**

- DES General Fund spending increases by \$132.4 million, or 12.3%, including:
  - ⇒ \$103.8 million for Developmental Disabilities (DD) formula adjustments, including 4.5% enrollment growth, a 3.1% capitation rate increase, the reduction of the regular match rate from 69.56% to 66.29%, and the gradual reduction of the enhanced match rate throughout CY 2023.
  - ⇒ \$9.1 million in one-time funding to backfill federal funding for the Adult Protective Services (APS) program.
  - ⇒ \$5.5 million in one-time funding for the Produce Incentive Program.
  - ⇒ \$5.0 million for one-time Area Agencies on Aging (AAA) provider rate increases.
  - ⇒ \$5.0 million for one-time AAA housing assistance.
  - ⇒ \$4.4 million for ongoing Arizona Early Intervention Program provider rate increases in accordance with the FY 2023 budget's 3-year spending plan.
  - ⇒ \$1.6 million for an Information Technology (IT) security project, of which \$1.5 million is one-time.
  - ⇒ \$1.0 million in one-time funding for diaper and incontinence products assistance.
  - ⇒ \$830,000 in one-time funding for a rehabilitation center in Graham County.
  - ⇒ \$250,000 in one-time funding for a Globe-Miami area food bank.
  - ⇒ \$(3.7) million to remove one-time FY 2023 funding.
  - ⇒ \$(443,000) for statewide adjustments.
- Medicaid Developmental Disability caseloads are projected to grow to 42,091 by June 2024. This level represents a caseload increase of 1,812, or 4.5%, above June 2023.

### **Department of Health Services (DHS)**

- DHS General Fund spending decreases by \$(34.1) million, or (17.0)%, including:
  - ⇒ \$7.0 million for ASH contractual increases, of which \$6.0 million is one-time.
  - ⇒ \$7.0 million for one-time trauma recovery center grants.
  - ⇒ \$5.0 million for one-time psilocybin research grants.
  - ⇒ \$5.0 million for one-time funding of mental health crisis relief centers.
  - ⇒ \$3.5 million for one-time ASH surveillance system upgrades.
  - ⇒ \$2.5 million for one-time funding of nurse-family partnership programs.
  - ⇒ \$1.0 million for one-time grants to primary care physicians delivering services through a collaborative care model.
  - ⇒ \$964,100 for one-time funding of a dementia services program and Alzheimer's disease state plan.
  - ⇒ \$750,000 for one-time funding of a dementia awareness campaign.
  - ⇒ \$500,000 ongoing for additional Alzheimer's disease research grants.
  - ⇒ \$300,000 for one-time purchase and distribution of fentanyl testing strips and mass spectrometers.
  - ⇒ \$(61.4) million to remove one-time funding for accelerated nursing programs (\$50.0 million) and other initiatives.
  - ⇒ \$(5.6) million to remove one-time supplemental funding for ASH operating costs.
  - ⇒ \$(622,700) for statewide adjustments.

### **Department of Housing**

- Housing General Fund spending increases by \$106.9 million, or 118.8%, including:
  - ⇒ \$150.0 million for a one-time deposit to the Housing Trust Fund offset by a \$(60.0) million reduction in one-time FY 2023 funding.
  - ⇒ \$40.0 million for a one-time deposit to the Homeless Shelter and Services Fund.
  - ⇒ \$5.0 million for a one-time deposit to the Mobile Home Relocation Fund.
  - ⇒ \$1.9 million for a one-time deposit to the Military Transitional Housing Fund.
  - ⇒ \$(10.0) million to remove one-time FY 2023 funding for the Homeless Services Grant Pilot.
  - ⇒ \$(20.0) million to remove FY 2023 supplemental funding for Homeless Shelter and Services.

### **Department of Veterans' Services (DVS)**

- DVS General Fund spending increases by \$9.3 million, or 74.8%, including:
  - ⇒ \$5.0 million in one-time funding for the Homeless Veterans' Reintegration Program.
  - ⇒ \$3.0 million in one-time funding for the Pleasant Valley Veterans Retreat in Gila County.
  - ⇒ \$1.5 million in one-time funding for a tribal telecommunications and satellite internet project.
  - ⇒ \$600,000 in one-time funding for a veteran suicide prevention training pilot program.
  - ⇒ \$15,000 in one-time funding for Arizona National Guard and U.S. Armed Forces Reserves burial services.
  - ⇒ \$(1.0) million to remove one-time funding for tribal ceremonies.
  - ⇒ \$194,500 for statewide adjustments.

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

#### **Department of Corrections (ADC)**

- ADC General Fund spending increases by \$45.4 million, or 3.2%, including:
  - ⇒ \$51.2 million for one-time increased inmate health costs.
  - ⇒ \$36.5 million for one-time Florence closure costs.
  - ⇒ \$9.1 million for one-time increased food costs.
  - ⇒ \$8.5 million for one-time private prison contract increases.
  - ⇒ \$7.1 million ongoing to fully fund the FY 2023 private prison salary increase.
  - ⇒ \$5.0 million for one-time transitional and reentry housing grants.
  - ⇒ \$3.7 million to backfill unrealized overtime savings assumed as part of the Florence closure plan.
  - ⇒ \$2.0 million for a one-time corrections system assessment.
  - ⇒ \$650,000 for one-time inmate dog training program.
  - ⇒ \$(59.7) million for ongoing savings resulting from the FY 2023 budget's payoff of unfunded liability in the retirement system.
  - ⇒ \$(169,300) for the removal of FY 2023 named claimants supplemental.
  - ⇒ \$(9.5) million for the elimination of one-time FY 2023 funding.
  - ⇒ \$(9.0) million for statewide adjustments.

- The systemwide prison population at the end of FY 2023 was 34,377, an increase of 1,006 or 3.0% above the population at the end of FY 2022.

#### **Department of Emergency and Military Affairs (DEMA)**

- DEMA General Fund spending decreases by \$(8.4) million, or (28.4)%, including:
  - ⇒ \$(13.3) million to remove one-time funding to address the readiness maintenance center backlog.
  - ⇒ \$1.3 million for one-time emergency hazard mitigation funding.
  - ⇒ \$462,900 for one-time assistance in writing applications for new federal mitigation grants.
  - ⇒ \$300,000 for a one-time increase in National Guard uniform allowance.
  - ⇒ \$200,000 for a one-time state match to draw down federal funding from the Safeguarding Tomorrow through Ongoing Risk Mitigation Act (STORM Act).
  - ⇒ \$33,900 for one-time National Guard Reaction Force equipment labeling.
  - ⇒ \$2.6 million for statewide adjustments.
- The budget also includes a \$(209.2) million Border Security Fund spending decrease to remove one-time funding for border security initiatives. The \$209.2 million consists of monies diverted from the state share of TPT General Fund revenues to the Border Security Fund. In addition, Laws 2022, Chapter 334 diverted \$335,000,000 of TPT revenues from the General Fund to Border Security Fund one-time for other border security initiatives.

#### **Judiciary**

- Judiciary General Fund spending increases by \$12.3 million, or 7.6%, including:
  - ⇒ \$6.7 million for one-time backfill funding of probation officer salary increases.
  - ⇒ \$5.4 million for completed phase-in of ongoing funding for both a judicial salary increase and the Court of Appeals expansion with 6 additional judges and staff.
  - ⇒ \$1.3 million one-time for the Supreme Court's Automation line to address a revenue shortfall.
  - ⇒ \$299,200 for the ongoing state share of funding for 2 new Superior Court judges.
  - ⇒ \$652,100 for other initiatives.
  - ⇒ \$(2.9) million to remove one-time FY 2023 funding.
  - ⇒ \$777,900 for statewide adjustments.

#### **Department of Public Safety (DPS)**

- DPS General Fund spending increases by \$2.0 million, or 0.5%, including:
  - ⇒ \$(44.3) million for ongoing savings resulting from the FY 2023 budget's payoff of unfunded liability in the retirement system.
  - ⇒ \$41.1 million for one-time funding for the department's land mobile radio system.
  - ⇒ \$11.7 million for one-time vehicle replacement, the same level as one-time funding in FY 2023.
  - ⇒ \$10.0 million for new one-time Civil Air Patrol infrastructure, compared to \$5.0 million in one-time FY 2023 funding.
  - ⇒ \$7.0 million for the 2<sup>nd</sup> year of a 3-year phase in of funding for a new major incident division.
  - ⇒ \$4.1 million for a one-time allocation to Peoria and Tucson real-time crime centers.
  - ⇒ \$3.0 million for a one-time deposit into the newly established Fentanyl Prosecution, Diversion and Testing Fund.
  - ⇒ \$2.0 million for one-time law enforcement retention initiatives.
  - ⇒ \$1.5 million for one-time Rapid-DNA testing funding.
  - ⇒ \$(1.0) million ongoing to remove the ADOT/DPS Commercial Vehicle Enforcement Task Force funding.
  - ⇒ \$1.9 million for other initiatives.
  - ⇒ \$(37.2) million to remove one-time FY 2023 funding.
  - ⇒ \$2.1 million for statewide adjustments.

#### **Natural Resources**

#### **Department of Forestry and Fire Management (DFFM)**

- DFFM General Fund spending decreases by \$(71.9) million, or (55.5)%, including:
  - ⇒ \$5.0 million one-time to establish a new grant program to assist fire districts.
  - ⇒ \$(65.0) million for removal of one-time wildfire emergency response funding
  - ⇒ \$(15.1) million for removal of one-time initiatives.
  - ⇒ \$3.2 million for statewide adjustments.

### **Water Infrastructure Finance Authority (WIFA)**

- WIFA General Fund spending increases by \$244.2 million, including:
  - ⇒ \$189.2 million for the 2<sup>nd</sup> of a 3-year Long-Term Water Augmentation Fund deposit. Laws 2022, Chapter 366 appropriated \$333.0 million in FY 2024 and FY 2025 for deposit to the Long-Term Water Augmentation Fund. Laws 2023, Chapter 133 reduces this amount by \$(143.8) million in FY 2024 for use on other water projects. In FY 2023, the fund also received a transfer \$334,000,000 from the state's share TPT revenues, for a total of \$856.2 million over 3 years.
  - ⇒ \$62.0 million one-time to support local water projects:
    - \$37.8 million for water well projects, including \$27.8 million for Gilbert and \$10.0 million for Peoria.
    - \$20.0 million to Navajo County to reconstruct the Little Colorado levee.
    - \$3.4 million to design and construct the Mohave Wash recharge basin.
    - \$810,000 to support Glendale xeriscaping and irrigation projects.
  - ⇒ \$3.0 million for one-time FY 2024 water grants for cities and towns that provide water in Navajo and Apache counties, irrigation districts in Cochise along the San Pedro River, and irrigation districts in Graham County offset by a reduction of \$(10.0) million for one-time FY 2023 water assistance grants for cities and towns that provide water in Navajo and Apache counties and irrigation districts in Cochise and Graham counties.

### **Department of Water Resources (DWR)**

- DWR General Fund spending increased by \$40.7 million, or 160.4% including:
  - ⇒ \$25.0 million one-time to distribute to 2 irrigation districts to support the construction of alternative infrastructure to deliver groundwater to the Ak-Chin Indian Community by means other than the Santa Rosa canal.
  - ⇒ \$11.0 million one-time for a brackish groundwater recovery pilot program.
  - ⇒ \$5.0 million one-time for additional support for statewide water resources planning.
  - ⇒ \$100,000 one-time to update brackish groundwater studies.
  - ⇒ \$(350,000) for the removal of the one-time New River flood insurance study.
  - ⇒ \$(55,100) for statewide adjustments.

### **General Government**

#### **Arizona Commerce Authority (ACA)**

- ACA General Fund spending increases by \$21.6 million, or 52.6%, including the following one-time adjustments:
  - ⇒ \$23.6 million for deposit to the Rural Broadband Accelerated Match Fund.
  - ⇒ \$9.0 million in funding for economic transition resources to tribes.
  - ⇒ \$7.0 million for deposit to the Water Infrastructure and Commerce Grant Fund.
  - ⇒ \$3.5 million for various trade offices.
  - ⇒ \$2.5 million for wearable technology research.
  - ⇒ \$1.0 million for small business export assistance.
  - ⇒ \$1.0 million for the state rural development council.
  - ⇒ \$500,000 for a small business incubator program for inmates.
  - ⇒ \$500,000 for a strategic framework for economic development.
  - ⇒ \$500,000 for commercial truck driver shortage grants.
  - ⇒ \$(15.0) million for removal of one-time funding for Pinal County water infrastructure grants.
  - ⇒ \$(7.5) million for elimination of the two remaining deposits to the Major Events Fund in FY 2024 and FY 2025.
  - ⇒ \$(5.0) million to reduce the annual ongoing Arizona Competes Fund deposit.

#### **State Treasurer**

- State Treasurer General Fund spending increases by \$92.7 million, including:
  - ⇒ \$85.6 million for a one-time distribution to 24 local government entities and nonprofit organizations.
  - ⇒ \$6.0 million for a one-time distribution to the 6 most populous counties to review the accuracy of voter registration rolls (as required by the FY 2023 3-year budget plan).
  - ⇒ \$5.0 million for a one-time distribution to county recorders for ballot paper with specific security features (as required by the FY 2023 3-year budget plan).
  - ⇒ \$(3.9) million for removal of a one-time deposit into the Law Enforcement Crime Victim Notification Fund and a one-time deposit into the Arizona Health Innovation Trust Fund.

### **State Employees**

- The budget increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 254 FTE Positions in FY 2024. These adjustments would bring the total FTE Position ceiling to 54,573.5 in FY 2024.

### **Capital**

- The budget includes \$59.1 million for building renewal at ADC and the Arizona Department of Administration (ADOA).
- The budget funded \$128.9 million from the General Fund for non-road capital projects, including \$66.8 million for ADC's project to replace evaporative cooling with HVAC systems and \$48.7 million for ADC repairs of prison doors, locks and fire systems.
- The budget includes \$620.2 million from the General Fund in FY 2024 for 51 transportation initiatives, primarily road improvements.
- The budget includes a FY 2023 supplemental appropriation of \$27.4 million from the General Fund, of which \$22.4 million is for ADOT project adjustments and \$5.0 million is for an ADOA renovation project.

### **Debt**

- At the end of FY 2024, the state's projected level of lease-purchase and bonding capital obligations will be \$5.6 billion. The associated annual debt service payment is \$602.3 million.
- Of the \$5.6 billion in total lease-purchase and bonding obligations, the General Fund share is \$873.1 million. The General Fund annual debt service is projected to be \$89.7 million in FY 2024.
- Of the \$873.1 million, \$346.6 million is related to the state's share of Phoenix Convention Center costs and \$491.7 million is for university capital projects.

### **Statewide Adjustments**

- The budget includes a decrease of \$(103.2) million from the General Fund and \$(172.8) million in Total Funds for the removal of a one-time FY 2023 state employee health insurance adjustment. This amount includes \$(40.0) million from the General Fund to backfill University Tuition employer contributions. In its place, the budget includes an increase of \$73.0 million from the General Fund and \$120.4 million in Total Funds for a new one-time employer health insurance premium increase in FY 2024, including a University Tuition backfill.
- The budget increases state agency budgets by \$15.5 million from the General Fund for the following statewide adjustments:
  - ⇒ Arizona Financial Information System Fees.
  - ⇒ Revised Rent Payments
  - ⇒ Revised Risk Management payments
  - ⇒ Employer Retirement Contributions.
  - ⇒ State Fleet Rate Adjustments.
  - ⇒ Salary Increase Adjustments