

FY 2025
Baseline Book

January 2024



FY 2025 BASELINE BOOK

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

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
REVENUES				
Ongoing Revenues	\$16,231,531,600	\$16,660,697,000	\$17,347,516,700	\$18,164,469,800
Urban Revenue Sharing	(1,564,826,300)	(1,268,255,600)	(1,141,591,400)	(1,194,163,200)
Net Ongoing Revenues	\$14,666,705,300	\$15,392,441,400	\$16,205,925,300	\$16,970,306,600
One-Time Revenues				
Balance Forward	\$2,527,233,000			
One-Time Income Tax Rebate	(272,956,400)			
Subtotal One-Time Revenues	\$2,254,276,600	\$0	\$0	\$0
Total Revenues	\$16,920,981,900	\$15,392,441,400	\$16,205,925,300	\$16,970,306,600
EXPENDITURES				
Ongoing Operating Appropriations	\$15,002,625,400	\$15,725,501,000	\$16,488,259,700	\$16,913,230,100
FY 2024 Supplementals/Ex-Appropriations	(108,392,200)			
Administrative Adjustments	125,000,000	130,000,000	145,000,000	160,000,000
Revertments	(145,000,000)	(155,000,000)	(180,000,000)	(200,000,000)
Subtotal Ongoing Expenditures	\$14,874,233,200	\$15,700,501,000	\$16,453,259,700	\$16,873,230,100
One-Time Expenditures				
Capital Outlay	\$187,946,500	\$29,832,100	\$23,700,000	
Transportation Funding	620,209,600			
Operating One-Time Spending	1,884,608,800	208,057,400	149,231,000	284,034,700
Water Supply Funding	189,200,000	333,000,000		
Subtotal One-Time Expenditures	\$2,881,964,900	\$570,889,500	\$172,931,000	\$284,034,700
Total Expenditures	\$17,756,198,100	\$16,271,390,500	\$16,626,190,700	\$17,157,264,800
Ending Balance ^{1/}	(\$835,216,200)	(\$878,949,100)	(\$420,265,400)	(\$186,958,200)

^{1/} The displayed ending balance shortfalls are presumed to be resolved prior to the end of the fiscal year.

FY 2025 STATE GENERAL FUND BASELINE SUMMARY

Revised FY 2024 General Fund Budget

- The enacted FY 2024 budget projected FY 2024 General Fund revenues of \$17.83 billion based on the assumption that revenue would grow by 1.9% compared to FY 2023. With \$17.82 billion in projected General Fund spending, the cash balance was estimated to be \$10.0 million at the end of FY 2024.
- Since July, General Fund revenues have declined by (8.5)%, resulting in a year-to-date forecast loss of \$(488) million below the enacted budget forecast. As a result, the Baseline revises FY 2024 General Fund revenue projections downward to \$16.92 billion, or \$(907.9) million below the enacted budget.
 - ⇒ The General Fund base revenue estimates are generally a product of the JLBC Staff's 4-sector forecast process.
 - ⇒ In FY 2024, however, due to the significant forecast losses through December, we have used the JLBC Staff's more cautious estimate.
- The enacted FY 2024 budget appropriated \$17.82 billion in General Fund spending. Due to reductions in statutory funding formula requirements and other factors, FY 2024 spending is expected to fall to \$17.76 billion, or a reduction of \$(62.7) million.
- Based on the revenue shortfall of \$(907.9) million and a spending reduction of \$(62.7) million, the \$10.0 million ending balance is now estimated to be a \$(835.2) million shortfall in FY 2024. We presume a shortfall in any year is resolved prior to the end of that fiscal year.

FY 2025 General Fund Revenues

- The January Baseline is based on FY 2025 General Fund revenues of \$15.39 billion, a decrease of \$(1.53) billion below FY 2024. There are 3 main components to this adjustment:
 - ⇒ Ongoing revenues are projected to increase by \$429.2 million, or 2.6% above FY 2024.
 - ⇒ FY 2025 urban revenue sharing (URS) is projected to decline by \$(296.5) million. The level of URS is based on state income tax collections from 2 years prior. Given the substantial decline in FY 2023 income tax proceeds, URS is decreasing in FY 2025.
 - ⇒ One-time FY 2025 revenues are declining by \$(2.25) billion, primarily due to the elimination of surplus funds carried over from FY 2023 to FY 2024.

FY 2025 General Fund Spending

- The January Baseline FY 2025 spending estimates essentially reflect changes in the cost of statutory funding formulas as well as any adjustments required by the FY 2024 3-year budget plan.
- FY 2025 General Fund Baseline spending is projected to be \$16.27 billion compared to \$17.76 billion in FY 2024, or a decrease of (8.4)% based on the following assumptions:
 - ⇒ A \$826.3 million increase in ongoing spending primarily due to formula funding adjustments and other increases as part of the FY 2024 3-year budget plan.
 - ⇒ A \$(2.31) billion decrease in one-time spending to a level of \$570.9 million.
- The entire FY 2025 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$64.57 billion.
- The main drivers of FY 2025 General Fund spending are delineated below by function of government.

General Fund and Budget Stabilization Fund Balances

- Based on revenues of \$15.39 billion and spending of \$16.27 billion, the projected General Fund shortfall is \$(878.9) million in FY 2025. Combined with the projected FY 2024 shortfall, the total shortfall is projected to be \$1.71 billion.
- There is at least \$369 million of one-time FY 2024 funding issues the Legislature may opt to fund again in FY 2025 either as traditional "ongoing one-times" or for litigation purposes. After accounting for a \$100 million FY 2025 ending balance, the total shortfall considered in the FY 2025 budget process would be \$(2.2) billion.
 - ⇒ The \$369 million includes \$183 million for School Facilities building renewal, \$73 million for state employee health insurance and \$113 million for prison health care and related costs.
- Apart from the General Fund, the Budget Stabilization Fund will have an estimated balance of \$1.5 billion in FY 2025.

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 2026 revenues are projected to be \$16.21 billion compared to FY 2026 spending of \$16.63 billion. This would result in a shortfall of \$(420.3) million in FY 2026.

- FY 2027 revenues are projected to be \$16.97 billion compared to FY 2027 spending of \$17.16 billion. This would result in a shortfall of \$(187.0) million in FY 2027.

Education

Department of Education (ADE)

- ⇒ ADE General Fund spending decreases by \$(81.6) million, or (1.1)% below the FY 2024 appropriation, including:
 - ⇒ \$(43.9) million for a prior year rebase due to lower-than-budgeted expenses for Basic and Additional State Aid.
 - ⇒ \$121.3 million for Empowerment Scholarship Account (ESA) growth. This amount assumes total ESA program enrollment reaches 82,452 in FY 2025, or 7,245 above our revised FY 2024 assumption of 75,207. Based on ADE's analysis of previous public school attendance among new ESA enrollees, we further assume that 40% of new ESA program enrollees would be switchers from public schools while the remaining 60% would be current private-schoolers and homeschoolers. In total, the Baseline provides \$824.5 million for original and universal ESA awards in FY 2025, or \$199.4 million above the enacted FY 2024 budget assumption of \$625.1 million.
 - ⇒ \$15.6 million for FY 2025 district and charter enrollment adjustments. Total unweighted public school Average Daily Membership (ADM) would decline by an estimated (0.4)% and would reach 1,082,095 in FY 2025. There would still be a net enrollment cost due to increased enrollment in special education and English Language Learner programs that receive weighted funding. The (0.4)% estimate assumes a (0.1)% base enrollment decline associated with demographic trends plus an additional (0.3)% decline due to switchers to the ESA program.
 - ⇒ \$161.4 million for a 2.0% statutory inflation adjustment of funding levels for the per pupil base level, transportation, and charter additional assistance.
 - ⇒ \$(46.7) million in savings due to property tax and land trust earning increases.
 - ⇒ \$37.0 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 128 of the FY 2023 General Appropriation Act.
 - ⇒ \$29.0 million to increase the per pupil amounts of the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) formulas pursuant to Section 128 of the FY 2023 General Appropriation Act. The total increases in FY 2025 above FY 2024 are 4.62% for DAA and 3.19% for CAA.
 - ⇒ \$1.4 million for Adult Education programs.
 - ⇒ \$(300.0) million to remove a one-time state aid supplement.
 - ⇒ \$(56.7) million to remove other one-time funding.
- ⇒ The Baseline includes an ex-appropriation of \$(43.9) million in FY 2024 for lower-than-budgeted expenses for Basic State Aid and Additional State Aid. The enacted FY 2024 budget assumed public school ADM would grow by 0.4%, while actual ADM year-to-date has declined by (1.0)%, generating an estimated \$(115.0) million of Basic State Aid savings. The public school enrollment savings are partially offset by higher-than-budgeted ESA enrollment, which we will anticipate will reach 75,207 by the end of FY 2024. The 75,207 enrollees would generate total awards of \$703.2 million, or \$78.1 million above the enacted budget assumption. An additional \$(6.9) million of savings is associated with lower Homeowners Rebate expenses.
- ⇒ The Baseline 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 decreases by \$(202.8) million, or (56.8)%, including:
 - ⇒ \$(18.5) million one-time for a net decrease in new school construction costs. The Baseline funds a total of \$126.0 million for new construction, including the completion of 10 FY 2024 schools, and the initial funding for 5 FY 2025 schools in the Maricopa, Queen Creek (2), Sahuarita, and Valentine School Districts.
 - ⇒ \$(183.3) million for a decrease in one-time building renewal monies.
 - ⇒ \$(1.0) million for a decrease in one-time school facility inspections funding.

Universities

- University General Fund spending decreases by \$(74.5) million, or (7.2)%, including:
 - ⇒ \$(37.0) million to remove one-time for ABOR scholarships programs, including \$(20.0) million for the Arizona Promise Program, \$(15.0) million for the Arizona Teachers Academy, and \$(2.0) million for the Spouse and Dependents of Law Enforcement Officers program.
 - ⇒ \$(37.7) million to remove other one-time funding.

- Fall 2023 enrollment increased by 13,477 full-time equivalent students, or 6.6% above Fall 2022, for total enrollment of 217,118.

Community Colleges

- Community College General Fund spending decreases by \$(38.4) million, or (28.7)%, including:
 - ⇒ \$2.8 million for formula adjustments.
 - ⇒ \$(15.0) million to remove one-time AZ Western College career and technical education (CTE) workforce funding.
 - ⇒ \$(10.0) million to remove one-time rural aid.
 - ⇒ \$(14.0) million to remove one-time tribal assistance.
 - ⇒ \$(2.2) million to remove other one-time funding.
- The Community College funding formula is based on student counts from 2 years prior. FY 2023 rural district enrollment decreased by (475) full-time equivalent students, or (1.9)%, for a total rural enrollment of 24,479. Including the Maricopa and Pima districts, total enrollment increased by 1,007, or 1.1%, for total enrollment of 90,011.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$274.4 million, or 10.9%, including:
 - ⇒ \$291.1 million for formula adjustments, including 1.1% caseload growth, a 4.0% inflation adjustment, the reduction of the regular match rate from 66.29% to 64.89%, and annualizing the loss of the enhanced match rate that was available throughout CY 2023. The Baseline also annualizes the caseload declines that occurred prior to June 2024 as a result of the end to the prohibition on disenrollment that was in effect during the COVID-19 public health emergency.
 - ⇒ \$(4.1) million to shift rural hospital reimbursement program funding to the regular service line items.
 - ⇒ \$(12.6) million to remove one-time funding.
- The Baseline includes an ex-appropriation of \$(39.9) million in FY 2024 to account for the net impact of faster-than-anticipated enrollment declines within Traditional Medicaid, partially offset by slower-than-anticipated enrollment declines within the Proposition 204 Childless Adults and KidsCare programs.
- AHCCCS enrollment is projected to grow to 2.05 million recipients by June 2025. This level represents a caseload increase of 21,338, or 1.1%, from June 2024. However, this caseload level is still a decline of (184,117), or (8.2)%, from June 2023.

Department of Child Safety (DCS)

- DCS General Fund spending decreases by \$(33.5) million, or (6.7)%, including:
 - ⇒ \$(12.5) million to remove one-time funding for the Extended Foster Care Services Model Fund deposit.
 - ⇒ \$(10.9) million to remove a one-time federal funding backfill for Congregate Group Care.
 - ⇒ \$(10.0) million to remove one-time funding for Emergency Shelter Group Homes and Transition Living.
 - ⇒ \$(8.3) million to remove other one-time funding.
 - ⇒ \$5.7 million to offset a FY 2025 net decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate.
 - ⇒ \$2.5 million for the Healthy Families Program as part of the FY 2023 3-year budget plan.

Department of Economic Security (DES)

- ⇒ DES General Fund spending increases by \$119.5 million, or 9.9%, including:
 - ⇒ \$142.3 million for Developmental Disabilities (DD) formula adjustments, including 4.5% enrollment growth, a 4.0% capitation rate increase, the reduction of the regular match rate from 66.29% to 64.89%, and annualizing the loss of the enhanced match rate that was available throughout CY 2023.
 - ⇒ \$4.4 million for ongoing Arizona Early Intervention Program provider rate increases in accordance with the FY 2023 budget's 3-year spending plan.
 - ⇒ \$1.0 million to backfill federal funding for homeless youth assistance in accordance with the FY 2024 budget's 3-year spending plan, which delayed the backfill from FY 2024 to FY 2025.
 - ⇒ \$(28.2) million to remove one-time funding.
- The Baseline includes an ex-appropriation of \$(24.8) million in FY 2024 to account for a lower-than-budgeted capitation rate within the DDD program that was a result of lower utilization of services among DDD clients in previous years.
- Medicaid Developmental Disability caseloads are projected to grow to 44,674 by June 2025. This level represents a caseload increase of 1,924, or 4.5%, above June 2024.

Department of Health Services (DHS)

- DHS General Fund spending decreases by \$(32.0) million, or (19.2)%, to remove one-time funding.

Department of Housing

- Housing General Fund spending decreases by \$(196.9) million, or (100)%, including:
 - ⇒ \$(150.0) million to remove a one-time deposit to the Housing Trust Fund.
 - ⇒ \$(40.0) million to remove a one-time deposit to the Homeless Shelter and Services Fund.
 - ⇒ \$(6.9) million to remove other one-time funding.

Department of Veterans' Services (DVS)

- ⇒ DVS General Fund spending decreases by \$(10.1) million, or (46.5)%, to remove one-time funding.

Criminal Justice/Public Safety**Department of Corrections (ADC)**

- ADC General Fund spending decreases by \$(112.9) million, or (7.6)%, including:
 - ⇒ \$(51.2) million to remove one-time increased inmate health funding.
 - ⇒ \$(36.5) million to remove one-time Florence closure funding.
 - ⇒ \$(25.2) million to remove other one-time funding.
- The systemwide June 2023 prison population was 34,377, an increase of 1,006 or 3.0% above the prior year.

Department of Emergency and Military Affairs (DEMA)

- DEMA General Fund spending decreases by \$(1.7) million, or (7.9)%, to remove one-time funding.

Judiciary

- Judiciary General Fund spending decreases by \$(6.9) million, or (4.0)%, including:
 - ⇒ \$(6.7) million to remove one-time backfill funding of probation officer salary increases.
 - ⇒ \$(1.3) million to remove other one-time funding.
 - ⇒ \$1.1 million to fully annualize the January 1, 2023 Superior Court judge salary increase.

Department of Public Safety (DPS)

- DPS General Fund spending decreases by \$(68.1) million, or (18.6)%, including:
 - ⇒ \$7.0 million for the 3rd year of a 3-year phase in of funding for a new major incident division.
 - ⇒ \$(41.1) million to remove one-time funding for land mobile radio upgrades.
 - ⇒ \$(11.7) million to remove one-time funding for vehicle replacements.
 - ⇒ \$(10.0) million to remove one-time funding for civil air patrol infrastructure.
 - ⇒ \$(12.3) million to remove other one-time funding.

Natural Resources**Department of Forestry and Fire Management (DFFM)**

- DFFM General Fund spending decreases by \$(5.0) million, or (8.7)%, to remove one-time funding for a grant program to assist fire districts.

Water Infrastructure Finance Authority (WIFA)

- ⇒ WIFA General Fund spending increases by \$78.8 million, or 31.0%, including:
 - ⇒ \$143.8 million increase over the previous year, or \$333.0 million total, for deposit to the Long-Term Water Augmentation Fund (LTWAF) pursuant to Laws 2022, Chapter 366.
 - ⇒ \$(62.0) million to remove one-time funding for 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.
 - \$(4.2) million in other projects.
 - ⇒ \$(3.0) million for removal of one-time water project assistance grants.

Department of Water Resources (DWR)

- ⇒ DWR General Fund spending decreases by \$(41.1) million, or a (62.2)%, including:

- ⇒ \$(25.0) million to remove one-time distributions 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 to remove one-time funding for a brackish groundwater recovery pilot program.
- ⇒ \$(5.1) million to remove other one-time funding.

General Government

Arizona Department of Administration (ADOA)

- ⇒ ADOA General Fund spending decreases by \$(35.1) million, or (79.2)%, including:
 - ⇒ \$(15.0) million to remove one-time funding for K-12 transportation grants.
 - ⇒ \$(12.2) million to remove one-time funding for fire incident management system grants.
 - ⇒ \$(7.9) million to remove other one-time funding.

ADOA – Automation Projects Fund (APF)

- ⇒ APF General Fund spending decreases by \$(24.2) million, or (67.1)%, including:
 - ⇒ \$(15.0) million to remove one-time funding for statewide health and human services technology projects.
 - ⇒ \$(9.3) million to remove one-time funding for 3 other projects.
- APF General Fund spending for the Department of Revenue integrated tax system modernization project remains at \$11.8 million, pursuant to the FY 2023 3-year budget plan.

Arizona Commerce Authority (ACA)

- ⇒ ACA General Fund spending decreases by \$(49.1) million, or (78.4)%, including:
 - ⇒ \$(23.6) million to remove a one-time deposit to the Rural Broadband Accelerated Match Fund.
 - ⇒ \$(9.0) million to remove one-time funding for economic transition resources to tribes.
 - ⇒ \$(16.5) million to remove other one-time funding.

State Treasurer

- ⇒ State Treasurer General Fund spending decreases by \$(90.6) million, or (89.5)%, including:
 - ⇒ \$(85.6) million to remove a one-time distribution to 24 local government entities and nonprofit organizations.
 - ⇒ \$(6.0) million to remove a one-time distribution to the 6 most populous counties to review the accuracy of voter registration rolls.
 - ⇒ \$1.0 million increase, from \$5.0 million to \$6.0 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).

State Employees

- The Baseline increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 78 FTE Positions in FY 2025. These adjustments would bring the total FTE Position ceiling to 55,153.5 in FY 2025.
- The Baseline includes a decrease of \$(73.0) million from the General Fund and \$(120.4) million in Total Funds for the removal of a one-time FY 2024 state employee health insurance subsidy.

Capital

- The Baseline includes \$44.3 million from Other Funds for building renewal at ADC, Arizona Department of Transportation (ADOT), Arizona Department of Administration (ADOA), Game and Fish, and the State Lottery.
- The Baseline includes \$48.9 million for capital projects excluding State Highway Fund projects in line with the FY 2024 budget's 3-year spending plan. Of this amount, \$29.8 million is financed from the General Fund for HVAC replacement at ADC and \$19.1 million is financed from Other Funds for projects at State Parks.
- The Baseline eliminates \$(158.1) million in one-time General Fund monies for capital and building renewal projects at ADOA, ADC, DEMA, State Parks, and DPS, and \$(620.2) million in one-time monies for ADOT capital projects.

Debt

- At the end of FY 2025, the state's projected level of lease-purchase and bonding capital obligations will be \$5.31 billion. The associated annual debt service payment is \$607.6 million.
- Of the \$5.31 billion in total lease-purchase and bonding obligations, the General Fund share is \$812.2 million. The General Fund annual debt service is projected to be \$92.8 million in FY 2025.
- Of the \$812.2 million, \$333.2 million is related to the state's share of Phoenix Convention Center costs and \$452.7 million is for university capital projects.

GENERAL FUND SPENDING BY BUDGET UNITS 1/

ONGOING FUNDING

	FY 2024 Baseline	FY 2025 \$ Above FY 2024	FY 2025 Baseline	FY 2026 \$ Above FY 2025	FY 2026 Baseline	FY 2027 \$ Above FY 2026	FY 2027 Baseline
EXPENDITURES							
Operating Budget							
– Department of Administration	\$8,965,000		\$8,965,000		\$8,965,000		\$8,965,000
– ADOA - School Facilities Division	28,227,800		28,227,800		28,227,800		28,227,800
– Office of Administrative Hearings	967,600		967,600		967,600		967,600
-- Arizona Department of Agriculture	14,635,900		14,635,900		14,635,900		14,635,900
– AHCCCS	2,501,933,000	286,996,200	2,788,929,200	176,607,200	2,965,536,400	148,935,400	3,114,471,800
– Attorney General	27,019,400		27,019,400		27,019,400		27,019,400
– State Board for Charter Schools	2,810,300		2,810,300		2,810,300		2,810,300
– Department of Child Safety	455,849,400	8,225,800	464,075,200		464,075,200		464,075,200
– Commerce Authority	13,550,000		13,550,000		13,550,000		13,550,000
– Community Colleges	92,795,800	2,776,700	95,572,500	3,022,700	98,595,200	3,311,600	101,906,800
– Corporation Commission	774,100		774,100		774,100		774,100
– Department of Corrections	1,349,551,000		1,349,551,000		1,349,551,000		1,349,551,000
– County Funding	10,650,700		10,650,700		10,650,700		10,650,700
– Arizona Criminal Justice Commission	4,600,000		4,600,000		4,600,000		4,600,000
– Schools for the Deaf and the Blind	24,701,700		24,701,700		24,701,700		24,701,700
– Office of Economic Opportunity	514,200		514,200		514,200		514,200
– Department of Economic Security	1,180,105,900	147,689,900	1,327,795,800	97,909,300	1,425,705,100	93,151,200	1,518,856,300
– State Board of Education	3,439,700		3,439,700		3,439,700		3,439,700
– Department of Education	7,403,979,600	275,102,200	7,679,081,800	488,124,000	8,167,205,800	175,459,500	8,342,665,300
– Dept. of Emergency & Military Affairs	16,782,600		16,782,600		16,782,600		16,782,600
-- Department of Environmental Quality	15,000,000		15,000,000		15,000,000		15,000,000
– State Board of Equalization	744,400		744,400		744,400		744,400
-- Board of Executive Clemency	1,355,000		1,355,000		1,355,000		1,355,000
– Dept. of Forestry and Fire Management	49,157,100		49,157,100		49,157,100		49,157,100
-- Department of Gaming	11,559,600		11,559,600		11,559,600		11,559,600
-- Office of the Governor	9,255,600		9,255,600		9,255,600		9,255,600
-- Gov's Ofc of Strategic Planning and Budgeting	2,690,800	204,600	2,895,400		2,895,400		2,895,400
-- Department of Health Services	116,728,700		116,728,700		116,728,700		116,728,700
– Arizona Historical Society	2,941,200		2,941,200		2,941,200		2,941,200
– Prescott Historical Society	987,000		987,000		987,000		987,000
– Arizona Dept. of Homeland Security	10,000,000		10,000,000		10,000,000		10,000,000
– Industrial Commission	84,700		84,700		84,700		84,700
-- Dept. of Insurance and Financial Institutions	8,073,700		8,073,700		8,073,700		8,073,700
– Judiciary	164,685,100	1,136,000	165,821,100		165,821,100		165,821,100
-- Department of Juvenile Corrections	30,565,400		30,565,400		30,565,400		30,565,400
-- State Land Department	12,729,700	(178,500)	12,551,200		12,551,200		12,551,200
– Legislature							
Auditor General	25,872,900		25,872,900		25,872,900		25,872,900
House of Representatives	21,553,400		21,553,400		21,553,400		21,553,400
Joint Legislative Budget Committee	2,872,900	204,600	3,077,500		3,077,500		3,077,500
Legislative Council	9,402,800		9,402,800		9,402,800		9,402,800
Ombudsman	1,542,800		1,542,800		1,542,800		1,542,800
Senate	18,094,300		18,094,300		18,094,300		18,094,300
SUBTOTAL - Legislature	\$79,339,100	\$204,600	\$79,543,700	\$0	\$79,543,700	\$0	\$79,543,700
-- State Mine Inspector	2,310,500		2,310,500		2,310,500		2,310,500
– Navigable Stream Adjudication Commission	140,400		140,400		140,400		140,400
– Department of Public Safety	289,616,200	7,000,000	296,616,200		296,616,200		296,616,200
– Public Safety Personnel Retirement System	6,000,000		6,000,000		6,000,000	(1,000,000)	5,000,000
– State Real Estate Department	3,138,500		3,138,500		3,138,500		3,138,500
– Department of Revenue	59,297,000		59,297,000		59,297,000		59,297,000

GENERAL FUND SPENDING BY BUDGET UNITS 1/ ONGOING FUNDING

	FY 2024 Baseline	FY 2025 \$ Above FY 2024	FY 2025 Baseline	FY 2026 \$ Above FY 2025	FY 2026 Baseline	FY 2027 \$ Above FY 2026	FY 2027 Baseline
-- Secretary of State	18,202,000	62,000	18,264,000	(4,000,000)	14,264,000	4,000,000	18,264,000
-- Tax Appeals, State Board of	320,700		320,700		320,700		320,700
-- Office of Tourism	8,465,600		8,465,600		8,465,600		8,465,600
-- State Treasurer	4,660,800		4,660,800		4,660,800		4,660,800
-- Governor's Office on Tribal Relations	67,500		67,500		67,500		67,500
-- Universities	874,145,800	156,100	874,301,900	596,800	874,898,700	613,000	875,511,700
-- Department of Veterans' Services	11,361,500		11,361,500		11,361,500		11,361,500
-- Department of Water Resources	24,649,400		24,649,400		24,649,400		24,649,400
-- Phoenix Convention Center Payment	25,498,600	500,100	25,998,700	498,700	26,497,400	499,700	26,997,100
-- Rio Nuevo District	17,000,000		17,000,000		17,000,000		17,000,000
-- HRIS Adjustment (FY 25 Change)		(7,000,000)	(7,000,000)		(7,000,000)		(7,000,000)
-- Unallocated FY 24 Statewide Retirement Adjustment	100	(100)					
Total -- Operating Budget	\$15,002,625,400	\$722,875,600	\$15,725,501,000	\$762,758,700	\$16,488,259,700	\$424,970,400	\$16,913,230,100
-- Water Supply Funding	189,200,000	143,800,000	333,000,000	(333,000,000)			
-- FY 2024 Ongoing Supplementals/Ex-Appropriations	(108,392,200)	108,392,200					
-- Capital Outlay	187,946,500	(158,114,400)	29,832,100	(6,132,100)	23,700,000	(23,700,000)	
-- Transportation Funding	620,209,600	(620,209,600)					
-- Operating One-Time Spending	1,884,608,800	(1,676,551,400)	208,057,400	(58,826,400)	149,231,000	134,803,700	284,034,700
-- Administrative Adjustments	125,000,000	5,000,000	130,000,000	15,000,000	145,000,000	15,000,000	160,000,000
-- Reversions	(145,000,000)	(10,000,000)	(155,000,000)	(25,000,000)	(180,000,000)	(20,000,000)	(200,000,000)
Total Spending	\$17,756,198,100	(\$1,484,807,600)	\$16,271,390,500	\$354,800,200	\$16,626,190,700	\$531,074,100	\$17,157,264,800

1/ Individual agency spending amounts listed above exclude "Operating One-Time Spending" amounts. These amounts are accounted for in the "Operating One-Time Spending" line and are summarized on the "Summary Of One-Time General Fund Adjustments" table (see page S-9).

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
Operating				
ADOA - K-12 Transportation Grants	15,000,000			
ADOA - Healthcare Interoperability Software/Technology Grants	3,000,000			
ADOA - Fire Incident Management System Grants	12,200,000			
ADOA - Miami Unified - Miami & Kornegay Gym Floors	350,000			
ADOA - Employee Retention/Compensation Study	4,000,000			
ADOA - Skull Valley School Distribution	300,000			
ADOA - Early Literacy	250,000			
ADOA/APF - School Financial Transparency Portal	3,500,000			
ADOA/APF - Probation Case Management System	3,270,000			
ADOA/APF - Statewide Community Supervision Monitoring System	2,500,000			
ADOA/APF - Health and Human Services IT Systems Upgrades	15,000,000			
ADOA/APF - DOR Integrated Tax System (Thru FY 28)	11,794,100	11,847,300	11,725,500	11,238,400
ADOA/SFD - Building Renewal Grants	183,300,000			
ADOA/SFD - School Facilities Inspections	1,000,000			
ADOA/SFD - New Construction (FY 23 Authorization)	26,365,000			
ADOA/SFD - New Construction (FY 24 Authorization)	116,089,400	77,898,600		
ADOA/SFD - New Construction (FY 24 Santa Cruz Valley Funding)	2,000,000			
ADOA/SFD - New Construction (FY 25 Authorization)		48,098,600	45,077,100	
ADOA/SFD - New Construction (FY 26 Authorization)			91,758,400	83,177,000
ADOA/SFD - New Construction (FY 27 Authorization)				189,419,300
Agriculture - Expanding IT Support	1,199,600			
AHCCCS - Critical Access Hospitals Supplemental Pool	4,200,000			
AHCCCS - OBGYN On-Call Services	7,500,000			
AHCCCS - Management Information System Replacement	700,000			
AHCCCS - Rapid Genome Sequencing Pilot Program	160,000			
Arts Commission - Arts Trust Fund Deposit	5,000,000			
DCS - Vehicle Replacement	2,250,000			
DCS - Extended Foster Care Comprehensive Service Model	12,550,000			
DCS - Backfill Loss of Adoption Incentive Federal Funds	2,000,000			
DCS - Positive Parenting Pilot Program	4,000,000			
DCS - Emergency Shelter Group and Transition Living	10,000,000			
DCS - Backfill Loss of Congregate Care Federal Funds	10,876,400			
Commerce - Federal Broadband Matching Funds	23,600,000			
Commerce - State Rural Development Council	1,000,000			
Commerce - Small Business Incubator Program to Assist Exiting Inmates	500,000			
Commerce - Strategic Framework for Econ. Development	500,000			
Commerce - Commercial Truck Driver Shortage Grant	500,000			
Commerce - Establish Canada Trade Office	750,000			
Commerce - Establish Asia-Pacific Trade Office	750,000			
Commerce - Trade Office Funding	2,000,000			
Commerce - Small Business Export Assistance	1,000,000			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
Commerce - Water Infrastructure Grant Funding	7,000,000			
Commerce - Wearable Technology Research	2,500,000			
Commerce - Economic Resources to Tribes	9,000,000			
Community Colleges - Rural Funding	10,000,000			
Community Colleges - Tohono O'odham College Funding	2,000,000			
Community Colleges - San Carlos Apache College Funding	2,000,000			
Community Colleges - Dine College Capital Improvements	10,000,000			
Community Colleges - Arizona Western CTE Workforce	15,000,000			
Community Colleges - Pima Community College Funding	2,000,000			
Community Colleges - Santa Cruz Provisional College Funding	200,000			
ADC - Inmate Health Care Cost Increase	51,200,000			
ADC - One-Time Florence Closure Costs (For Private Beds)	36,481,800			
ADC - Increased Food Costs (Statewide Prison Food Contract)	9,058,100			
ADC - Private Prison Contract Increases (Florence West/Phx West)	8,503,500			
ADC - Correctional System Assessment	2,000,000			
ADC - Inmate Dog Training	650,000			
ADC - Transitional and Re-Entry Housing	5,000,000			
Counties/ADOA - Re-Entry Planning Services	7,000,000			
ACJC - Crime Victim Notification Fund Deposit	10,000,000			
Economic Opportunity - Microbusiness Loans	5,000,000			
DES - Adult Protective Services VOCA Funding GF Backfill	9,100,000			
DES - Produce Incentive Program (Double Up Food Bucks)	5,462,600			
DES - Graham County Rehabilitation Center (Safford)	830,000			
DES - Globe/Miami Food Bank	250,000			
DES - Area Agency on Aging	5,000,000			
DES - Area Agency on Aging Elderly Housing Assistance	5,000,000			
DES - Diaper/Incontinence Assistance	1,000,000			
DES - IT Infrastructure/Security - Development Costs	1,518,200			
DES - DD Group Home Monitoring Pilot	1,200,000	1,200,000		
ADE - Additional One-Time Funding (State Aid Supplement)	300,000,000			
ADE - Dual Enrollment - Student Incentive	15,000,000			
ADE - Dual Enrollment - Teacher Incentive	500,000			
ADE - Broadband Funding	5,000,000			
ADE - Arizona Civics Education and Leadership Development Program	300,000			
ADE - Education and Career Exploration Program	5,000,000			
ADE - K-12 Alternative Transportation Program (ADE Model)	250,000			
ADE - Live Remote Instruction (Within College Credit Program)	100,000	100,000		
ADE - Administration Funding Increase	10,000,000			
ADE - Non-Profit Low Income Student Assistance	500,000			
ADE - Feminine Hygiene Products	2,000,000			
ADE - Alternative Teacher Development Program	800,000			
ADE - Phoenix Science Education Program	2,500,000			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
ADE - Non-Profit Education Initiatives	100,000			
ADE - Globe Youth Summer Education Program	250,000			
ADE - Consumable Art/Music Supplies	10,000,000			
ADE - Flagstaff Unified Robotics Program	20,000	20,000	20,000	
ADE - County Jails Education Program	76,000			
ADE - Gila County Jail Adult Education	10,000			
ADE - County Juvenile Detention Centers (Maricopa/Pinal/Yavapai)	52,600			
ADE - Professional Development Personnel/Teachers	3,000,000			
ADE - School Campus Vegetation	300,000			
ADE - School Campus Community Gardens	100,000			
ADE - Center for High School Success	1,000,000			
DEMA - Emergency Mitigation Activity Funding	1,333,300			
DEMA - National Guard Reaction Force Equipment	33,900			
DEMA - STORM Act Federal Matching Funds (Thru FY 28)	200,000	200,000	200,000	200,000
DEMA - Hazard Mitigation Assistance	462,900	462,900		
DEMA - National Guard Uniform Allowance (\$250 Annually Per Officer)	300,000			
DEQ - Water Quality Fee Fund Deposit	9,500,000			
DEQ - Direct Potable Reuse of Treated Wastewater	1,500,000			
DEQ - PFAS (Forever Chemicals) Mitigation	5,000,000			
Executive Clemency - Electronic Records Management System	50,500			
Forestry - Fire District Grants	5,000,000			
Gaming - Event Wagering Operator License Fee Refund	600,000			
Gaming - Racetrack Capital Projects and Maintenance/Operations	1,000,000			
Governor - One-Time Operating Funding	2,000,000			
Governor - Missing and Murdered Indigenous People Task Force	1,000,000			
DHS - ASH Surveillance System Upgrade	3,500,000			
DHS - Arizona Nurse Education Investment Pilot Program	15,000,000	15,000,000		
DHS - Preceptor Grant Program for Graduate Students	500,000	500,000		
DHS - Funding Increase for Contracted ASH Services	5,970,000			
DHS - Alzheimer's Disease State Plan/Dementia Services Program	964,100			
DHS - Dementia Awareness Campaign	750,000			
DHS - Psilocybin Clinical Research Grants	5,000,000			
DHS - Collaborative Care Model - PCP Behavioral Health Integration	1,000,000			
DHS - Trauma Recovery Center Pilot Program	7,000,000			
DHS - Fentanyl Testing Strips/Mass Spectrometers	300,000			
DHS - Health Crisis Review Centers and Wrap-Around Services	5,000,000			
DHS - Nurse-Family Partnership Program	2,500,000			
AZ Dept. of Homeland Security - Anti-Human Trafficking Grant Fund	10,000,000			
AZ Dept. of Homeland Security - Non-Profit Security Grant Program	5,000,000			
Housing - Housing Trust Fund Deposit	150,000,000			
Housing - Homeless Shelter and Services Fund Deposit	40,000,000			
Housing - Mobile Home Relocation Fund Deposit	5,000,000			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
Housing - Military Transitional Housing Fund Deposit	1,900,000			
Judiciary - Supreme Court - Juvenile Monetary Sanctions Funding Backfill	250,000	250,000	250,000	
Judiciary - Supreme Court - Digital Evidence Software	280,000	280,000		
Judiciary - Supreme Court - Automation Funding	1,298,000			
Judiciary - Supreme Court - CASA Funding	20,000			
Judiciary - Superior Court - Probation Salary Increase County Backfill	6,749,200			
Legislature - Auditor General	2,000,000			
Legislature - House of Representatives	2,000,000			
Legislature - Senate	2,000,000			
Mine Inspector - Drone Purchases	100,000			
Mine Inspector - Administrative Costs	300,000			
Nursing Board - Nurse Anesthetists Clinical Rotations	450,000			
Parks - Heritage Fund Deposit	6,000,000			
Parks - State Lake Improvement Fund Deposit	5,200,000			
Parks - Arizona Trail Fund Deposit	500,000			
Power Authority - Resource Planning and Needs Assessment	1,000,000			
DPS - Vehicle Replacement	11,709,300			
DPS - Civil Air Patrol	10,000,000			
DPS - Administrative Funding	798,600			
DPS - Uniform Allowance	657,800			
DPS - Land Mobile Radio Expansion/Upgrade	41,100,000			
DPS - Rapid DNA Testing	1,500,000			
DPS - Law Enforcement Retention Initiatives	2,000,000			
DPS - Tucson Real-Time Crime Center	1,500,000			
DPS - Peoria Real-Time Crime Center	2,600,000			
DPS - Fentanyl Prosecution and Testing Fund	3,000,000			
DPS - State Crime Lab Funding	400,000	200,000	200,000	
DOR - Shift Administrative Fund Spending to General Fund	2,000,000			
SOS - Administrative Funding Increase	2,330,000			
SOS - Presidential Preference Election Funding	1,926,100			
ADOT - Spay and Neutering Fund Deposit	550,000			
Tourism - Lodging and Tourism Workforce/Education Initiatives	250,000			
Tourism - Culinary Tourism Workforce Development/Campaigns	250,000			
Treasurer - Election Security Funding	5,000,000	6,000,000		
Treasurer - County Election Funding	6,000,000			
Treasurer - County Sheriff's Search and Rescue Equipment Fund	2,500,000			
Treasurer - Local Distribution - International Dark Sky Discovery Center	10,000,000			
Treasurer - Local Distribution - Northern Arizona Observatory	5,600,000			
Treasurer - Local Distribution - Nonprofit Volunteer Rodeo Organization	15,300,000			
Treasurer - Local Distribution - Hayden and Wickenburg Police Departments	3,000,000			
Treasurer - Local Distribution - Chandler Police Department	2,000,000			
Treasurer - Local Distribution - Wickenburg Fire Station	1,400,000			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
Treasurer - Local Distribution - Mohave County Sheriff Substations	9,000,000			
Treasurer - Local Distribution - Mohave County Sheriff Vehicles	500,000			
Treasurer - Local Distribution - La Paz County Public Safety	860,000			
Treasurer - Local Distribution - Copper Canyon Fire and Medical District	750,000			
Treasurer - Local Distribution - Vernon Fire District	1,000,000			
Treasurer - Local Distribution - Kearny Public Building Remediation	500,000			
Treasurer - Local Distribution - Peoria Police Department Helicopter	3,500,000			
Treasurer - Local Distribution - Peoria Police Dept. Mobile Command Center	1,500,000			
Treasurer - Local Distribution - Snowflake Sewer Lift Station	750,000			
Treasurer - Local Distribution - Flagstaff Post-Fire Mitigation	8,987,000			
Treasurer - Local Distribution - Glassford Dells Regional Park Development	3,500,000			
Treasurer - Local Distribution - Glendale Veterans Community Project	3,214,500			
Treasurer - Local Distribution - County Property Owner Notification Systems	126,200			
Treasurer - Local Distribution - Sun City Transportation Study	850,000			
Treasurer - Local Distribution - City Police Pepper Ball Pilot Program	750,000			
Treasurer - Local Distribution - State Route 30 Utility Relocation	10,050,000			
Universities - ABOR - Expand Primary Care Residency Programs	5,000,000			
Universities - ABOR - Expand Existing Promise Scholarship Program	20,000,000			
Universities - ABOR - Teachers Academy Funding	15,000,000			
Universities - ABOR - Law Enforcement Families Scholarship Program	2,000,000			
Universities - ABOR - Museum of Democracy Presidential Project	2,000,000			
Universities - ASU - Center for American Institutions	4,000,000			
Universities - ASU - Collegiate Women's Wrestling Program	500,000			
Universities - ASU - Operating Funding	23,600,000	21,200,000		
Universities - NAU - Operating Funding	11,100,000	10,100,000		
Universities - UA - Operating Funding	16,300,000	14,700,000		
Universities - UA - Space Analog Program	1,500,000			
Universities - UA - Agricultural Workforce Program	1,000,000			
Universities - UA - On-Farm Irrigation Efficiency Grants	15,200,000			
Universities - UA HSC - Arizona REACH Program	500,000			
Universities - UA HSC - Board of Medical Student Loans	2,000,000			
Universities - UA HSC - Fall Prevention Studies	1,000,000			
Veterans' Services - Veteran Suicide Prevention Training Pilot Program	600,000			
Veterans' Services - Gila County Veterans Retreat	3,000,000			
Veterans' Services - Burial Services	15,000			
Veterans' Services - Homeless Veterans Reintegration Program	5,000,000			
Veterans' Services - Tribal Connectivity Project	1,500,000			
DWR - Brackish Water Study	100,000			
DWR - Brackish Groundwater Pilot	11,000,000			
DWR - Statewide Water Resources Planning Program	5,000,000			
DWR - Groundwater Delivery Infrastructure	25,000,000			
WIFA - Water Project Assistance Grants	3,000,000			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
WIFA - Glendale Irrigation System and Xeriscaping	810,000			
WIFA - Gilbert Wells Project	27,800,000			
WIFA - Peoria Wells Project	10,000,000			
WIFA - Mohave Wash Recharge Basin	3,400,000			
WIFA - Little Colorado River Levee (Navajo County)	20,000,000			
Other - Statewide Fleet Adjustments	8,195,100			
Other - HITF Employer Premium Increase	73,000,000			
Subtotal - Operating Funding	\$ 1,884,608,800	\$ 208,057,400	\$ 149,231,000	\$ 284,034,700
Water Supply Funding	\$ 189,200,000	\$ 333,000,000		
Capital Outlay				
Capital - ADOA - Building Renewal Funding	25,124,700			
Capital - ADOA - Electric Vehicle Charging/Advance Fuel Infrastructure	5,000,000			
Capital - ADC - Building Renewal Funding	33,942,600			
Capital - ADC - Replace Evaporative Cooling with AC Systemwide	66,783,600	29,832,100	23,700,000	
Capital - ADC - Doors/Locks/Fire Systems	48,650,600			
Capital - DEMA - West Valley Readiness Center Construction Cost Increase	1,125,000			
Capital - Parks - Establish Verde River Headwaters State Park	7,000,000			
Capital - DPS - Aviation Hangar Enhancement	320,000			
Subtotal - Capital Outlay	\$ 187,946,500	\$ 29,832,100	\$ 23,700,000	\$ -
Transportation Funding				
Capital - ADOT - SR 97 Improvements	10,000,000			
Capital - ADOT - SR 303 & US-60 Interchange	4,500,000			
Capital - ADOT - Clarkdale - Bitter Creek Wash Bridge	6,321,400			
Capital - ADOT - SR 347 Intersections Improvements	18,000,000			
Capital - ADOT - I-10 & Jackrabbit Trail Interchange	5,000,000			
Capital - ADOT - Happy Valley Road Improvements	12,500,000			
Capital - ADOT - Glassford Hill Rd Improvements	9,900,000			
Capital - ADOT - Coolidge - Coolidge Ave Reconstruction	5,300,000			
Capital - ADOT - Eloy - Sunland Gin Rd/I-10 Overpass	5,000,000			
Capital - ADOT - Marana - I-10 and Cortaro Road Interchange	10,000,000			
Capital - ADOT - Douglas Port of Entry/SR 80 Connection	8,170,000			
Capital - ADOT - Huachuca City - Skyline Drive Reconstruction	1,565,200			
Capital - ADOT - Huachuca City - Skyline Drive Pathway Development	506,000			
Capital - ADOT - Patagonia - McKeown Ave Reconstruction	1,500,000			
Capital - ADOT - Sierra Vista - Theater Drive Corridor	1,800,000			
Capital - ADOT - Graham County - Norton Rd/Reay Ln Intersection	500,000			
Capital - ADOT - Cochise County - Moson Rd Drainage	6,100,000			
Capital - ADOT - US-95 Improvements	33,300,000			
Capital - ADOT - US-95 Pavement Rehabilitation	5,910,400			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
Capital - ADOT - SR 87 Intersection Improvements	700,000			
Capital - ADOT - Pinal Parkway East-West Corridor Design (Pinal County)	9,240,000			
Capital - ADOT - SR 85 Lane Expansion (MP 123 to Maricopa Rd)	6,500,000			
Capital - ADOT - SR 95 Bullhead City Turn Lanes	8,000,000			
Capital - ADOT - Lake Havasu City Bridge Project	35,500,000			
Capital - ADOT - 43rd Ave Extension (Phoenix)	6,500,000			
Capital - ADOT - SR 24 Extension	87,500,000			
Capital - ADOT - SR 83 Improvements	9,000,000			
Capital - ADOT - Cave Creek Rd Construction Study	250,000			
Capital - ADOT - Navajo County - SR 260 Improvements	4,250,000			
Capital - ADOT - Phoenix-Mesa Gateway Airport	7,000,000			
Capital - ADOT - Pinetop-Lakeside - Porter Mountain Rd Improvements	2,242,200			
Capital - ADOT - Globe - Sidewalk Construction	3,501,100			
Capital - ADOT - Payson - Roundabout Construction	1,529,800			
Capital - ADOT - Globe - Jesse Hayes Rd Bridge Replacement	643,200			
Capital - ADOT - Globe - Cottonwood St Bridge Replacement	632,500			
Capital - ADOT - Gila County - Houston Mesa Rd Improvements	243,600			
Capital - ADOT - Canyon Water Improvement District Infrastructure	610,000			
Capital - ADOT - Graham County - Safford Bryce Road Improvements	1,781,500			
Capital - ADOT - Thatcher - 8th Street improvements	4,526,400			
Capital - ADOT - US-60 Repavement (Between Morristown/Wickenburg)	10,500,000			
Capital - ADOT - Winkleman Road Improvements	1,560,900			
Capital - ADOT - Panther Drive Bridge Improvements	2,486,700			
Capital - ADOT - Drexel Road Bridge Improvements (Tucson)	15,000,000			
Capital - ADOT - I-19 Interchanges - Rio Rico and Ruby Road	8,600,000			
Capital - ADOT - SR 264 Turn Lane Construction (Apache County)	538,700			
Capital - ADOT - N9402 Improvements	10,000,000			
Capital - ADOT - Pavement Rehabilitation	54,300,000			
Capital - ADOT - I-17 Expansion Funding Shortfall	76,200,000			
Capital - ADOT - I-10 Expansion Additional Funding (Phx to Casa Grande)	89,000,000			
Capital - ADOT - SMART Fund Deposit	12,500,000			
Capital - ADOT - Passenger Rail Service Study (Phoenix to Tucson)	3,500,000			
Subtotal - Transportation Funding	\$ 620,209,600	\$ -	\$ -	\$ -
Total - One-Time Spending	\$ 2,881,964,900	\$ 570,889,500	\$ 172,931,000	\$ 284,034,700

1/ The displayed amounts reflect one-time General Fund adjustments included in the FY 2024 enacted budget's multi-year spending plan. The Legislature makes the one-time classification as part of the 3-year spending plan. These items are not included in the ongoing agency spending amounts listed on pages S-7 and S-8.

FY 2025 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2024 Estimate	GF FY 2025 Baseline	GF FY 2025 Baseline - FY 2024
Budget Units			
Administration, Arizona Department of	44,293,600	9,193,600	(35,100,000)
Administration, Arizona Department of Automation Projects Fund	36,064,100	11,847,300	(24,216,800)
Administration, Arizona Department of - School Facilities Division	357,013,800	154,256,600	(202,757,200)
Administrative Hearings, Office of	990,000	990,000	-
Agriculture, Arizona Department of	16,911,000	15,711,400	(1,199,600)
AHCCCS	2,515,401,900	2,789,838,100	274,436,200
Arts, Arizona Commission on the	5,000,000	-	(5,000,000)
Attorney General - Department of Law	27,749,200	27,749,200	-
Charter Schools, State Board for	2,835,100	2,835,100	-
Child Safety, Department of	497,994,700	464,544,100	(33,450,600)
Commerce Authority, Arizona	62,650,000	13,550,000	(49,100,000)
Community Colleges, Arizona <u>1</u> /	133,995,800	95,572,500	(38,423,300)
Corporation Commission	798,900	798,900	-
Corrections, State Department of	1,483,523,900	1,370,630,500	(112,893,400)
County Funding	17,650,700	10,650,700	(7,000,000)
Criminal Justice Commission, Arizona	14,600,000	4,600,000	(10,000,000)
Deaf and the Blind, Schools for the	25,991,300	25,991,300	-
Economic Opportunity, Office of	5,523,300	523,300	(5,000,000)
Economic Security, Department of	1,211,415,700	1,330,944,800	119,529,100
Education, State Board of	3,450,000	3,450,000	-
Education, Department of	7,761,079,000	7,679,442,600	(81,636,400)
Emergency and Military Affairs, Department of	21,189,700	19,522,500	(1,667,200)
Environmental Quality, Department of	31,000,000	15,000,000	(16,000,000)
Equalization, State Board of	751,100	751,100	-
Executive Clemency, Board of	1,420,800	1,370,300	(50,500)
Forestry and Fire Management, Arizona Department of	57,605,200	52,605,200	(5,000,000)
Gaming, Department of	13,159,600	11,559,600	(1,600,000)
Governor, Office of the	12,339,800	9,339,800	(3,000,000)
Governor's Office of Strategic Planning and Budgeting	2,733,500	2,938,100	204,600
Health Services, Department of	166,360,900	134,376,800	(31,984,100)
Historical Society, Arizona	3,045,800	3,045,800	-
Historical Society, Prescott	1,012,900	1,012,900	-
Homeland Security, Department of	25,000,000	10,000,000	(15,000,000)
Housing, Department of	196,900,000	-	(196,900,000)
Industrial Commission of AZ	84,700	84,700	-
Insurance and Financial Institutions, Department of	8,298,500	8,298,500	-
Judiciary			
Supreme Court	28,930,400	27,612,400	(1,318,000)
Court of Appeals	24,710,800	24,710,800	-
Superior Court	120,586,300	114,973,100	(5,613,200)
SUBTOTAL - Judiciary	174,227,500	167,296,300	(6,931,200)
Juvenile Corrections, Department of	31,820,800	31,820,800	-
Land Department, State	12,980,100	12,801,600	(178,500)
Legislature			
Auditor General	28,316,600	26,316,600	(2,000,000)
House of Representatives	23,951,500	21,951,500	(2,000,000)
Joint Legislative Budget Committee	2,918,100	3,122,700	204,600
Legislative Council	9,507,700	9,507,700	-
Ombudsmen-Citizens Aide Office	1,561,200	1,561,200	-
Senate	20,374,500	18,374,500	(2,000,000)
SUBTOTAL - Legislature	86,629,600	80,834,200	(5,795,400)
Mine Inspector, State	2,778,800	2,378,800	(400,000)
Navigable Stream Adjudication Commission	144,000	144,000	-

Nursing, State Board of	450,000	-	(450,000)
Parks Board, Arizona State	11,700,000	-	(11,700,000)
Power Authority, Arizona	1,000,000	-	(1,000,000)
Public Safety, Department of	366,140,600	298,074,900	(68,065,700)
Public Safety Personnel Retirement System	6,000,000	6,000,000	-
Real Estate Department, State	3,198,000	3,198,000	-
Revenue, Department of	62,587,600	60,587,600	(2,000,000)
Secretary of State	22,681,800	18,487,700	(4,194,100)
Tax Appeals, State Board of	327,400	327,400	-
Tourism, Office of	9,026,200	8,526,200	(500,000)
Transportation, Department of	550,000	-	(550,000)
Treasurer, State	101,298,500	10,660,800	(90,637,700)
Tribal Relations, Governor's Office on	68,800	68,800	-
Universities			
Board of Regents	98,807,100	54,807,100	(44,000,000)
Arizona State University	411,201,900	404,553,800	(6,648,100)
Northern Arizona University	138,925,500	137,607,000	(1,318,500)
University of Arizona - Main Campus	302,897,200	283,819,900	(19,077,300)
University of Arizona - Health Sciences Center	80,397,700	76,897,700	(3,500,000)
SUBTOTAL - Universities	1,032,229,400	957,685,500	(74,543,900)
Veterans' Services, Department of	21,758,700	11,643,700	(10,115,000)
Water Infrastructure Finance Authority	254,210,000	333,000,000	78,790,000
Water Resources, Department of	66,059,400	24,959,400	(41,100,000)
OPERATING BUDGET TOTAL	17,033,701,700	16,311,521,000	(722,180,700)
FY 2024 Adjustments <u>2/</u>	(108,392,200)	-	108,392,200
Unallocated Health Insurance Adjustments	233,800	-	(233,800)
Unallocated Retirement Adjustments	100	-	(100)
Remove One-Time '24 Health Insurance Adjustments	-	(72,766,200)	(72,766,200)
Remove One-Time '24 Fleet Adjustments	-	(8,195,100)	(8,195,100)
FY 2025 HRIS Adjustment	-	(7,000,000)	(7,000,000)
Capital Outlay - Phoenix Convention Center Debt Service	25,498,600	25,998,700	500,100
Capital Outlay - Rio Nuevo District <u>3/</u>	17,000,000	17,000,000	-
Capital Outlay	808,156,100	29,832,100	(778,324,000)
Administrative Adjustments	125,000,000	130,000,000	5,000,000
Revertments	(145,000,000)	(155,000,000)	(10,000,000)
GRAND TOTAL	17,756,198,100	16,271,390,500	(1,484,807,600)

1/ Includes estimated rural county reimbursements and tribal community college allocations.

2/ Please see the FY 2024 Adjustments section for individual agency detail.

3/ Represents an estimated cost.

FY 2025 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2024 Estimate	OF FY 2025 Baseline	OF FY 2025 Baseline - FY 2024
<u>Budget Units</u>			
Accountancy, State Board of			
Board of Accountancy Fund	2,230,400	2,230,400	-
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	200,600	200,600	-
Administration, Arizona Department of			
Air Quality Fund	928,200	928,200	-
Arizona Financial Information System Collections Fund	14,386,200	9,829,200	(4,557,000)
Automation Operations Fund	29,726,400	29,726,400	-
Capital Outlay Stabilization Fund	19,081,200	19,081,200	-
Corrections Fund	628,900	628,900	-
Cyber Risk Insurance Fund	23,037,200	23,037,200	-
Federal Surplus Materials Revolving Fund	468,200	468,200	-
Information Technology Fund	2,159,300	2,159,300	-
Personnel Division Fund	13,672,500	13,672,500	-
Risk Management Revolving Fund	99,896,100	99,896,100	-
Special Employee Health Insurance Trust Fund	5,684,700	5,684,700	-
Special Services Revolving Fund	1,243,000	1,243,000	-
State Surplus Materials Revolving Fund	3,048,900	3,048,900	-
State Web Portal Fund	8,429,300	8,429,300	-
Telecommunications Fund	1,798,200	1,798,200	-
Total - Arizona Department of Administration	224,188,300	219,631,300	(4,557,000)
Administration, Arizona Department of - Automation Projects Fund			
Automation Projects Fund	71,781,700	19,456,800	(52,324,900)
Agriculture, Arizona Department of			
Air Quality Fund	1,583,300	1,583,300	-
Nuclear Emergency Management Fund	321,300	308,600	(12,700)
Total - Arizona Department of Agriculture	1,904,600	1,891,900	(12,700)
AHCCCS			
Budget Neutrality Compliance Fund	4,669,300	4,914,300	245,000
Children's Health Insurance Program Fund	150,833,600	174,025,900	23,192,300
Prescription Drug Rebate Fund - State	165,410,500	165,160,500	(250,000)
Seriously Mentally Ill Housing Trust Fund	217,700	217,700	-
Substance Abuse Services Fund	2,250,200	2,250,200	-
Tobacco Products Tax Fund -			
Emergency Health Services Account	17,458,500	17,458,500	-
Tobacco Tax and Health Care Fund -			
Medically Needy Account	67,258,900	66,586,300	(672,600)
Total - AHCCCS	408,098,700	430,613,400	22,514,700
Athletic Training, Board of			
Athletic Training Fund	165,300	165,300	-
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	160,900	160,900	-
Attorney General Legal Services Cost Allocation Fund	2,314,900	2,314,900	-
Collection Enforcement Revolving Fund	7,232,100	7,232,100	-
Consumer Protection-Consumer Fraud Rev. Fund	18,364,900	14,864,900	(3,500,000)
Consumer Restitution and Remediation Revolving Fund -			
Consumer Remediation Subaccount	12,000,000	-	(12,000,000)
Interagency Service Agreements Fund	18,078,100	18,078,100	-
Internet Crimes Against Children Enforcement Fund	900,000	900,000	-
Risk Management Revolving Fund	13,147,700	13,147,700	-
Victims' Rights Fund	3,812,800	3,812,800	-
Total - Attorney General - Department of Law	76,011,400	60,511,400	(15,500,000)
Barbering and Cosmetology Board			
Barbering and Cosmetology Fund	2,886,900	2,686,900	(200,000)

Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	2,112,700	2,112,700	-
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,300	1,459,300	-
Child Welfare Licensing Fee Fund	1,021,700	1,021,700	-
Children and Family Services Training			-
Program Fund	208,000	208,000	-
Federal Child Care and Development Fund			-
Block Grant	40,516,000	40,516,000	-
Federal Temporary Assistance for Needy			-
Families Block Grant	161,082,200	161,082,200	-
Total - Department of Child Safety	204,287,200	204,287,200	-
Chiropractic Examiners, State Board of			
Board of Chiropractic Examiners Fund	542,400	542,400	-
Contractors, Registrar of			
Registrar of Contractors Fund	14,067,800	14,067,800	-
Corporation Commission			
Arizona Arts Trust Fund	57,700	57,700	-
Investment Management Regulatory and			-
Enforcement Fund	1,305,700	1,305,700	-
Public Access Fund	8,420,800	8,020,800	(400,000)
Securities Regulatory and Enforcement Fund	7,672,500	7,272,500	(400,000)
Utility Regulation Revolving Fund	18,772,200	18,372,200	(400,000)
Total - Corporation Commission	36,228,900	35,028,900	(1,200,000)
Corrections, State Department of			
Alcohol Abuse Treatment Fund	555,800	555,800	-
Corrections Fund	31,312,500	30,312,500	(1,000,000)
Inmate Store Proceeds Fund	1,287,800	1,287,800	-
Penitentiary Land Fund	2,743,600	2,743,600	-
Prison Construction and Operations Fund	14,106,800	12,500,100	(1,606,700)
State Charitable, Penal and Reformatory			-
Institutions Land Fund	2,665,600	2,665,600	-
State Education Fund for Correctional			-
Education	723,200	723,200	-
Transition Program Fund	4,400,300	2,400,300	(2,000,000)
Total - State Department of Corrections	57,795,600	53,188,900	(4,606,700)
Criminal Justice Commission, Arizona			
Criminal Justice Enhancement Fund	733,700	733,700	-
Drug and Gang Prevention Resource Center Fund	647,100	647,100	-
State Aid to County Attorneys Fund	973,700	973,700	-
State Aid to Indigent Defense Fund	700,000	700,000	-
Victim Compensation and Assistance Fund	4,249,300	4,249,300	-
Total - Arizona Criminal Justice Commission	7,303,800	7,303,800	-
Deaf and the Blind, Arizona Schools for the			
Cooperative Services Fund	19,915,300	19,621,400	(293,900)
Schools for the Deaf and the Blind Fund	15,210,500	14,579,800	(630,700)
Total - Arizona State Schools for the Deaf and the Blind	35,125,800	34,201,200	(924,600)
Deaf and the Hard of Hearing, Comm. for the			
Telecommunication Fund for the Deaf	4,826,600	4,826,600	-
Dental Examiners, State Board of			
Dental Board Fund	2,056,600	2,056,600	-
Economic Security, Department of			
Child Support Enforcement Administration			-
Fund	17,683,300	17,683,300	-
Domestic Violence Services Fund	4,000,300	4,000,300	-
Federal Child Care and Development Fund			-
Block Grant	200,029,300	200,029,300	-
Federal Temporary Assistance for Needy			-
Families Block Grant	66,591,200	66,591,200	-
Long Term Care System Fund	33,864,200	34,429,200	565,000
Public Assistance Collections Fund	441,800	441,800	-
Special Administration Fund	4,637,900	4,637,900	-
Spinal and Head Injuries Trust Fund	2,385,500	2,385,500	-

Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	-
Workforce Investment Act Grant	87,116,600	87,116,600	-
Total - Department of Economic Security	417,750,100	418,315,100	565,000
Education, Department of			
Department of Education Empowerment			-
Scholarship Account Fund	359,000	359,000	-
Education Sales Tax - Accountability	7,000,000	7,000,000	-
Permanent State School Fund	342,797,300	357,030,400	14,233,100
Teacher Certification Fund	2,517,700	2,517,700	-
Tribal College Dual Enrollment Program Fund	325,000	325,000	-
Total - Department of Education	352,999,000	367,232,100	14,233,100
Emergency and Military Affairs, Department of			
Nuclear Emergency Management Fund	2,113,500	2,176,000	62,500
Environmental Quality, Department of			
Air Quality Fund	5,838,600	5,838,600	-
Emergency Response Fund	132,800	132,800	-
Emissions Inspection Fund	30,478,800	30,478,800	-
Hazardous Waste Management Fund	1,939,400	1,939,400	-
Indirect Cost Fund	18,979,600	18,979,600	-
Permit Administration Fund	7,256,800	7,256,800	-
Recycling Fund	4,515,900	1,515,900	(3,000,000)
Safe Drinking Water Program Fund	1,991,800	1,991,800	-
Solid Waste Fee Fund	2,584,900	2,584,900	-
Water Quality Fee Fund	27,853,200	18,353,200	(9,500,000)
Total - Department of Environmental Quality	101,571,800	89,071,800	(12,500,000)
Equal Opportunity, Governor's Office of			
Personnel Division Fund	310,500	310,500	-
Exposition and State Fair Board, Arizona		-	-
Arizona Exposition and State Fair Fund	17,555,300	17,555,300	-
Game and Fish Department, Arizona		-	-
Capital Improvement Fund	1,001,200	1,001,200	-
Game and Fish Fund	35,425,300	35,425,300	-
Game, Nongame, Fish and Endangered		-	-
Species Fund	389,700	389,700	-
Watercraft Licensing Fund	5,017,800	5,017,800	-
Wildlife Endowment Fund	16,200	16,200	-
Total - Arizona Game and Fish Department	41,850,200	41,850,200	-
Gaming, Department of			
Arizona Benefits Fund	16,610,000	16,610,000	-
Fantasy Sports Contest Fund	150,100	150,100	-
Racing Regulation Fund	2,580,700	2,580,700	-
Racing Regulation Fund - Unarmed Combat		-	-
Subaccount	105,200	105,200	-
State Lottery Fund	300,000	300,000	-
Tribal-State Compact Fund	2,299,400	2,299,400	-
Total - Department of Gaming	22,045,400	22,045,400	-
Health Services, Department of			
Arizona State Hospital Fund	3,145,800	3,145,800	-
ASH Land Earnings Fund	650,000	650,000	-
Child Fatality Review Fund	196,500	196,500	-
Disease Control Research Fund	1,000,000	1,000,000	-
Emergency Medical Services Operating Fund	4,209,500	4,209,500	-
Environmental Laboratory Licensure		-	-
Revolving Fund	995,500	995,500	-
Federal Child Care and Development Fund		-	-
Block Grant	992,500	992,500	-
Health Services Licensing Fund	17,416,400	17,416,400	-
Indirect Cost Fund	12,673,500	12,673,500	-
Newborn Screening Program Fund	12,802,900	12,802,900	-
Nursing Care Institution Resident Protection		-	-
Revolving Fund	238,200	238,200	-
Tobacco Tax and Health Care Fund -		-	-
Medically Needy Account	700,000	700,000	-

Vital Records Electronic Systems Fund	3,872,900	3,872,900	-
Total - Department of Health Services	58,893,700	58,893,700	-
Homeland Security, Arizona Department of Information Technology Fund	11,319,400	11,094,400	(225,000)
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	61,400	61,400	-
Housing, Department of Housing Trust Fund	371,100	371,100	-
Industrial Commission of Arizona Administrative Fund	21,985,500	21,985,500	-
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	6,809,500	6,740,900	(68,600)
Financial Services Fund	5,538,900	5,538,900	-
Department Revolving Fund	50,300	50,300	-
Total - Department of Insurance and Financial Institutions	12,398,700	12,330,100	(68,600)
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	682,800	682,800	-
Court Appointed Special Advocate Fund	5,226,000	5,226,000	-
Criminal Justice Enhancement Fund	4,691,900	4,691,900	-
Defensive Driving School Fund	4,464,000	4,464,000	-
Judicial Collection Enhancement Fund	15,114,200	15,114,200	-
State Aid to the Courts Fund	2,946,200	2,946,200	-
Total - Judiciary - Supreme Court	33,125,100	33,125,100	-
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,496,100	5,496,100	-
Drug Treatment and Education Fund	504,200	504,200	-
Judicial Collection Enhancement Fund	6,015,400	6,015,400	-
Total - Judiciary - Superior Court	12,015,700	12,015,700	-
SUBTOTAL - Judiciary	45,140,800	45,140,800	-
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	429,000	429,000	-
Department of Juvenile Corrections Local Cost Sharing Fund	6,724,000	6,724,000	-
State Charitable, Penal and Reformatory Institutions Land Fund	4,075,100	4,075,100	-
State Education Fund for Committed Youth	1,447,800	1,447,800	-
Total - Department of Juvenile Corrections	12,675,900	12,675,900	-
Land Department, State Due Diligence Fund	5,000,000	5,000,000	-
Environmental Special Plate Fund	260,600	260,600	-
Trust Land Management Fund	6,616,300	6,616,300	-
Total - State Land Department	11,876,900	11,876,900	-
Liquor Licenses and Control, Department of Liquor Licenses Fund	5,749,300	5,749,300	-
Lottery Commission, Arizona State State Lottery Fund	188,761,900	201,975,800	13,213,900
Massage Therapy, Board of Board of Massage Therapy Fund	599,000	599,000	-
Medical Board, Arizona Arizona Medical Board Fund	8,186,600	8,186,600	-
Mine Inspector, State Aggregate Mining Reclamation Fund	112,900	112,900	-
Naturopathic Physicians Medical Board Naturopathic Physicians Medical Board Fund	217,700	217,700	-
Navigable Stream Adjudication Commission Arizona Water Banking Fund	200,000	200,000	-
Nursing, State Board of Board of Nursing Fund	6,132,200	6,119,900	(12,300)
Nursing Care Institution Administrators Board Nursing Care Institution Administrators' Licensing and Assisted Living Facility			-

Managers' Certification Fund	604,900	604,900	-
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	259,500	259,500	-
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	198,200	198,200	-
Optometry, State Board of			
Board of Optometry Fund	289,200	289,200	-
Osteopathic Examiner in Medicine and Surgery, Arizona Board of			
Board of Osteopathic Examiners in Medicine			
and Surgery Fund	1,398,600	1,384,100	(14,500)
Parks Board, Arizona State			
Off-Highway Vehicle Recreation Fund	16,700	16,700	-
State Parks Store Fund	1,013,100	1,013,100	-
State Parks Revenue Fund	20,867,000	20,581,800	(285,200)
Total - Arizona State Parks Board	21,896,800	21,611,600	(285,200)
Personnel Board, State			
Personnel Board Subaccount of the			
Personnel Division Fund	361,000	361,000	-
Pharmacy, Arizona State Board of			
Arizona State Board of Pharmacy Fund	3,526,700	3,526,700	-
Physical Therapy, Board of			
Board of Physical Therapy Fund	591,500	591,500	-
Pioneers' Home, Arizona			
Miners' Hospital for Miners with Disabilities Land Fund	2,301,300	2,301,300	-
State Charitable Fund	6,078,900	6,078,900	-
Total - Arizona Pioneers' Home	8,380,200	8,380,200	-
Podiatry Examiners, State Board of			
Podiatry Fund	202,500	202,500	-
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education			
Fund	448,100	448,100	-
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	640,000	640,000	-
Public Safety, Department of			
Arizona Highway Patrol Fund	31,017,700	24,096,500	(6,921,200)
Concealed Weapons Permit Fund	3,152,400	3,152,400	-
Criminal Justice Enhancement Fund	3,009,000	3,009,000	-
DPS Forensics Fund	22,888,300	22,888,300	-
Fingerprint Clearance Card Fund	1,581,100	1,581,100	-
GIITEM Border Security and Law			
Enforcement Subaccount	2,396,400	2,396,400	-
Motor Vehicle Liability Insurance			
Enforcement Fund	729,400	979,400	250,000
Motorcycle Safety Fund	198,900	198,900	-
Parity Compensation Fund	3,022,200	3,022,200	-
Public Safety Equipment Fund	2,894,000	2,894,000	-
Risk Management Revolving Fund	1,102,500	1,102,500	-
State Highway Fund	6,367,200	6,367,200	-
Total - Department of Public Safety	78,359,100	71,687,900	(6,671,200)
Residential Utility Consumer Office			
Residential Utility Consumer Office			
Revolving Fund	1,592,200	1,592,200	-
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners Fund	421,400	421,400	-
Retirement System, Arizona State			
Long-Term Disability Trust Fund Administration			
Account	1,800,000	1,800,000	-
Arizona State Retirement System Administration			
Account	26,867,000	26,713,000	(154,000)
Total - Arizona State Retirement System	28,667,000	28,513,000	(154,000)
Revenue, Department of			
Department of Revenue Administrative Fund	25,390,900	27,390,900	2,000,000
Liability Setoff Program Revolving Fund	887,900	887,900	-

Tobacco Tax and Health Care Fund	724,600	724,600	-
Total - Department of Revenue	27,003,400	29,003,400	2,000,000
Secretary of State			-
Election Systems Improvement Fund	5,483,500	483,500	(5,000,000)
Records Services Fund	1,492,100	1,492,100	-
Total - Secretary of State	6,975,600	1,975,600	(5,000,000)
Technical Registration, State Board of			
Technical Registration Fund	2,605,000	2,605,000	-
Transportation, Department of			
Air Quality Fund	1,127,700	877,700	(250,000)
Department Fleet Operations Fund	25,209,000	25,209,000	-
Highway Damage Recovery Account	8,000,800	8,000,800	-
Highway User Revenue Fund	898,600	898,600	-
Ignition Interlock Device Fund	360,700	360,700	-
Motor Vehicle Liability Insurance			-
Enforcement Fund	1,582,300	1,582,300	-
State Aviation Fund	2,261,600	2,261,600	-
State Fleet Operations Fund	30,454,400	23,662,600	(6,791,800)
State Highway Fund	479,159,900	475,052,600	(4,107,300)
State Vehicle Replacement Fund	25,000,000	6,334,800	(18,665,200)
Vehicle Inspection and Certificate of Title			-
Enforcement Fund	1,646,600	1,646,600	-
Total - Department of Transportation	575,701,600	545,887,300	(29,814,300)
Treasurer, State			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	-
Peace Officer Training Equipment Fund	1,368,000	-	(1,368,000)
State Treasurer's Operating Fund	4,302,200	4,302,200	-
Total - State Treasurer	7,854,000	6,486,000	(1,368,000)
Universities			
Arizona State University			
University Collections Fund <u>1</u> /	854,407,100	854,407,100	-
Northern Arizona University			
University Collections Fund <u>1</u> /	135,319,600	135,319,600	-
University of Arizona - Main Campus			
University Collections Fund <u>1</u> /	347,232,700	347,232,700	-
University of Arizona - Health Sciences Center			
University Collections Fund <u>1</u> /	69,546,500	69,546,500	-
Total - Universities	1,406,505,900	1,406,505,900	-
Veterans' Services, Department of			
State Homes for Veterans' Trust Fund	60,519,600	60,519,600	-
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	785,100	785,100	-
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	292,500	292,500	-
Water Resources Fund	1,726,500	1,726,500	-
Total - Department of Water Resources	2,019,000	2,019,000	-
OPERATING BUDGET TOTAL	4,730,500,200	4,647,650,400	(82,849,800)
FY 2024 Adjustments <u>2</u> /	7,527,500	-	(7,527,500)
Unallocated Health Insurance Adjustments	8,403,200	-	(8,403,200)
Unallocated AFIS Transaction Fee Adjustments	70,900	-	(70,900)
Unallocated Rent and COP Adjustments	45,500	-	(45,500)
Unallocated Risk Management Adjustments	84,800	-	(84,800)
Unallocated Fleet Adjustments	546,200	-	(546,200)
Unallocated FY 2023 Salary Corrections	395,900	-	(395,900)
Unallocated Retirement Adjustments	(243,800)	-	243,800
Remove One-Time '24 Health Insurance Adjustments	-	(21,596,800)	(21,596,800)
Remove One-Time '24 Fleet Adjustments	-	(5,453,800)	(5,453,800)
Capital Outlay - Building Renewal/Projects	582,151,100	551,453,000	(30,698,100)
GRAND TOTAL	5,329,481,500	5,172,052,800	(157,428,700)

FY 2025 EXPENDITURE AUTHORITY SUMMARY BY AGENCY

	EA FY 2024 Estimate	EA FY 2025 Baseline	EA FY 2025 Baseline - FY 2024
Budget Units			
AHCCCS			
Arizona Tobacco Litigation Settlement Fund	102,000,000	102,000,000	-
County Funds	409,939,100	443,048,300	33,109,200
Delivery System Reform Incentive Payment Fund	8,321,200	17,922,700	9,601,500
Federal Medicaid Authority	14,560,642,600	13,875,934,000	(684,708,600)
Health Care Investment Fund	588,163,600	621,552,500	33,388,900
Hospital Assessment Fund	606,180,400	594,319,800	(11,860,600)
Nursing Care Facility Provider Assessment Fund	32,989,600	32,989,600	-
Political Subdivision Funds	193,784,400	242,411,000	48,626,600
Prescription Drug Rebate Fund - Federal	609,060,300	609,060,300	-
Third Party Liability and Recovery Fund	194,700	194,700	-
Tobacco Products Tax Fund - Prop. 204 Protection Account	36,662,900	36,662,900	-
Total - AHCCCS	17,147,938,800	16,576,095,800	(571,843,000)
Child Safety, Department of			
Child Safety Expenditure Authority	444,151,600	431,732,500	(12,419,100)
Comprehensive Health Plan Fund	192,865,200	159,829,100	(33,036,100)
Total - Department of Child Safety	637,016,800	591,561,600	(45,455,200)
Economic Security, Department of			
Child Support Enforcement Administration Fund	44,195,500	44,195,500	-
Health Care Investment Fund	54,412,300	38,715,900	(15,696,400)
Long Term Care System Fund (Federal Match)	3,191,748,900	3,303,335,100	111,586,200
Total - Department of Economic Security	3,290,356,700	3,386,246,500	95,889,800
Education, Department of			
Classroom Site Fund	1,018,912,500	1,018,912,500	-
Education Sales Tax - Basic State Aid	150,380,500	150,380,500	-
Education Sales Tax - Character Education	200,000	200,000	-
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000	1,500,000	-
Education Sales Tax - School Safety	7,800,000	7,800,000	-
Instructional Improvement Fund	80,425,700	80,425,700	-
Total - Department of Education	1,259,218,700	1,259,218,700	-
GRAND TOTAL	22,334,531,000	21,813,122,600	(521,408,400)

1/ Reflects estimated tuition revenues.

2/ Please see the FY 2024 Adjustments section for individual agency detail.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
OPERATING SPENDING CHANGES			
1 DOA - Arizona Department of Administration	44,293,600		9,193,600
2 DOA - Remove One-Time Healthcare Interoperability Grants		(3,000,000)	
3 DOA - Remove One-Time Fire Incident Management System Grants		(12,200,000)	
4 DOA - Remove One-Time K12 Alternative Transportation Grants		(15,000,000)	
5 DOA - Remove One-Time Gym Floor Funding (Miami Unified)		(350,000)	
6 DOA - Remove One-Time Skull Valley School District Distribution		(300,000)	
7 DOA - Remove One-Time Early Literacy Funding		(250,000)	
8 DOA - Remove One-Time Employee Compensation Study Funding		(4,000,000)	
9 APF - Automation Projects Fund/ADOA	36,064,100		11,847,300
10 APF - Remove One-Time School Financial Transparency Portal		(3,500,000)	
11 APF - Remove One-Time Supreme Court Probation Case Mgmt System		(3,270,000)	
12 APF - Remove One-Time Supreme Court Electronic Monitoring System		(2,500,000)	
13 APF - Remove One-Time Health/Human Services State Systems		(15,000,000)	
14 APF - Adjust DOR Integrated Tax System (part of FY 24 3-year plan)		53,200	
15 SFD - School Facilities Division/ADOA	357,013,800		154,256,600
16 SFD - Remove One-Time School Facilities Inspections		(1,000,000)	
17 SFD - Remove One-Time Building Renewal Funding		(183,300,000)	
18 SFD - Remove New School Construction Projects (FY 23 Starts)		(26,365,000)	
19 SFD - Continue New School Construction Projects (FY 24 Starts)		(40,190,800)	
20 SFD - Begin New School Construction Projects (FY 25 Starts)		48,098,600	
21 OAH - Office of Administrative Hearings	990,000		990,000
22 AGR - Department of Agriculture	16,911,000		15,711,400
23 AGR - Remove One-Time IT Support		(1,199,600)	
24 AXS - AHCCCS	2,515,401,900		2,789,838,100
25 AXS - Formula Changes		291,094,400	
26 AXS - Remove One-Time Critical Access Hospital Supplemental Pool		(4,200,000)	
27 AXS - Remove One-Time OBGYN On-Call Services		(7,500,000)	
28 AXS - Remove One-Time Rapid Genome Sequencing Pilot Program		(160,000)	
29 AXS - Remove One-Time PMMIS Replacement Costs		(700,000)	
30 AXS - Shift Rural Hospital Reimbursement Funding		(4,098,200)	
31 ART - Arizona Commission on the Arts	5,000,000		0
32 ART - Remove One-Time Arts Trust Fund Deposit		(5,000,000)	
33 ATT - Attorney General	27,749,200		27,749,200
34 CHA - State Board for Charter Schools	2,835,100		2,835,100
35 DCS - Department of Child Safety	497,994,700		464,544,100
36 DCS - Federal Match Rate Changes		5,725,800	
37 DCS - Remove One-Time Fleet Vehicle Replacement (50 Vehicles)		(2,250,000)	
38 DCS - Remove One-Time Extended Foster Care Services Model		(12,550,000)	
39 DCS - Remove One-Time Adoption Incentive Backfill		(2,000,000)	
40 DCS - Remove One-Time Positive Parenting Program Funding		(4,000,000)	
41 DCS - Remove One-Time Congregate Care Backfill		(10,876,400)	
42 DCS - Remove One-Time Emergency Shelter/Transition Living		(6,666,700)	
43 DCS - Remove One-Time Out-of-Home Placements Funding		(3,333,300)	
44 DCS - Health Families Expansion (part of FY 24 3-year plan)		2,500,000	
45 ACA - Arizona Commerce Authority	62,650,000		13,550,000
46 ACA - Remove One-Time Federal Broadband Matching Funds		(23,600,000)	
47 ACA - Remove One-Time State Rural Development Council		(1,000,000)	
48 ACA - Remove One-Time Small Business Incubator Inmate Program		(500,000)	

		FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
49	ACA - Remove One-Time Strategic Framework for Economic Dev.		(500,000)	
50	ACA - Remove One-Time Commercial Truck Driver Shortage Grant		(500,000)	
51	ACA - Remove One-Time Canada Trade Office Funding		(750,000)	
52	ACA - Remove One-Time Asia-Pacific Trade Office Funding		(750,000)	
53	ACA - Remove One-Time Trade Office Funding		(2,000,000)	
54	ACA - Remove One-Time Small Business Export Assistance		(1,000,000)	
55	ACA - Remove One-Time Water Infra./Commerce Grant Fund Deposit		(7,000,000)	
56	ACA - Remove One-Time Wearable Technology Research		(2,500,000)	
57	ACA - Remove One-Time Economic Transition Resources to Tribes		(9,000,000)	
58	CCO - Arizona Community Colleges	133,995,800		95,572,500
59	CCO - Formula Changes		2,776,700	
60	CCO - Remove One-Time Rural Community College Aid		(10,000,000)	
61	CCO - Remove One-Time Tohono O'odham College Remedial Educ.		(2,000,000)	
62	CCO - Remove One-Time San Carlos Apache College Remedial Educ.		(2,000,000)	
63	CCO - Remove One-Time Dine College Capital Improvements		(10,000,000)	
64	CCO - Remove One-Time AZ Western CTE Workforce Funding		(15,000,000)	
65	CCO - Remove One-Time Santa Cruz Provisional Aid		(200,000)	
66	CCO - Remove One-Time Pima Community College Operating Aid		(2,000,000)	
67	COR - Corporation Commission	798,900		798,900
68	ADC - Department of Corrections	1,483,523,900		1,370,630,500
69	ADC - Remove One-Time Inmate Health Care Costs		(51,200,000)	
70	ADC - Remove One-Time Florence Closure Costs (Private Beds)		(36,481,800)	
71	ADC - Remove One-Time Food Contract Costs		(9,058,100)	
72	ADC - Remove One-Time Private Contract Costs (Florence/Phx West)		(8,503,500)	
73	ADC - Remove One-Time Correctional System Assessment		(2,000,000)	
74	ADC - Remove One-Time Inmate Dog Training		(650,000)	
75	ADC - Remove One-Time Reentry and Transitional Housing		(5,000,000)	
76	CF - County Funding	17,650,700		10,650,700
77	CF - Remove One-Time Coordinated Reentry Planning Services		(7,000,000)	
78	JUS - Arizona Criminal Justice Commission	14,600,000		4,600,000
79	JUS - Remove One-Time Crime Victim Notification Fund Deposit		(10,000,000)	
80	SDB - Arizona State Schools for the Deaf and the Blind	25,991,300		25,991,300
81	OEC - Office of Economic Opportunity	5,523,300		523,300
82	OEC - Remove One-Time Microbusiness Loans Fund Deposit		(5,000,000)	
83	DES - Department of Economic Security	1,211,415,700		1,330,944,800
84	DES - Formula Adjustments		142,289,900	
85	DES - Remove One-Time Adult Protective Services Backfill (VOCA)		(9,100,000)	
86	DES - Remove One-Time IT Infrastructure/Security Funding		(1,518,200)	
87	DES - Remove One-Time Produce Incentives (Double Up Food Bucks)		(5,462,600)	
88	DES - Remove One-Time Graham County Rehabilitation Center		(830,000)	
89	DES - Remove One-Time Globe/Miami Area Food Bank		(250,000)	
90	DES - Remove One-Time Area Agency on Aging Provider Rate Increase		(5,000,000)	
91	DES - Remove One-Time Area Agency on Aging Housing Assistance		(5,000,000)	
92	DES - Remove One-Time Diaper/Incontinence Assistance		(1,000,000)	
93	DES - Homeless Youth General Fund Backfill		1,000,000	
94	DES - AzEIP Provider Rate Increases		4,400,000	
95	BOE - State Board of Education	3,450,000		3,450,000
96	ADE - Arizona Department of Education	7,761,079,000		7,679,442,600
97	ADE - Formula Adjustments		207,662,200	
98	ADE - Increase FRPL Group B Weight (part of FY 24 3-year plan)		37,000,000	
99	ADE - Increase DAA/CAA Per Pupil Funding (part of FY 24 3-year plan)		29,000,000	
100	ADE - Remove One-Time State Aid Supplement		(300,000,000)	

		FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
101	ADE - Remove One-Time Dual Enrollment Student Incentives		(15,000,000)	
102	ADE - Remove One-Time Dual Enrollment Teacher Incentives		(500,000)	
103	ADE - Remove One-Time Broadband Funding		(5,000,000)	
104	ADE - Remove One-Time AZ Civics Educ./Leadership Dev. Program		(300,000)	
105	ADE - Remove One-Time Education and Career Exploration Program		(5,000,000)	
106	ADE - Remove One-Time K-12 Alt. Transportation Program		(250,000)	
107	ADE - Remove One-Time Administration Funding		(10,000,000)	
108	ADE - Remove One-Time Non-Profit Low Income Student Assistance		(500,000)	
109	ADE - Remove One-Time Feminine Hygiene Products		(2,000,000)	
119	ADE - Remove One-Time Alternative Teacher Development Program		(800,000)	
111	ADE - Remove One-Time Phoenix Science Education Program		(2,500,000)	
112	ADE - Remove One-Time Non-Profit Education Initiatives		(100,000)	
113	ADE - Remove One-Time Globe Youth Summer Education Program		(250,000)	
114	ADE - Remove One-Time Consumable Music and Art Supplies		(10,000,000)	
115	ADE - Remove One-Time County Jails Education Program		(76,000)	
116	ADE - Remove One-Time Gila County Jail Education Program		(10,000)	
117	ADE - Remove One-Time County Juvenile Detention Improvements		(52,600)	
118	ADE - Remove One-Time Professional Dev. Personnel/Teachers		(3,000,000)	
119	ADE - Remove One-Time School Campus Vegetation		(300,000)	
120	ADE - Remove One-Time School Campus Community Gardens		(100,000)	
121	ADE - Center for High School Success		(1,000,000)	
122	ADE - Adult Education		1,440,000	
123	EMA - Department of Emergency & Military Affairs	21,189,700		19,522,500
124	EMA - Remove One-Time Emergency Mitigation Activity Funding		(1,333,300)	
125	EMA - Remove One-Time National Guard Reaction Force Equipment		(33,900)	
126	EMA - Remove One-Time National Guard Uniform Allowance		(300,000)	
127	DEQ - Department of Environmental Quality	31,000,000		15,000,000
128	DEQ - Remove One-Time PFAS (Forever Chemicals) Mitigation		(5,000,000)	
129	DEQ - Remove One-Time Water Quality Fee Fund Deposit		(9,500,000)	
130	DEQ - Remove One-Time Direct Potable Reuse Funding		(1,500,000)	
131	EQU - State Board of Equalization	751,100		751,100
132	EXE - Board of Executive Clemency	1,420,800		1,370,300
133	EXE - Remove One-Time Electronic Record Document Mgmt System		(50,500)	
134	FOR - Department of Forestry and Fire Management	57,605,200		52,605,200
135	FOR - Remove One-Time Fire District Grants		(5,000,000)	
136	GAM - Department of Gaming	13,159,600		11,559,600
137	GAM - Remove One-Time Event Wagering Application Fee Refund		(600,000)	
138	GAM - Remove One-Time Racetrack Capital/ Maint. Operations		(1,000,000)	
139	GOV - Office of the Governor	12,339,800		9,339,800
140	GOV - Remove One-Time Operating Funding		(2,000,000)	
141	GOV - Remove One-Time Missing/Murdered Indigenous People		(1,000,000)	
142	OSP - Gov's Office of Strategic Planning & Budgeting	2,733,500		2,938,100
143	OSP - Retirement Cost Technical Correction		204,600	
144	DHS - Department of Health Services	166,360,900		134,376,800
145	DHS - Remove One-Time ASH Contract Increase Costs		(5,970,000)	
146	DHS - Remove One-Time Dementia Services /Alzheimer's State Plan		(964,100)	
147	DHS - Remove One-Time Dementia Awareness Campaign		(750,000)	
148	DHS - Remove One-Time Psilocybin Clinical Research Grants		(5,000,000)	
149	DHS - Remove One-Time Collaborative Care Model		(1,000,000)	
150	DHS - Remove One-Time Trauma Recovery Center Pilot Program		(7,000,000)	
151	DHS - Remove One-Time Fentanyl Testing Strips/Mass Spectrometers		(300,000)	
152	DHS - Remove One-Time Health Crisis Review Centers		(5,000,000)	
153	DHS - Remove One-Time ASH Security System Upgrades		(3,500,000)	

	FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
154 DHS - Remove One-Time Nurse-Family Partnership Program		(2,500,000)	
155 AZH - Arizona Historical Society	3,045,800		3,045,800
156 PAZ - Prescott Historical Society	1,012,900		1,012,900
157 HOM - Department of Homeland Security	25,000,000		10,000,000
158 HOM - Remove One-Time Antihuman Trafficking Grant Fund		(10,000,000)	
159 HOM - Remove One-Time Nonprofit Security Grant Program Fund		(5,000,000)	
160 DOH - Department of Housing	196,900,000		0
161 DOH - Remove One-Time Housing Trust Fund Deposit		(150,000,000)	
162 DOH - Remove One-Time Homeless Shelter and Services Fund Deposit		(40,000,000)	
163 DOH - Remove One-Time Mobile Home Relocation Fund Deposit		(5,000,000)	
164 DOH - Remove One-Time Military Transitional Housing Fund		(1,900,000)	
165 ICA - Industrial Commission	84,700		84,700
166 DIF - Department of Insurance and Financial Institutions	8,298,500		8,298,500
167 SPA - Judiciary - Supreme Court	28,930,400		27,612,400
168 SPA - Remove One-Time Automation Funding		(1,298,000)	
169 SPA - Remove One-Time Court Appointed Special Advocates Funding		(20,000)	
170 COA - Judiciary - Court of Appeals	24,710,800		24,710,800
171 SUP - Judiciary - Superior Court	120,586,300		114,973,100
172 SUP - Remove One-Time Probation Salary County Backfill		(6,749,200)	
173 SUP - Judge Salary Increases (part of FY 24 3-year plan)		1,136,000	
174 DJC - Department of Juvenile Corrections	31,820,800		31,820,800
175 LAN - State Land Department	12,980,100		12,801,600
176 LAN - CAP Rate Adjustment		(178,500)	
177 Legislature			
178 AUD - Auditor General	28,316,600		26,316,600
179 AUD - Remove One-Time Operating Funding		(2,000,000)	
180 HOU - House of Representatives	23,951,500		21,951,500
181 HOU - Remove One-Time Operating Funding		(2,000,000)	
182 JLBC - Joint Legislative Budget Committee	2,918,100		3,122,700
183 JLBC - Retirement Cost Technical Correction		204,600	
184 LEG - Legislative Council	9,507,700		9,507,700
185 LEG - Ombudsman-Citizens Aide Office	1,561,200		1,561,200
186 SEN - Senate	20,374,500		18,374,500
187 SEN - Remove One-Time Funding		(2,000,000)	
188 MIN - State Mine Inspector	2,778,800		2,378,800
189 MIN - Remove One-Time Drone Purchases		(100,000)	
190 MIN - Remove One-Time Administrative Costs		(300,000)	
191 NAV - Arizona Navigable Steam Adjudication Comm.	144,000		144,000
192 NUR - State Board of Nursing	450,000		0
193 NUR - Remove One-Time Nurse Anesthetists Clinical Rotations		(450,000)	
194 SPB - Arizona State Parks Board	11,700,000		0

	FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
195	SPB - Remove One-Time Heritage Fund Deposit	(6,000,000)	
196	SPB - Remove One-Time Arizona Trail Fund Deposit	(500,000)	
197	SPB - Remove One-Time State Lake Improvement Fund Deposit	(5,200,000)	
198	APA - Arizona Power Authority		0
199	APA - Remove One-Time Resource Planning and Needs Assessment	(1,000,000)	
200	DPS - Department of Public Safety		298,074,900
201	DPS - Remove One-Time Administrative Funding Increase	(798,600)	
202	DPS - Remove One-Time Vehicle Replacements (276 Vehicles)	(11,709,300)	
203	DPS - Remove One-Time Civil Air Patrol Infrastructure Funding	(10,000,000)	
204	DPS - Remove One-Time Staff Uniform Allowance	(657,800)	
205	DPS - Remove One-Time Rapid DNA Testing	(1,500,000)	
206	DPS - Remove One-Time Land Mobile Radio Expansion and Upgrades	(41,100,000)	
207	DPS - Remove One-Time Law Enforcement Retention Initiatives	(2,000,000)	
208	DPS - Remove One-Time Tucson Real-Time Crime Center	(1,500,000)	
209	DPS - Remove One-Time Peoria Real-Time Crime Center	(2,600,000)	
210	DPS - Remove One-Time Fentanyl Prosecution and Testing Fund	(3,000,000)	
211	DPS - Remove One-Time State Crime Lab Funding	(200,000)	
212	DPS - Increase Major Incident Division Funding	7,000,000	
213	PSP - Public Safety Personnel Retirement System		6,000,000
214	REA - State Real Estate Department		3,198,000
215	REV - Department of Revenue		60,587,600
216	REV - Remove One-Time Shift of Admin. Fund Costs to General Fund	(2,000,000)	
217	SOS - Secretary of State		18,487,700
218	SOS - Remove One-Time Administrative Funding	(2,330,000)	
219	SOS - Remove One-Time Presidential Preference Election Funding	(1,926,100)	
220	SOS - Increase Talking Book Library Assistance	62,000	
221	TAX - State Board of Tax Appeals		327,400
222	TOU - Office of Tourism		8,526,200
223	TOU - Remove One-Time Lodging/Tourism Workforce Initiatives	(250,000)	
224	TOU - Remove One-Time Culinary Workforce Development	(250,000)	
225	DOT - Department of Transportation		0
226	DOT - Remove One-Time Spaying and Neutering Fund Deposit	(550,000)	
227	TRE - State Treasurer		10,660,800
228	TRE - Remove One-Time County Sheriffs Search/Rescue Equip. Fund	(2,500,000)	
229	TRE - Remove One-Time County Recorder Funding	(6,000,000)	
230	TRE - Local Dist. - Remove One-Time Int'l Dark Sky Discovery Center	(10,000,000)	
231	TRE - Local Dist. - Remove One-Time Northern Arizona Observatory	(5,600,000)	
232	TRE - Local Dist. - Remove One-Time Nonprofit Volunteer Rodeo Org.	(15,300,000)	
233	TRE - Local Dist. - Remove One-Time Police Dept. Support	(3,000,000)	
234	TRE - Local Dist. - Remove One-Time Chandler Police Dept. Support	(2,000,000)	
235	TRE - Local Dist. - Remove One-Time Wickenburg Fire Dept. Upgrades	(1,400,000)	
236	TRE - Local Dist. - Remove One-Time Mohave Co. Sheriff Substations	(9,000,000)	
237	TRE - Local Dist. - Remove One-Time Mohave Co. Mobile Command	(500,000)	
238	TRE - Local Dist. - Remove One-Time La Paz County Dispatch Center	(860,000)	
239	TRE - Local Dist. - Remove One-Time Copper Canyon Fire District	(750,000)	
240	TRE - Local Dist. - Remove One-Time Vernon Fire District	(1,000,000)	
241	TRE - Local Dist. - Remove One-Time Kearny Public Building	(500,000)	
242	TRE - Local Dist. - Remove One-Time Peoria Public Safety Helicopter	(3,500,000)	
243	TRE - Local Dist. - Remove One-Time Peoria Pub. Safety Mobile Comm.	(1,500,000)	
244	TRE - Local Dist. - Remove One-Time Snowflake Sewer Improvements	(750,000)	
245	TRE - Local Dist. - Remove One-Time Flagstaff Post-Fire Mitigation	(8,987,000)	
246	TRE - Local Dist. - Remove One-Time Glassford Dells Regional Park	(3,500,000)	

		FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
247	TRE - Local Dist. - Remove One-Time Glendale Veterans Comm. Project		(3,214,500)	
248	TRE - Local Dist. - Remove One-Time Co. Title Protection Software Opt-in		(126,200)	
249	TRE - Local Dist. - Remove One-Time Sun City Transportation Study		(850,000)	
250	TRE - Local Dist. - Remove One-Time City Police Pepper Ball Pilot		(750,000)	
251	TRE - Local Dist. - Remove One-Time SR 30 Elec./Water Line Relocation		(10,050,000)	
252	TRE - One-Time Increase for Secure Ballot Paper		1,000,000	
253	OTR - Governor's Office on Tribal Relations	68,800		68,800
254	UNI - Universities			
255	UNI - Arizona Board of Regents	98,807,100		54,807,100
256	UNI - Remove One-Time Primary Care Residency Programs Funding		(5,000,000)	
257	UNI - Remove One-Time Arizona Promise Program Funding		(20,000,000)	
258	UNI - Remove One-Time Arizona Teachers Academy Funding		(15,000,000)	
259	UNI - Remove One-Time Law Enforcement Families Scholarships Funding		(2,000,000)	
260	UNI - Remove One-Time Museum of Democracy Presidential Project		(2,000,000)	
261	UNI - ASU	411,201,900		404,553,800
262	UNI - Lease-Purchase Adjustment		(8,900)	
263	UNI - Inflation Adjustment (2017 Capital Infrastructure)		260,800	
264	UNI - Remove One-Time Center for American Institutions		(4,000,000)	
265	UNI - Remove One-Time Collegiate Women's Wrestling Program		(500,000)	
266	UNI - Remove One-Time Operating Funding		(2,400,000)	
267	UNI - Northern Arizona University	138,925,500		137,607,000
268	UNI - Lease-Purchase Adjustment		(417,400)	
269	UNI - Inflation Adjustment (2017 Capital Infrastructure)		98,900	
270	UNI - Remove One-Time Operating Funding		(1,000,000)	
271	UNI - UA - Main Campus	302,897,200		283,819,900
272	UNI - Lease-Purchase Adjustment		(8,000)	
273	UNI - Inflation Adjustment (2017 Capital Infrastructure)		230,700	
274	UNI - Remove One-Time Operating Funding		(1,600,000)	
275	UNI - Remove One-Time Space Analog Program Funding		(1,500,000)	
276	UNI - Remove One-Time Agriculture Workforce Program Funding		(1,000,000)	
277	UNI - Remove One-Time On-Farm Irrigation Efficiency Fund Deposit		(15,200,000)	
278	UNI - UA - Health Sciences Center	80,397,700		76,897,700
279	UNI - Remove One-Time Fall Prevention Studies Funding		(1,000,000)	
280	UNI - Remove One-Time Board of Medical Student Loans Funding		(2,000,000)	
281	UNI - Remove One-Time AZ REACH Funding		(500,000)	
282	VSC - Department of Veterans' Services	21,758,700		11,643,700
283	VSC - Remove One-Time Veteran Suicide Prevention Training Pilot		(600,000)	
284	VSC - Remove One-Time Gila County Veterans Retreat Funding		(3,000,000)	
285	VSC - Remove One-Time Burial Services Funding		(15,000)	
286	VSC - Remove One-Time Homeless Veterans' Reintegration Program		(5,000,000)	
287	VSC - Remove One-Time Tribal Connectivity Project		(1,500,000)	
288	WIFA - Water Infrastructure Finance Authority	254,210,000		333,000,000
289	WIF - Remove One-Time Water Project Assistance Grants		(3,000,000)	
290	WIF - Local Dist. - Remove One-Time Glendale Irrigation/Xeriscaping		(810,000)	
291	WIF - Local Dist. - Remove One-Time Gilbert Wells Project		(27,800,000)	
292	WIF - Local Dist. - Remove One-Time Peoria Wells Project		(10,000,000)	
293	WIF - Local Dist. - Remove One-Time Mohave Wash Recharge Basin		(3,400,000)	
294	WIF - Local Dist. - Remove One-Time Little Colorado River Levee		(20,000,000)	
295	WIF - Long-Term Water Augmentation Fund Deposit (Laws 2022, Ch. 366)		143,800,000	
296	WAT - Department of Water Resources	66,059,400		24,959,400
297	WAT - Remove One-Time Brackish Water Study		(100,000)	
298	WAT - Remove One-Time Brackish Groundwater Pilot		(11,000,000)	
299	WAT - Remove One-Time Statewide Water Resources Planning Program		(5,000,000)	

	FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
300	WAT - Remove One-Time Groundwater Infra. (Santa Rosa Canal Alt.)	(25,000,000)	
301	OTH - Other		
302	OTH - AHCCCS Formula Savings (Ex-Appropriation)	39,944,900	0
303	OTH - DES Formula Savings (Ex-Appropriation)	24,790,300	0
304	OTH - ADE Formula Savings (Ex-Appropriation)	43,859,500	0
305	OTH - OSPB Retirement Cost Adjustment (Supplemental)	204,600	0
306	OTH - JLBC Retirement Cost Adjustment (Supplemental)	204,600	0
307	OTH - Land CAP Rate Savings (Ex-Appropriation)	206,700	0
308	OTH - Phoenix Convention Center Debt Service	500,100	25,998,700
309	OTH - Rio Nuevo District	17,000,000	17,000,000
310	OTH - Unallocated FY 2024 Health Insurance Adjustments	233,800	0
311	OTH - Unallocated FY 2024 Retirement Adjustments	100	0
312	OTH - Remove One-Time FY 2024 Health Insurance Adjustments	(72,766,200)	(72,766,200)
313	OTH - Remove One-Time FY 2024 Fleet Adjustments	(8,195,100)	(8,195,100)
314	OTH - FY 2025 HRIS Adjustment	(7,000,000)	(7,000,000)
315	OTH - Administrative Adjustments	5,000,000	130,000,000
316	OTH - Revertments	(10,000,000)	(155,000,000)
317	TOTAL - OPERATING SPENDING CHANGES	(706,483,600)	16,241,558,400
318	CAPITAL SPENDING		
319	ADOA - Building Renewal	(25,124,700)	0
320	ADC - Building Renewal	(33,942,600)	0
321	ADOA - Electric Vehicle Charging/Advanced Fuel Infrastructure	(5,000,000)	0
322	ADC - Fire & Life Safety Projects	(48,650,600)	0
323	ADC - Replace Evaporative Cooling with AC Systemwide	(36,951,500)	29,832,100
324	EMA - West Valley Readiness Center Cost Increase	(1,125,000)	0
325	Parks - Establish Verde River Headwaters State Park	(7,000,000)	0
326	DPS - Flagstaff Aviation Hanger Renovation	(320,000)	0
327	ADOT - N-9402 Improvements (Near Lupton and Houck)	(10,000,000)	0
328	ADOT - SR-97 Improvements (Bagdad)	(10,000,000)	0
329	ADOT - Passenger Rail Service Planning (Phoenix to Tucson)	(3,500,000)	0
330	ADOT - SR-303 & Route 60 Interchange	(4,500,000)	0
331	ADOT - Clarkdale Bitter Creek Wash Bridge	(6,321,400)	0
332	ADOT - SR-347 Intersections (Casa Blanca/Cement Plant)	(18,000,000)	0
333	ADOT - I-10 & Jackrabbit Trail Interchange Design	(5,000,000)	0
334	ADOT - Happy Valley Road (35th Ave to 67th Ave)	(12,500,000)	0
335	ADOT - Glassford Hill Road Improvements	(9,900,000)	0
336	ADOT - Coolidge Ave (Christensen Rd to Clemans Rd)	(5,300,000)	0
337	ADOT - Eloy - I-10/Sunland Gin Road Overpass & I-10/Arica Rd	(5,000,000)	0
338	ADOT - Marana - I-10 and Cortaro Road Interchange	(10,000,000)	0
339	ADOT - Douglas Port of Entry/SR-80 Connection	(8,170,000)	0
340	ADOT - Huachuca City - Skyline Drive to Gila Avenue	(1,565,200)	0
341	ADOT - Huachuca City - Skyline Drive between Gila and Edgewood	(506,000)	0
342	ADOT - Patagonia - Mckeown Ave Reconstruction (4th Ave W to SR-82)	(1,500,000)	0
343	ADOT - Sierra Vista - Theater Dr Corridor (7th St to Carmichael Ave)	(1,800,000)	0
344	ADOT - Graham County - Norton Rd/Reay Lane Intersection	(500,000)	0
345	ADOT - Cochise County - Moson Rd Drainage (SR-90 to Hereford Rd)	(6,100,000)	0
346	ADOT - US-95 Improvements (Wellton Mohawk Canal to Aberdeen Rd)	(33,300,000)	0
347	ADOT - US-95 Pavement Rehab. (County 22nd St to County 11th St)	(5,910,400)	0
348	ADOT - SR-87 Design and Improvements at Arica and Shedd Roads	(700,000)	0
349	ADOT - West Pinal Parkway East-West Corridor Design	(9,240,000)	0
350	ADOT - SR-85 Lane Expansion (MP 123 to Maricopa Rd)	(6,500,000)	0
351	ADOT - SR-95 Bullhead City Turn Lanes	(8,000,000)	0
352	ADOT - Lake Havasu City Bridge Project	(35,500,000)	0
353	ADOT - Extend 43rd Ave from SR-303 to SR-74 (City of Phoenix)	(6,500,000)	0
354	ADOT - SR-24 Extension and Ironwood Interchange (Queen Creek)	(87,500,000)	0
355	ADOT - SR-83 (Santa Cruz to Sonoita)	(9,000,000)	0
356	ADOT - Cave Creek Rd Construction Study	(250,000)	0
357	ADOT - Navajo County SR-260 Improvements	(4,250,000)	0
358	ADOT - Phoenix-Mesa Gateway Airport	(7,000,000)	0

		FY 2024 GF Adj. Appropriation	FY 25 Baseline 1/ Above FY 24	FY 2025 GF JLBC Baseline
359	ADOT - Pinetop-Lakeside Porter Mountain Rd Improvements	2,242,200	(2,242,200)	0
360	ADOT - Globe Sidewalk-Jesse Hayes & Shooter Canyon Roads	3,501,100	(3,501,100)	0
361	ADOT - Payson Roundabout-Longhorn & McLane Roads	1,529,800	(1,529,800)	0
362	ADOT - Globe Jesse Hayes Rd Bridge at Pinal Creek	643,200	(643,200)	0
363	ADOT - Globe Cottonwood St Bridge at Pinal Creek	632,500	(632,500)	0
364	ADOT - Gila County Houston Mesa Rd - SR-260 to NF Route 199	243,600	(243,600)	0
365	ADOT - Canyon Water Improvement District Infrastructure	610,000	(610,000)	0
366	ADOT - Graham County - Safford Bryce Road Improvements	1,781,500	(1,781,500)	0
367	ADOT - Thatcher - 8th St Improvements (1st Ave to 20th Ave)	4,526,400	(4,526,400)	0
368	ADOT - Winkelman - Golf Course Rd/Quarelli St Improvements	1,560,900	(1,560,900)	0
369	ADOT - Superior - Panther Dr Bridge at Queen Creek	2,486,700	(2,486,700)	0
370	ADOT - US-60 Repavement Project - Morristown to Wickenburg	10,500,000	(10,500,000)	0
371	ADOT - Statewide Pavement Rehabilitation (Rural Projects)	54,300,000	(54,300,000)	0
372	ADOT - I-17 Expansion Shortfall (Anthem to Sunset Point)	76,200,000	(76,200,000)	0
373	ADOT - I-10 Widening (Phoenix to Casa Grande)	89,000,000	(89,000,000)	0
374	ADOT - SR-264 Lane Improvements (Ganado Senior Citizens Center)	538,700	(538,700)	0
375	ADOT - I-19 Rio Rico/Ruby Road Interchange (Santa Cruz County)	8,600,000	(8,600,000)	0
376	ADOT - I-19 Drexel Road Bridge	15,000,000	(15,000,000)	0
377	ADOT - State Match Advantage for Rural Transportation Fund	12,500,000	(12,500,000)	0
378	TOTAL - CAPITAL SPENDING	808,156,100	(778,324,000)	29,832,100
379	TOTAL - ALL SPENDING	17,756,198,100	(1,484,807,600)	16,271,390,500
380	REVENUE CHANGES			
381	Ongoing Revenue			
382	REV - Ongoing Revenue (Including Urban Revenue Sharing)	14,666,705,300	725,736,100	15,392,441,400
383	One-Time Revenue			
384	REV - Beginning Balance	2,527,233,000	(2,527,233,000)	0
385	REV - One-Time Individual Income Tax Rebate	(272,956,400)	272,956,400	0
386	TOTAL - REVENUE CHANGES	16,920,981,900	(1,528,540,500)	15,392,441,400
387	ENDING BALANCE	(835,216,200)	(43,732,900)	(878,949,100)

1/ Represents FY 2025 Baseline cost above the FY 2024 Adjusted Appropriation.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2024 OF 1/ Adj. Appropriation	FY 25 Baseline 2/ Above FY 24	FY 2025 OF JLBC Baseline
	OPERATING SPENDING CHANGES			
1	SBA - State Board of Accountancy	2,230,400		2,230,400
2	ACU - Acupuncture Board of Examiners	200,600		200,600
3	DOA - Arizona Department of Administration	224,188,300		219,631,300
4	DOA - Remove One-Time Accounting System Upgrade Funding		(4,557,000)	
5	APF - Automation Projects Fund/ADOA	71,781,700		19,456,800
6	APF - Remove One-Time ADOA Personnel System (HRIS) Replacement		(20,647,800)	
7	APF - Remove One-Time Health & Human Services Systems Upgrades		(15,000,000)	
8	APF - Remove One-Time Corporation Commission Ecorp System		(7,000,000)	
9	APF - Remove One-Time DPS Concealed Weapons Tracking System		(494,500)	
10	APF - Remove One-Time Supreme Court Probation Case Mgmt System		(3,270,000)	
11	APF - Remove One-Time Supreme Court Electronic Monitoring System		(2,500,000)	
12	APF - Remove One-Time School Financial Transparency Portal		(3,500,000)	
13	APF - Adjust DOR Integrated Tax System Funding		87,400	
14	AGR - Department of Agriculture	1,904,600		1,891,900
15	AGR - NEMF Assessment Alignment (Laws 2023, Ch. 114)		(12,700)	
16	AXS - AHCCCS	408,098,700		430,613,400
17	AXS - Formula Changes		22,764,700	
18	AXS - Remove One-Time Children's Behavioral Health Fund Deposit		(250,000)	
19	BAT - Board of Athletic Training	165,300		165,300
20	ATT - Attorney General	76,011,400		60,511,400
21	ATT - Remove One-Time Child and Family Advocacy Centers (CPCF)		(500,000)	
22	ATT - Remove One-Time Opioid Abatement Funding		(12,000,000)	
23	ATT - Remove One-Time Funding		(3,000,000)	
24	BCB - Barbering and Cosmetology Board	2,886,900		2,686,900
25	BCB - Remove One-Time Data Migration Funding		(200,000)	
26	BHE - Board of Behavioral Health Examiners	2,112,700		2,112,700
27	DCS - Department of Child Safety	204,287,200		204,287,200
28	BCE - State Board of Chiropractic Examiners	542,400		542,400
29	ROC - Registrar of Contractors	14,067,800		14,067,800
30	COR - Corporation Commission	36,228,900		35,028,900
31	COR - Remove One-Time Operating Costs		(1,200,000)	
32	ADC - Department of Corrections	57,795,600		53,188,900
33	ADC - Remove One-Time Leap Year Funding		(1,606,700)	
34	ADC - Remove One-Time Florence Closure Costs		(1,000,000)	
35	ADC - Remove One-Time Transitional Housing Grants		(2,000,000)	
36	JUS - Arizona Criminal Justice Commission	7,303,800		7,303,800
37	SDB - AZ State Schools for the Deaf and the Blind	35,125,800		34,201,200
38	SDB - Formula Adjustments		(924,600)	
39	HEA - Comm for the Deaf & the Hard of Hearing	4,826,600		4,826,600

		FY 2024 OF 1/ Adj. Appropriation	FY 25 Baseline 2/ Above FY 24	FY 2025 OF JLBC Baseline
40	DEN - Board of Dental Examiners	2,056,600		2,056,600
41	DES - Department of Economic Security	417,750,100		418,315,100
42	DES - Formula Adjustments		565,000	
43	ADE - Arizona Department of Education	352,999,000		367,232,100
44	ADE - Endowment Earnings Growth		14,233,100	
45	EMA - Department of Emergency & Military Affairs	2,113,500		2,176,000
46	EMA - NEMF Assessment Alignment (Laws 2023, Ch. 114)		62,500	
47	DEQ - Department of Environmental Quality	101,571,800		89,071,800
48	DEQ - Remove One-Time Water Quality Fee Fund Increase		(9,500,000)	
49	DEQ - Remove One-Time Recycling Fund Increase		(3,000,000)	
50	OEO - Governor's Office of Equal Opportunity	310,500		310,500
51	COL - Arizona Exposition and State Fair Board	17,555,300		17,555,300
51				
52	FIS - Arizona Game and Fish Department	41,850,200		41,850,200
53	GAM - Department of Gaming	22,045,400		22,045,400
54	DHS - Department of Health Services	58,893,700		58,893,700
55	HLS - Arizona Department of Homeland Security	11,319,400		11,094,400
56	HLS - Remove One-Time Cyber Security Mitigation Costs		(225,000)	
57	HOM - Board of Homeopathic & Integrated Medicine Examiners	61,400		61,400
58	DOH - Department of Housing	371,100		371,100
59	IND - Industrial Commission	21,985,500		21,985,500
60	DIF - Department of Insurance and Financial Institutions	12,398,700		12,330,100
61	DIF - Remove One-Time Theft Task Force Vehicle Fuel Costs		(68,600)	
62	SPA - Judiciary - Supreme Court	33,125,100		33,125,100
63	SUP - Judiciary - Superior Court	12,015,700		12,015,700
64	DJC - Department of Juvenile Corrections	12,675,900		12,675,900
65	LAN - State Land Department	11,876,900		11,876,900
66	LIQ - Department of Liquor Licenses & Control	5,749,300		5,749,300
67	LOT - Arizona State Lottery Commission	188,761,900		201,975,800
68	LOT - Tab Tickets		126,400	
69	LOT - Instant Ticket Sales		1,987,800	
70	LOT - On-Line Vendor Fees		2,891,100	
71	LOT - Retailer Commissions		8,208,600	
72	BMT - Board of Massage Therapy	599,000		599,000
73	MED - Arizona Medical Board	8,186,600		8,186,600
74	MIN - State Mine Inspector	112,900		112,900
75	NAT - Naturopathic Physicians Medical Board	217,700		217,700

		FY 2024 OF 1/ Adj. Appropriation	FY 25 Baseline 2/ Above FY 24	FY 2025 OF JLBC Baseline
76	NAV - Navigable Stream Adjudication Commission	200,000		200,000
77	NUR - State Board of Nursing	6,132,200		6,119,900
78	NUR - Remove One-Time Staff Attorney		(4,100)	
79	NUR - Remove One-Time Licensing Specialist Costs		(8,200)	
80	NCI - Nursing Care Inst. Administrators Board	604,900		604,900
81	OCC - Board of Occupational Therapy Examiners	259,500		259,500
82	DIS - State Board of Dispensing Opticians	198,200		198,200
83	OPT - State Board of Optometry	289,200		289,200
84	OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,398,600		1,384,100
85	OST - Remove One-Time Annual Leave Payout		(14,500)	
86	SPB - Arizona State Parks Board	21,896,800		21,611,600
87	SPB - Remove One-Time Dispatch Services ISA Costs		(285,200)	
88	PER - Personnel Board	361,000		361,000
89	PHA - Arizona State Board of Pharmacy	3,526,700		3,526,700
90	PHY - Board of Physical Therapy Examiners	591,500		591,500
91	PIO - Arizona Pioneers' Home	8,380,200		8,380,200
92	POD - State Board of Podiatry Examiners	202,500		202,500
93	PRI - State Board for Private Postsecondary Education	448,100		448,100
94	PSY - State Board of Psychologist Examiners	640,000		640,000
95	DPS - Department of Public Safety	78,359,100		71,687,900
96	DPS - Remove One-Time Shift from Vehicle Liability Fund Costs to HPF		Yes	
97	DPS - Remove One-Time Master Site Upgrade Funding		(3,000,000)	
98	DPS - Remove One-Time Motor Vehicle Fuel Inflation Adjustment		(3,671,200)	
99	RUC - Residential Utility Consumer Office	1,592,200		1,592,200
100	RES - Board of Respiratory Care Examiners	421,400		421,400
101	RET - Arizona State Retirement System	28,667,000		28,513,000
102	RET - Remove One-Time Cloud Migration Funding		(154,000)	
103	REV - Department of Revenue	27,003,400		29,003,400
104	REV - Remove One-Time Shift of Admin. Fund Costs to General Fund		2,000,000	
105	SOS - Secretary of State	6,975,600		1,975,600
106	SOS - Remove One-Time HAVA Appropriation		(5,000,000)	
107	TEC - State Board of Technical Registration	2,605,000		2,605,000
108	DOT - Department of Transportation	575,701,600		545,887,300
109	DOT - Remove One-Time Vehicle Purchases Funding		(18,665,200)	
110	DOT - Remove One-Time MVD Security Modernization Funding (SHF)		(730,900)	
111	DOT - Remove One-Time Passenger Rail Service Operating Costs		(250,000)	
112	DOT - Remove One-Time ADOT Fleet Fuel Inflation Adjustment (SHF)		(2,337,900)	

		FY 2024 OF 1/ Adj. Appropriation	FY 25 Baseline 2/ Above FY 24	FY 2025 OF JLBC Baseline
113	DOT - Remove One-Time Computer Aided Dispatch System (SHF)		(336,800)	
114	DOT - Remove One-Time MVD Paper Cost Increase (SHF)		(701,700)	
115	DOT - Remove One-Time State Fleet Operating Adjustments		(6,791,800)	
116	TRE - State Treasurer	7,854,000		6,486,000
117	TRE - Local Dist. - Remove One-Time Training Simulators		(1,368,000)	
118	UNI - Universities			
119	UNI - ASU	854,407,100		854,407,100
120	UNI - Northern Arizona University	135,319,600		135,319,600
121	UNI - UA - Main Campus	347,232,700		347,232,700
122	UNI - UA - Health Sciences Center	69,546,500		69,546,500
123	VSC - Department of Veterans' Services	60,519,600		60,519,600
124	VME - Veterinary Medical Examining Board	785,100		785,100
125	WAT - Department of Water Resources	2,019,000		2,019,000
126	OTH - Other			
127	OTH - AHCCCS Formula Costs (Supplemental)	7,527,500	(7,527,500)	0
128	OTH - Unallocated FY 2024 Health Insurance Adjustments	8,403,200	(8,403,200)	0
129	OTH - Unallocated FY 2024 AFIS Transaction Fee Adjustments	70,900	(70,900)	0
130	OTH - Unallocated FY 2024 Rent and COP Adjustments	45,500	(45,500)	0
131	OTH - Unallocated FY 2024 Risk Management Adjustments	84,800	(84,800)	0
132	OTH - Unallocated FY 2024 Fleet Adjustments	546,200	(546,200)	0
133	OTH - Unallocated FY 2024 Retirement Adjustments	(243,800)	243,800	0
134	OTH - Unallocated FY 2023 Salary Corrections	395,900	(395,900)	0
135	OTH - Remove One-Time FY 2024 Health Insurance Adjustments	0	(21,596,800)	(21,596,800)
136	OTH - Remove One-Time FY 2024 Fleet Adjustments	0	(5,453,800)	(5,453,800)
137	TOTAL - OPERATING SPENDING CHANGES	\$4,747,330,400	(\$126,730,600)	\$4,620,599,800
138	CAPITAL SPENDING CHANGES			
139	Building Renewal			
140	Arizona Department of Administration	14,000,000		14,000,000
141	Arizona Exposition and State Fair Board	3,802,100	(3,802,100)	0
142	Arizona Department of Corrections	5,864,300		5,864,300
143	Game & Fish Department	1,776,400	18,600	1,795,000
144	Arizona Lottery Commission	214,200	4,000	218,200
145	State Parks Board	3,034,400	(3,034,400)	0
146	Pioneers' Home	468,700	(468,700)	0
147	Arizona Department of Transportation	22,420,200		22,420,200
148	New Projects			
149	Game & Fish - Dam Maintenance	150,000	(150,000)	0
150	Game & Fish - Hatchery Maintenance	400,000	(400,000)	0
151	Game & Fish - Property Maintenance	300,000	(300,000)	0
152	Game & Fish - Water Conservation Projects	500,000	(500,000)	0
153	DHS - Water Pump Replacements	209,000	(209,000)	0
154	DHS - Water Isolation Valve Replacements	200,000	(200,000)	0
155	Parks - Catalina State Park Bridge Construction	5,813,000	(5,813,000)	0
156	Parks - Statewide Campground Improvements	4,100,000		4,100,000
157	Parks - Statewide Solar Shade Structures	2,233,300		2,233,300
158	Parks - Statewide Water Conservation Projects	1,339,000		1,339,000
159	Parks - Riordan Mansion Historic Building Renovations	2,900,000	(2,900,000)	0
160	Parks - Oracle Historic Building Renovations	2,008,500	(2,008,500)	0

		FY 2024 OF 1/ Adj. Appropriation	FY 25 Baseline 2/ Above FY 24	FY 2025 OF JLBC Baseline
161	Parks - Yuma Territorial Prison State Historic Park Repairs	750,000	5,195,000	5,945,000
162	Parks - Establish Veterans Memorial State Park (Laws 2023, Ch. 199)	10,000,000	(10,000,000)	0
163	Parks - Red Rock Historic Building Renovations	0	4,000,000	4,000,000
164	Parks - San Rafael Historic Building Renovation	0	1,500,000	1,500,000
165	Pioneers' Home - Cemetery Columbarium	75,000	(75,000)	0
166	Pioneers' Home - Cemetery Parking	250,000	(250,000)	0
167	ADOT - Statewide Highway Construction	168,607,000	28,080,000	196,687,000
168	ADOT - Controlled Access	137,145,000	174,000	137,319,000
169	ADOT - Debt Service	138,491,000	(10,009,000)	128,482,000
170	ADOT - Airport Planning	35,000,000	(9,450,000)	25,550,000
171	ADOT - Tucson North MVD Renovation (SHF)	4,100,000	(4,100,000)	0
172	ADOT - Keams Canyon Truck Barn/Office (SHF)	3,400,000	(3,400,000)	0
173	ADOT - Replace 3 Vehicle Fueling Stations (SHF)	2,600,000	(2,600,000)	0
174	ADOT - Electric Charging/Adv. Fuel Infrastructure (MVD Public Use) (SHF)	2,500,000	(2,500,000)	0
175	ADOT - Electric Charging/Adv. Fuel Infra. (State/ADOT Fleet) (SHF)	5,000,000	(5,000,000)	0
176	ADOT - Statewide Water Conservation Projects (SHF)	2,500,000	(2,500,000)	0
176				
177	TOTAL - CAPITAL SPENDING CHANGES	\$582,151,100	(30,698,100)	\$551,453,000
178	TOTAL - OPERATING & CAPITAL SPENDING	\$5,329,481,500	(157,428,700)	\$5,172,052,800
179	FUND TRANSFERS			
180	APF/DOA - Automation Projects Fund - All For IT Projects			
181	APF/DOA - DOR Integrated Tax System	7,575,300	34,200	7,609,500
182	APF/DOA - Corp Comm Ecorp System	7,000,000	(7,000,000)	0
183	APF/DOA - DPS Concealed Weapons Tracking System	494,500	(494,500)	0
184	TOTAL - FUND TRANSFERS	\$15,069,800	(\$7,460,300)	\$7,609,500
185	EXPENDITURE AUTHORITY CHANGES			
186	AXS - AHCCCS	17,147,938,800		16,576,095,800
187	AXS - Formula Adjustments		(193,654,100)	
188	AXS - Remove One-Time PMMIS Replacement Costs		(13,800,000)	
189	AXS - Remove One-Time Rapid Genome Sequencing Pilot Program		(326,500)	
190	AXS - Remove One-Time ARPA Home and Community Based Services		(347,740,500)	
191	AXS - Remove One-Time Critical Access Hospital Supplemental Pool		(8,262,000)	
192	AXS - Shift Rural Hospital Reimbursement Funding		(8,059,900)	
193	DCS - Department of Child Safety	637,016,800		591,561,600
194	DCS - Formula Adjustments		(33,036,100)	
195	DCS - Federal Match Rate Changes		(5,725,800)	
196	DCS - Remove One-Time Extended Foster Care Services Model		(6,693,300)	
197	DES - Department of Economic Security	3,290,356,700		3,386,246,500
198	DES - Formula Adjustments		71,025,400	
199	DES - Remove One-Time Home and Community Based Services Funding		(115,793,900)	
200	DES - Administrative Pass-Through Adjustment (AHCCCS Match Transfer)		140,658,300	
201	ADE - Arizona Department of Education	1,259,218,700		1,259,218,700
202	TOTAL - EXPENDITURE AUTHORITY CHANGES	\$22,334,531,000	(\$521,408,400)	\$21,813,122,600

1/ Represents original FY 2024 appropriations adjusted for revisions in the Universities

2/ Represents FY 2025 Baseline cost above FY 2024 Adjusted Appropriation.

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
Operating				
ADOA - Accounting System Upgrade	4,557,000			
APF - ADOA Personnel System Replacement	20,647,800			
APF - DOR Integrated Tax System	19,369,400	19,456,800	19,256,800	18,456,800
APF - Health and Human Services Systems Upgrades	15,000,000			
APF - Corporation Commission Ecorp System	7,000,000			
APF - DPS Concealed Weapons Tracking System	494,500			
APF - Supreme Court Probation Case Management System	3,270,000			
APF - Statewide Community Supervision Electronic Monitoring	2,500,000			
APF - School Financial Transparency Portal	2,000,000			
Agriculture - Nuclear Emergency Mgmt (Laws 2023, Ch. 114)	321,300	308,600		
AHCCCS - Children's Behavioral Health Fund Deposit	250,000			
Attorney General - Child and Family Advocacy Centers	500,000			
Attorney General - Opioid Abatement	12,000,000			
Attorney General - One-Time Funding	3,000,000			
Barbering/Cosmetology - Data Migration	200,000			
Corporation Commission - One-Time Operating Costs	1,200,000			
ADC - Leap Year Funding	1,606,700			
ADC - Florence Closure Costs	1,000,000			
ADC - Transitional Housing Grants	2,000,000			
DEMA - Nuclear Emergency Mgmt (Laws 2023, Ch. 114)	2,113,500	2,176,000		
DEQ - Water Quality Fee Fund Increase	9,500,000			
DEQ - Recycling Fund Increase	3,000,000			
Homeland Security - Cybersecurity Costs	225,000			
DIFI - Theft Task Force Vehicle Fuel Costs	68,600			
Nursing - One-Time Staff Attorney Costs	4,100			
Nursing - One-Time Licensing Specialist Costs	8,200			
Osteopathic Examiners - Annual Leave Payout	14,500			
Parks - One-Time Dispatch Services ISA Costs	285,200			
DPS - Shift Vehicle Liability Insurance Fund Costs to HPF	Yes			
DPS - Master Site Upgrade	3,000,000			
DPS - Motor Vehicle Fuel Inflation	3,671,200			
ASRS - Cloud Migration Funding	154,000			
DOR - Shift Administrative Fund Spending to General Fund	(2,000,000)			
SOS - Appropriate HAVA Balance	5,000,000			
ADOT - One-Time Vehicle Purchases	18,665,200			
ADOT - MVD Security Modernization	730,900			
ADOT - Passenger Rail Service Costs	250,000			
ADOT - ADOT Fleet Fuel Inflation Adjustment	2,337,900			
ADOT - Computer Aided Dispatch System Replacement	336,800			
ADOT - MVD Paper Costs	701,700			
ADOT - State Fleet Operating Adjustments	6,791,800			
Subtotal - Operating Funding	151,775,300	21,941,400	19,256,800	18,456,800
Capital Outlay				
ADOA - Building Renewal	14,000,000			
State Fair - Building Renewal	3,802,100			
ADC - Building Renewal	5,864,300			
Game and Fish - Building Renewal	1,776,400			
Lottery - Building Renewal	214,200			
Parks - Building Renewal	3,034,400			
Pioneers' Home - Building Renewal	468,700			
ADOT - Building Renewal	22,420,200			
Game and Fish - Dam Maintenance	150,000			
Game and Fish - Property Maintenance	300,000			
Game and Fish - Hatchery Maintenance	400,000			
Game and Fish - Water Conservation Projects	500,000			
DHS - Water Pump Replacements	209,000			
DHS - Water Isolation Valve Replacements	200,000			
Parks - Red Rock Historic Building Renovations		4,000,000		
Parks - Catalina State Park Bridge Construction	5,813,000			
Parks - Statewide Campground Improvements	4,100,000	4,100,000		
Parks - Statewide Solar Shade Structures	2,233,300	2,233,300		

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline
Parks - Statewide Water Conservation Projects	1,339,000	1,339,000		
Parks - Riordan Mansion Historic Building Renovations	2,900,000			
Parks - Oracle Historic Building Renovations	2,008,500			
Parks - Yuma Territorial Prison Historic Renovations	750,000	5,945,000		
Parks - San Rafael Historic Building Renovations		1,500,000		
Parks - Veterans Memorial State Park (Laws, 2023, Ch. 199)	10,000,000			
Pioneers' Home - Cemetery Columbarium	75,000			
Pioneers' Home - Cemetery Parking	250,000			
ADOT - Statewide Highway Construction	168,607,000			
ADOT - Controlled Access	137,145,000			
ADOT - Debt Service	138,491,000			
ADOT - Airport Planning	35,000,000			
ADOT - Tucson North MVD Renovation	4,100,000			
ADOT - Keams Canyon Truck Barn/Office	3,400,000			
ADOT - Replace 3 Vehicle Fueling Stations	2,600,000			
ADOT - Electric Charging/Adv. Fuel Infrastructure (MVD Public Use)	2,500,000			
ADOT - Electric Charging/Adv. Fuel Infra. (State/ADOT Fleet)	5,000,000			
ADOT - Statewide Water Conservation Projects	2,500,000			
Subtotal - Capital Outlay	582,151,100	19,117,300	-	-
Total - One-Time Spending	733,926,400	41,058,700	19,256,800	18,456,800

FY 2024 ADJUSTMENTS

JLBC Baseline
Change to
Original '24
Budget

General Fund

AHCCCS - Formula Savings (Ex-Appropriation)	(\$39,944,900)
Department of Economic Security - Formula Savings (Ex-Appropriation)	(24,790,300)
Department of Education - Formula Savings (Ex-Appropriation)	(43,859,500)
OSPB - Retirement Cost Technical Correction (Supplemental)	204,600
JLBC - Retirement Cost Technical Correction (Supplemental)	204,600
Land Department - Central Arizona Project (CAP) User Fee Savings (Ex-Appropriation)	(206,700)
General Fund - Total	(\$108,392,200)

Other Funds

AHCCCS - Formula Costs (Supplemental)	7,527,500
Other Funds - Total	\$7,527,500

FY 2025 FUNDING FORMULA SUSPENSIONS 1/

	<u>FY 2025 Formula Requirement</u>
<u>Statutory</u>	
Community Colleges - Operating State Aid (Maricopa and Pima)	N/A <u>2/</u>
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	0 <u>3/</u>
Universities - Arizona Financial Aid Trust	<u>39,216,000</u> <u>4/ 5/</u>
Total - FY 2025 Statutory Funding Formula Suspensions	\$ 39,216,000
<u>Non-Statutory</u>	
Department of Administration - Building Renewal	48,158,400 <u>5/</u>
Department of Corrections - Building Renewal	41,098,300 <u>5/</u>
Universities - Building Renewal	<u>241,463,400</u> <u>5/</u>
Total - FY 2025 Non-Statutory Funding Formula Suspensions	\$ 330,720,100

- 1/ Represents the General Fund cost of funding formulas that are currently suspended on an annual basis.
- 2/ The dollar value of the suspensions of Operating State Aid for Maricopa and Pima Community Colleges is unknown because formula growth is based on multiplying the change in student count by the current year average state aid per student. Both Maricopa and Pima do not receive funding in the FY 2025 Baseline.
- 3/ A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The Environment Budget Reconciliation Bill in each year transfers \$15,000,000 for WQARF, but does not permit any additional corporate income tax adjustment above that level.
- 4/ Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2025 General Fund contribution would be \$49,257,200. Of this amount, the Baseline continues \$10,041,200 in General Fund support.
- 5/ Based on agency estimates. Reflects amount above the appropriation in the FY 2025 Baseline.

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
BUDGET UNITS			
Arizona Department of Administration (ADA)			
Certificate of Participation (5005)	\$16,297,400	\$14,404,000	\$14,404,000
Construction Insurance (4219)	2,792,400	10,110,700	10,110,700
Co-Op State Purchasing Agreement (4213)	6,516,300	7,115,900	7,115,900
Coronavirus State and Local Fiscal Recovery (2985)	23,028,000	58,316,800	46,584,200
Emergency Telecommunication Services Revolving (2176)	23,157,300	21,396,800	21,396,800
Employee Related Expenditures/Benefits Admin (ITA3035)	37,513,100	38,695,100	38,695,100
Federal Grants (2000)	2,227,900	35,000	0
Fire Incident Management Fund (9998)	0	0	0
Governor's Emergency Education Relief (2980)	2,857,100	0	0
IGA and ISA (2500)	52,999,100	55,674,600	55,674,600
Payroll Administration (9200)	273,000	(47,800)	(47,800)
Retiree Accumulated Sick Leave (3200)	15,413,700	11,369,000	11,369,000
School Safety Interoperability (3076)	0	0	0
Special Employee Health Insurance Trust (3015)	879,658,100	1,016,179,400	1,016,179,400
Special Events (2503)	19,700	0	0
Special Services Revolving (4208)	1,013,600	1,015,100	1,015,100
State Employee Travel Reduction (2261)	448,100	577,500	577,500
Statewide Donations (2025)	400	1,300	1,300
Text to 911 Services (2177)	203,700	0	0
Traffic and Parking Control (2453)	0	0	0
Transparency Website (2955)	26,000	27,000	27,000
VW Diesel Emissions Environment Migration Trust (3917)	0	0	0
Total - Arizona Department of Administration	\$1,064,444,900	\$1,234,870,400	\$1,223,102,800
Department of Administration - School Facilities Division (SFA)			
Arizona Public School Credit Enhancement (9999)	\$0	\$0	\$0
Building Renewal Grant (2392)	0	0	0
Emergency Deficiencies Correction (2484)	322,100	382,000	0
IGA and ISA (2500)	0	0	0
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	0	0	0
School Improvement Revenue Bond Debt Service (5020)	0	0	0
State School Trust Revenue Bond Service (5030)	0	0	0
Total - Department of Administration - School Facilities Division	\$322,100	\$382,000	\$0
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$816,500	\$873,900	\$873,900
Video Service Provider Complaint (2603)	0	0	0
Total - Office of Administrative Hearings	\$816,500	\$873,900	\$873,900
Arizona Commission of African-American Affairs (AMA)			
Arizona Commission of African-American Affairs (2397)	\$4,900	\$0	\$0
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$46,500	\$50,800	\$50,800
Agricultural Consulting and Training Trust (1239)	2,900	4,400	4,400
Agricultural Products Marketing (2368)	637,800	533,200	533,200
Aquaculture Trust (2297)	2,500	9,900	9,900
Beef Council (2083)	323,700	350,000	350,000
Citrus Trust (2299)	53,900	50,000	50,000
Citrus, Fruit and Vegetable Trust (2260)	358,200	354,300	354,300
Commercial Feed Trust (2012)	258,100	469,600	469,600
Commodity Promotion (2458)	4,100	4,000	4,000
Cotton Research and Protection Council (2013)	3,579,800	7,929,700	7,929,700
Dangerous Plants, Pests and Diseases Trust (2054)	6,900	90,700	90,700
Designated (3011)	556,200	1,209,000	1,209,000
Egg Inspection Trust (2022)	1,847,400	1,840,000	1,840,000
Equine Inspection (2489)	0	0	0
Federal-State Inspection (2113)	8,537,900	9,185,300	9,185,300
Federal (2000)	5,546,800	5,421,800	5,421,800
Fertilizer Materials Trust (2081)	393,700	506,100	506,100
Grain Trust (2201)	82,100	91,900	91,900
Iceberg Lettuce Trust (2259)	70,300	75,000	75,000
Indirect Cost Recovery (9000)	(3,200)	330,100	330,100

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Industrial Hemp Trust (2372)	154,600	325,600	325,600
Livestock and Crop Conservation (2378)	13,900	6,800	6,800
Livestock Custody Trust (2065)	24,400	36,400	36,400
Livestock Operator Fire and Flood Assistance (2374)	0	0	0
Pest Management Trust (2050)	1,615,200	1,500,000	1,500,000
Pesticide Trust (2051)	228,600	434,000	434,000
Produce Safety Trust (2371)	0	0	0
Protected Native Plant Trust (2298)	40,900	12,000	12,000
Seed Law Trust (2064)	82,900	84,800	84,800
Total - Arizona Department of Agriculture	\$24,466,100	\$30,905,400	\$30,905,400
AHCCCS (HCA)			
Arizona Tobacco Litigation Settlement (2468)	\$98,980,700	\$102,000,000	\$102,000,000
Behavioral Health Training Pilot Program (9999)	0	0	0
Children's Behavioral Health Services (2735)	0	0	0
Coronavirus Relief (2975)	0	0	0
Coronavirus State and Local Fiscal Recovery Fund (2985)	2,853,100	223,400	223,400
County Funds (9691)	397,615,200	409,939,100	443,048,300
Delivery System Reform Incentive Payment (2130)	15,495,200	8,321,200	17,922,700
Employee Recognition (2449)	0	1,900	1,900
Federal - Medicaid Direct Services (2120)	90,250,300	90,250,300	90,250,300
Federal (2000)	127,389,400	162,130,400	162,130,400
Federal Medicaid Authority (2120/2223)	15,697,080,400	14,560,642,600	13,875,934,000
Health Care Investment (2588)	330,087,100	588,163,600	621,552,500
Hospital Assessment (2576)	627,866,800	606,180,400	594,319,800
IGA and ISA Fund (2500)	0	0	0
IGA for County Behavioral Health Services (4503)	77,361,800	77,339,200	77,339,200
Intergovernmental Service (2442)	14,562,500	40,165,600	40,165,600
Nursing Facility Provider Assessment (2567)	29,129,900	32,989,600	32,989,600
Political Subdivision (1111)	147,947,600	193,784,400	242,411,000
Prescription Drug Rebate - Federal (2546)	609,060,300	609,060,300	609,060,300
Proposition 202 - Trauma and Emergency Services (2494)	37,352,700	37,352,700	37,352,700
Seriously Mentally Ill Housing Trust (2555)	890,800	0	0
Substance Use Disorder Services (2325)	0	0	0
Third Party Liability and Recovery (3791/3019)	194,700	194,700	194,700
Tobacco Products Tax Fund - Proposition 204			
Protection Account (1303)	36,641,400	36,662,900	36,662,900
Total - AHCCCS	\$18,340,759,900	\$17,555,402,300	\$16,983,559,300
Arizona Commission on the Arts (HUA)			
Arizona Arts Trust (3043)	\$1,289,200	\$1,548,200	\$1,548,200
Arts Special Revenues (2116)	370,800	238,000	238,000
Coronavirus State and Local Fiscal Recovery (2985)	0	0	0
Federal Grants (2000)	1,008,300	1,136,800	1,136,800
State Poet Laureate (2569)	0	0	0
Total - Arizona Commission on the Arts	\$2,668,300	\$2,923,000	\$2,923,000
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	\$6,341,400	\$6,632,300	\$6,632,300
Attorney General Expendable Trust (3102)	7,300	6,600	6,600
Child and Family Advocacy Center (2540)	600,000	650,000	650,000
CJEF Distribution to County Attorneys (2068)	2,771,100	3,243,400	3,243,400
Consumer Remediation Subaccount of the Consumer			
Restitution and Remediation Revolving (2573)	6,441,000	4,000,000	4,000,000
Consumer Restitution Subaccount of the Consumer			
Restitution and Remediation Revolving (2573)	3,556,200	5,023,800	5,023,800
Coronavirus State and Local Fiscal Recovery Fund (2985)	0	3,000,000	3,000,000
Court-Ordered Trust (3180)	3,089,900	0	0
Criminal Case Processing (2461)	86,900	122,900	122,900
Federal Grants (2000)	7,845,500	10,218,400	10,218,400
Indirect Cost Recovery (9000)	13,210,600	14,825,900	14,825,900
Intergovernmental Agreements (2500)	32,005,800	28,499,700	28,499,700
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	1,123,700	1,028,500	1,028,500
Smart and Safe Arizona Fund (1120)	0	0	0
Total - Attorney General - Department of Law	\$77,079,400	\$77,251,500	\$77,251,500

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319)	\$15,000	\$3,000	\$3,000
New Charter Application Processing (2568)	128,800	34,500	34,500
Total - State Board for Charter Schools	\$143,800	\$37,500	\$37,500
Department of Child Safety (CHA)			
Child Restraint (2192)	\$0	\$0	\$0
Child Safety Expenditure Authority (2009)	392,108,200	444,151,600	431,732,500
Client Trust (3152)	0	0	0
Comprehensive Health Plan (2121)	203,867,600	192,865,200	159,829,100
Economic Security Donations (3145)	25,000	0	0
Total - Department of Child Safety	\$596,000,800	\$637,016,800	\$591,561,600
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections (2425)	\$9,019,100	\$5,185,100	\$5,185,100
Arizona Commerce Authority (CAA)			
ADOA Business One-Stop Fund (1027)	\$243,000	\$0	\$0
Application Fees (3005)	\$3,391,000	\$1,962,500	\$1,962,500
Arizona Commerce Authority Carryover (1001)	216,400	569,900	569,900
Arizona Commerce Authority (2547)	0	0	0
Arizona Competes (2548)	0	0	0
Arizona Innovation Accelerator (9507)	1,357,800	3,592,100	3,592,100
Arizona Job Training (1237)	0	0	0
Asian Trade Offices (1024)	0	0	0
Blockchain/Wearables (1016)	0	0	0
Asia-Pacific Trade Offices (1242)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	61,000	51,194,000	51,194,000
Donations (3189)	26,900	21,100	21,100
Economic Development (1026)	4,463,100	8,714,100	8,714,100
Economic Development Marketing and Attraction (1003)	0	0	0
Economic Transition Resources (1003)	0	0	0
Federal (2000)	6,676,400	8,302,300	8,302,300
Frankfurt Germany (1023)	0	0	0
Institute for Automated Mobility (4080)	219,500	31,700	31,700
Israel Trade Office (1021)	0	0	0
Major Events (9999)	0	0	0
Mexico Trade Office (1020)	0	0	0
Non-Federal Grant (3010)	0	0	0
RevAZ (9971)	1,549,800	2,850,000	2,850,000
Rural Broadband Accelerated Match Fund (1032)	0	0	0
Rural Broadband Grants (1006)	0	600	600
State Workforce Programs (1025)	0	0	0
Trade Office Fund (1220)	0	0	0
Water Infrastructure and Commerce Grant (1090)	0	0	0
Total - Arizona Commerce Authority	\$18,204,900	\$77,238,300	\$77,238,300
Arizona Community Colleges (CMA)			
Smart and Safe Arizona (varies by account)	\$50,808,700	\$55,031,900	\$55,031,900
Tribal Assistance (NA)	1,274,600	1,292,700	1,292,700
Workforce Development Accounts (varies by account)	32,406,400	33,367,600	33,367,600
Total - Arizona Community Colleges	\$84,489,700	\$89,692,200	\$89,692,200
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$262,600	\$665,000	\$665,000
Registrar of Contractors (RGA)			
Registrar of Contractors Cash Bond (3721)	\$0	\$0	\$0
Residential Contractors' Recovery (3155)	5,851,800	4,666,800	4,666,800
Total - Registrar of Contractors	\$5,851,800	\$4,666,800	\$4,666,800
Corporation Commission (CCA)			
Federal (2000)	\$1,565,800	\$3,531,000	\$3,531,000
IGA and ISA (2500)	840,800	935,500	935,500
Public Access - Money on Deposit Account (2334)	0	0	0
Utility Siting (2076)	48,200	49,500	49,500
Total - Corporation Commission	\$2,454,800	\$4,516,000	\$4,516,000
State Department of Corrections (DCA)			
Arizona Correctional Industries Revolving (4002)	\$53,384,900	\$52,333,500	\$52,333,500
Community Corrections Enhancement (2395)	1,037,400	810,000	810,000

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery (2985)	3,038,500	0	0
Federal (2000)	17,035,900	16,762,100	8,684,400
Indirect Cost Recovery (9000)	18,300	18,300	18,300
Inmate Store Proceeds (2505)	11,924,900	6,207,900	6,207,900
Interagency Service Agreement (2500)	4,784,100	2,407,700	(3,022,300)
Special Services (3187)	8,070,900	10,350,500	10,350,500
State DOC Revolving (2515)	11,770,600	12,058,400	12,058,400
Statewide Employee Recognition Gifts/Donations (2449)	170,800	187,300	187,300
Total - State Department of Corrections	\$111,236,300	\$101,135,700	\$87,628,000
Arizona Criminal Justice Commission (JCA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$1,219,600	\$5,500,000	\$5,500,000
Criminal Justice Enhancement (2134)	508,900	509,400	509,400
Drug and Gang Enforcement (2516)	3,855,300	3,090,800	3,090,800
Employee Recognition (2449)	0	0	0
Federal Grants (2000)	10,693,100	12,945,900	12,945,900
IGA and ISA (2500)	0	0	0
State Aid for Juvenile Dependency Proceedings (2040)	0	0	0
Total - Arizona Criminal Justice Commission	\$16,276,900	\$22,046,100	\$22,046,100
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$1,478,100	\$1,831,100	\$1,831,100
Enterprise (4222)	95,700	70,800	70,800
Federal Grants (2000)	2,965,800	3,205,000	3,205,000
Instructional Improvement (2492)	0	0	0
State Grants (2011)	727,500	0	0
Trust (3148)	85,000	80,800	80,800
Total - Arizona State Schools for the Deaf and the Blind	\$5,352,100	\$5,187,700	\$5,187,700
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (2025)	\$0	\$0	\$0
Arizona Early Childhood Development and Health Board (CDA)			
Early Childhood Development and Health (2542)	\$137,005,900	\$139,512,800	\$139,512,800
Federal Grants (2000)	61,987,800	131,898,600	131,898,600
Total - Arizona Early Childhood Development and Health Board	\$198,993,700	\$271,411,400	\$271,411,400
Office of Economic Opportunity (EOA)			
Arizona Finance Authority Operations (FAA5352)	\$0	\$125,000	\$125,000
Arizona Industrial Development Authority (FAA9973)	0	0	0
Economic Development (3777)	4,656,300	5,000,000	5,000,000
Federal Grants (2000)	3,050,500	7,413,900	7,413,900
Greater Arizona Development Authority Revolving (2311)	0	4,000	4,000
IGA and ISA (2500)	2,021,000	76,200	76,200
Microbusiness Loan Fund (2073)	0	0	0
Office of Economic Opportunity Operations (9903)	1,852,900	1,421,400	1,421,400
Total - Office of Economic Opportunity	\$11,580,700	\$14,040,500	\$14,040,500
Department of Economic Security (DEA)			
Child Support Enforcement Administration (2091)	\$59,449,000	\$44,195,500	\$44,195,500
Client Trust (3152)	0	0	0
Coronavirus Relief (2975)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	41,889,000	164,950,600	164,950,600
Crisis Contingency and Safety Net (3240)	0	0	0
Developmentally Disabled Client Investment (3146)	0	0	0
Developmentally Disabled Client Services Trust (2019)	0	0	0
Donations (3145)	0	0	0
Economic Security Capital Investment (2093)	0	0	0
Employee Recognition (2449)	0	0	0
Family Caregiver Grant Program (2347)	42,400	787,600	787,600
Federal Grants (2000)	3,264,759,100	2,961,027,300	2,961,027,300
Health Care Investment (2588)	54,370,500	54,412,300	38,715,900
IGA and ISA (2500)	0	0	0
Long Term Care System - Federal Match (2225)	2,359,044,700	3,191,748,900	3,303,335,100
Neighbors Helping Neighbors (2348)	22,900	28,500	28,500
Revenue from State or Local Agency Fund (3193)	2,595,500	2,725,300	2,725,300
Special Olympics Tax Refund (3207)	97,400	100,600	100,600
Unemployment Insurance Benefits (7510)	248,487,900	331,868,000	331,868,000
Total - Department of Economic Security	\$6,030,758,400	\$6,751,844,600	\$6,847,734,400

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
State Board of Education (EBA)			
Donations (2025)	\$0	\$0	\$0
Department of Education (EDA)			
Adult Workforce Diploma Program (1125)	\$0	\$0	\$0
American Civics Education (2612)	0	0	0
Arizona Agricultural Youth Organization Special Plate (2651)	175,200	175,200	175,200
Arizona Civics Education and Leadership Development Fund (2613)	0	0	0
Arizona English Language Learner (2535)	0	0	0
Arizona Industry Credentials Incentive (2685)	0	0	0
Arizona Youth Farm Loan (2136)	0	0	0
Assistance for Education (2420)	42,300	12,000	12,000
Broadband Expansion (2145)	0	0	0
Character Education Special Plate (2522)	20,300	20,000	20,000
Classroom Site (2471)	947,936,000	1,018,912,500	1,018,912,500
College Credit by Examination Development (2641)	0	0	0
Community College Adult Education Workforce Development Program (1124)	0	0	0
Computer Science Professional Development Program (2635)	0	0	0
Department of Education Empowerment Scholarship Account (2570)	1,100	0	0
Department of Education Production Revolving (4211)	958,100	935,300	935,300
Dual Enrollment Student Development Fund (2605)	0	0	0
Dual Enrollment Teacher Development Fund (2607)	0	0	0
Early Education and Career Exploration Program Fund (2690)	0	0	0
Early Literacy Program (2181)	0	0	0
Education Commodity (4210)	340,000	909,000	909,000
Education Donations (2025)	32,000	26,000	26,000
Education Sales Tax - Basic State Aid (1115)	165,337,200	150,380,500	150,380,500
Education Sales Tax - Character Education (1117)	167,800	200,000	200,000
Education Sales Tax - Falling School Tutoring (2470)	302,100	1,500,000	1,500,000
Education Sales Tax - School Safety (1116)	15,600,000	7,800,000	7,800,000
Extraordinary Special Education Needs (2483)	0	0	0
Federal (2000)	2,407,328,100	2,628,304,700	2,628,304,700
Golden Rule Special Plate (2366)	242,400	240,000	240,000
Governor's Emergency Education Relief (2980)	13,468,700	426,200	426,200
IGA and ISA (2500)	4,970,500	8,652,400	8,652,400
Indirect Cost Recovery (9000)	9,641,300	8,733,800	8,733,800
Industry-Recognized Certification and Licensure Reimbursement (2780)	0	0	0
Instructional Improvement (2492)	41,482,700	80,425,700	80,425,700
Internal Services (4209)	11,939,100	13,837,000	13,837,000
Invest in Postsecondary Success Program (2196)	0	0	0
Results-Based Funding (2151)	0	0	0
Special Education (1009)	0	0	0
Total - Department of Education	\$3,619,984,900	\$3,921,490,300	\$3,921,490,300
Department of Emergency and Military Affairs (MAA)			
Anti-Human Trafficking Grant (2606)	\$0	\$6,825,900	\$0
Border Security (2655)	194,731,400	221,580,500	10,895,800
Camp Navajo (2106)	9,692,400	14,663,800	14,663,800
Coronavirus Relief (2975)	0	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Emergency Management Assistance Compact Revolving (2602)	(157,900)	125,900	125,900
Federal - Emergency (2000)	16,532,900	52,052,700	52,052,700
Federal - Military (2000)	53,154,800	88,153,500	88,153,500
Hazard Mitigation Revolving Fund (9999)	0	0	0
Indirect Cost Recovery (9000)	887,800	1,073,600	1,073,600
Interagency Service Agreement (2500)	913,200	1,390,600	1,390,600
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	23,000	257,000	257,000
National Guard (2140)	251,100	400,000	400,000
National Guard Cyber Response Revolving (2619)	0	0	0
State Armory Property (2146)	32,400	795,100	795,100
Total - Department of Emergency and Military Affairs	\$276,061,100	\$387,318,600	\$169,808,000
Department of Environmental Quality (EVA)			

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery (2985)	\$0	\$25,000,000	\$25,000,000
Employee Recognition (2449)	1,300	1,400	1,400
Federal (2000)	18,625,500	35,456,600	35,456,600
IGA and ISA (2500)	5,113,400	1,584,600	1,584,600
Institutional and Engineering Control (2563)	14,800	0	0
Monitoring Assistance (2308)	493,500	858,700	858,700
Specific Site Judgment (3006)	200	0	0
Underground Storage Tank Revolving Summary (2271)	39,220,400	50,066,400	50,066,400
Voluntary Remediation (2564)	379,500	363,300	363,300
Voluntary Vehicle Repair and Retrofit Program (2365)	2,714,500	1,631,200	1,631,200
Water Quality Assurance Revolving (2221)	15,568,400	18,187,300	18,187,300
Total - Department of Environmental Quality	\$82,131,500	\$133,149,500	\$133,149,500
Board of Executive Clemency (PPA)			
IGA and ISA (2500)	\$24,500	\$28,000	\$28,000
Arizona Exposition and State Fair Board (CLA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$1,470,000	\$0	\$0
Arizona Department of Forestry and Fire Management (FFM)			
Arson Detection Reward (2169)	\$0	\$0	\$0
Cooperative Forestry (2232)	10,505,800	17,754,500	17,754,500
Fire Suppression Revolving (2360)	48,581,700	50,220,000	50,220,000
IGA and ISA (2500)	2,416,400	779,000	779,000
Indirect Cost Recovery (9000)	365,900	500,000	500,000
Nonnative Vegetation Species Eradication (2456)	0	0	0
Trampoline Court Safety (2578)	0	0	0
Total - Arizona Department of Forestry and Fire Management	\$61,869,800	\$69,253,500	\$69,253,500
Arizona Game and Fish Department (GFA)			
Arizona Game and Fish Department Fleet Operations (9902)	\$2,069,700	\$1,547,800	\$1,547,800
Arizona Game and Fish Department Fleet Vehicle Replacement (9901)	1,568,900	1,626,300	1,626,300
Conservation Development (2062)	1,459,700	1,859,700	1,859,700
Federal (2000)	0	0	0
Federal Revolving (2028)	48,931,800	68,235,100	68,235,100
Firearms Safety and Ranges (2442)	74,800	78,500	78,500
Game and Fish Federal Duck Stamps (3711)	0	0	0
Game and Fish In-Lieu Fee Program Restoration			
Endowment Trust (3167)	91,000	222,400	222,400
Game and Fish Publications Revolving (4007)	367,700	297,100	297,100
Game and Fish Trust (3111)	4,413,400	4,723,600	4,723,600
Heritage - Acquisition (2294)	892,100	3,854,900	3,854,900
Heritage - Administration (2292)	39,200	48,000	48,000
Heritage - Environmental Education (2290)	581,200	560,400	560,400
Heritage - Habitat Evaluation or Habitat Protection (2291)	1,331,200	1,777,300	1,777,300
Heritage - Identification, Inventory, Protection and Mgmt (2295)	4,014,200	4,920,200	4,920,200
Heritage - Public Access (2293)	566,400	630,100	630,100
Heritage - Urban Wildlife and Urban Life Habitat (2296)	1,385,000	1,845,000	1,845,000
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	8,543,700	9,878,300	9,878,300
Kaibab Co-op (3714)	75,000	0	0
Off Highway Vehicle Recreation (2253)	1,820,000	2,800,300	2,800,300
Wildlife Conservation (2497)	9,900	0	8,798,600
Wildlife Conservation Enterprise (2029)	10,179,800	8,798,600	0
Wildlife Theft Prevention (2080)	113,500	153,000	153,000
Total - Arizona Game and Fish Department	\$88,528,200	\$113,856,600	\$113,856,600
Department of Gaming (GMA)			
2021 Compact Trust (2021)	\$0	\$0	\$0
Arizona Breeders' Award (2206)	1,815,500	1,700,000	1,700,000
Event Wagering (2330)	2,053,100	1,990,000	1,990,000
IGA and ISA (2500)	16,600	0	0
Racing Commission Bond Deposit (3720)	0	0	0
Racing Investigation (2369)	0	0	0
Retired Racehorse Adoption (2015)	27,900	25,000	25,000
Total - Department of Gaming	\$3,913,100	\$3,715,000	\$3,715,000
Office of the Governor (GVA)			
Arizona Commission of African-American Affairs (2397)	\$0	\$0	\$0

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Coronavirus Relief (2975)	\$11,153,900	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	523,486,800	841,926,000	841,926,000
County Fairs Livestock and Agriculture Promotion (2037)	0	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Drug Treatment and Education (2277)	5,201,000	6,005,700	6,005,700
Federal Grants (2000)	31,665,400	41,057,600	40,168,600
Foster Youth Education Success (1400)	0	0	0
Governor's Emergency Education Relief (2980)	28,101,000	25,054,100	0
Governor's Endowment Partnership (3206)	286,000	270,000	167,700
IGA and ISA (2500)	1,569,300	2,006,100	2,006,100
Indirect Cost Recovery (9000)	2,432,000	2,260,800	2,260,800
Prevention of Child Abuse (2439)	166,600	250,000	200,000
Total - Office of the Governor	\$604,062,000	\$918,830,300	\$892,734,900
Department of Health Services (HSA)			
Alzheimer's Disease Research (2255)	\$0	\$32,000	\$32,000
Arizona Nurse Education Investment Pilot Program (4200)	0	0	0
Arizona State Hospital Charitable Trust (9985)	12,200	100,000	100,000
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	51,600	550,300	550,300
Childhood Cancer and Rare Childhood Disease Research (2560)	0	30,000	30,000
Collaborative Care Uptake Fund (4270)	0	0	0
Congenital Heart Defect Special Plate (2258)	0	32,000	32,000
Coronavirus Relief (2975)	12,202,600	0	0
Coronavirus State and Local Fiscal Recovery (2985)	4,427,900	5,083,300	5,083,300
Disease Control Research (2090)	1,596,100	3,000,300	3,000,300
Donations - DHS (3010/2025)	1,233,000	710,700	710,700
Donations - Statewide (2025)	4,800	5,500	5,500
Drug Disposal Education and Awareness (2230)	0	0	0
Federal Child Care and Development Fund Block Grant (2008)	6,655,200	5,000,100	5,000,100
Federal (2000)	501,821,900	473,599,400	473,599,400
Health Services Lottery Monies (4250)	7,354,300	8,973,300	8,973,300
IGA and ISA (4500)	14,870,900	12,046,400	12,046,400
Internal Services (4202)	14,800	0	0
Justice Reinvestment (1121)	2,958,900	12,747,400	12,747,400
Laser Safety (2388)	6,900	0	0
Medical Marijuana (2544)	21,226,800	25,899,800	25,899,800
Oral Health (3038)	73,500	581,200	581,200
Public Health Emergencies (2775)	434,100	0	0
Smart and Safe Arizona (1120)	6,960,200	11,000,000	11,000,000
Smoke-Free Arizona (2541)	1,129,900	2,604,800	2,604,800
Tobacco Tax and Health Care - Health Education Account (1308)	12,263,400	18,000,000	18,000,000
Tobacco Tax and Health Care - Health Research Account (2096)	2,569,200	9,550,300	9,550,300
Total - Department of Health Services	\$597,868,200	\$589,546,800	\$589,546,800
Arizona Historical Society (HIA)			
Crisis Contingency and Safety Net (3240)	\$0	\$0	\$0
Federal Grants (2000)	42,900	30,000	30,000
Permanent Arizona Historical Society Revolving (2900)	559,300	404,300	404,300
Preservation and Restoration (2125)	21,800	0	0
Private (9447)	393,500	1,488,100	1,488,100
Trust (9450)	0	0	0
Total - Arizona Historical Society	\$1,017,500	\$1,922,400	\$1,922,400
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$926,600	\$1,074,500	\$1,074,500
Department of Homeland Security (HLA)			
Antihuman Trafficking Grant Fund (9999)	0	0	0
Federal (2000)	\$24,849,000	\$25,000,000	\$25,000,000
Arizona Nonprofit Security Grant Program Fund (8888)	0	0	0
Total - Department of Homeland Security	24,849,000	25,000,000	25,000,000
Arizona Department of Housing (HDA)			
CDBG-CV CARES Act (2976)	\$9,284,000	\$9,285,000	\$9,285,000
Consumer Recovery (3090)	0	0	0

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery (2985)	23,488,800	15,000,000	15,000,000
DPS-FBI Fingerprint (2159)	6,100	6,100	6,100
Federal (2000)	97,379,300	97,729,700	97,729,700
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Home ARPA (8610)	2,600	2,700	2,700
Home Investment Partnership Act (1410)	5,158,400	0	0
Homeowner's Assistance (2986)	115,982,400	55,321,700	55,321,700
Housing Choice Voucher Emergency Housing (3202)	147,700	160,000	160,000
Housing Program (2200)	8,584,500	10,402,600	10,402,600
Housing Stability Counseling (9919)	264,400	268,400	268,400
Housing Trust (2235)	218,900	190,700	190,700
IGA and ISA (2500)	6,037,600	6,088,000	6,088,000
Manufactured Housing Cash Bond (3722)	0	0	0
Military Transitional Housing (9999)	0	0	0
Mobile Home Relocation (2237)	173,300	34,900	34,900
Total - Arizona Department of Housing	\$266,728,000	\$194,489,800	\$194,489,800
Industrial Commission of Arizona (ICA)			
Coronavirus State and Local Fiscal Recovery Fund (2985)	\$0	\$20,000,000	\$20,000,000
Federal Grants (2000)	\$3,622,900	\$3,532,500	\$3,532,500
Municipal Firefighters Cancer Reimbursement (2182)	2,636,400	5,000,000	5,000,000
Proposition 206 Fair Wages and Healthy Families (2185)	0	31,700	31,700
Revolving (2002)	170,800	156,200	156,200
Special (2180)	14,781,000	13,924,600	13,924,600
Total - Industrial Commission of Arizona	\$21,211,100	\$42,645,000	\$42,645,000
Department of Insurance and Financial Institutions (IDA)			
Arizona Property and Casualty Insurance Guaranty (2114)	\$7,926,100	\$7,926,100	\$7,926,100
Assessment Fund for Voluntary Plans (2316)	0	0	0
Captive Insurance Regulatory/Supervision (2377)	877,100	800,800	800,800
Federal (2000)	123,700	28,700	28,700
Financial Surveillance (2473)	529,700	545,400	545,400
Health Care Appeals (2467)	232,500	145,100	145,100
IGA and ISA (2500)	0	0	0
Insurance Department Fingerprinting (2163)	0	0	0
Insurance Examiners' Revolving (2034)	2,646,800	2,226,700	2,226,700
Insurance Premium Tax Clearing (3727)	0	0	0
Life and Disability Insurance Guaranty (2154)	6,703,300	6,703,300	6,703,300
Mortgage Recovery (BDA1997)	11,500	13,000	13,200
Receivership Liquidation (3104)	131,600	140,200	140,200
Receivership Revolving (BDA3023)	6,200	3,000	3,000
Revolving (BDA2126)	397,200	412,300	412,300
Settlement (ATA1991)	0	0	0
Total - Department of Insurance and Financial Institutions	\$19,585,700	\$18,944,600	\$18,944,800
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$223,500	\$648,400	\$648,400
Arizona Trial and Digital Evidence (2382)	725,200	1,950,900	1,950,900
Certified Reporters (2440)	98,700	107,600	107,600
Drug Treatment and Education (2277)	632,100	1,740,000	1,740,000
General Adjudication Personnel and Support (1098)	0	0	0
Grants and Special Revenue (2084)	23,624,500	26,668,700	26,668,700
Juvenile Probation Services (2193)	0	0	0
Public Defender Training (3013)	356,200	353,100	353,100
Smart and Safe Arizona (1120)	0	0	0
State Court Fleet Operations and Replacement (3800)	0	0	0
Total - Judiciary - Supreme Court	\$25,660,200	\$31,468,700	\$31,468,700
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$7,000	\$52,000	\$52,000
Coronavirus State and Local Fiscal Recovery Fund	\$10,275,000	\$1,771,800	\$1,771,800
Criminal Justice Enhancement (2075)	0	0	0
Drug and Gang Enforcement Account (2074)	1,073,200	1,005,600	1,005,600
Drug Treatment and Education (2277)	3,829,800	4,021,800	4,021,800
Grants and Special Revenue (2084)	1,696,300	681,200	681,200
Juvenile Probation Services (2193)	0	0	0
Total - Judiciary - Superior Court	\$16,881,300	\$7,532,400	\$7,532,400

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Department of Juvenile Corrections (DJA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$405,300	\$0	\$0
DJC Career and Technical Education (2326)	0	0	0
DJC Restitution (2476)	8,300	8,100	8,100
Employee Recognition (2449)	5,500	5,400	5,400
Federal (2000)	1,077,900	758,800	758,800
Indirect Cost Recovery (9000)	0	0	0
Instructional Improvement (2492)	0	0	0
Juvenile Corrections (3024)	12,700	12,600	12,600
State Education System for Committed Youth Classroom Site (2487)	172,300	172,400	172,400
Statewide Donations (2025)	400	400	400
Total - Department of Juvenile Corrections	\$1,682,400	\$957,700	\$957,700
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0
Federal Reclamation Trust (2024)	0	0	0
IGA and ISA (2500)	0	0	0
Interagency Agreements (2212)	0	0	0
Land Clearance Fund (3732)	1,620,000	3,662,100	3,662,100
Off-Highway Vehicle Recreation (2253)	205,300	140,500	140,500
Resource Analysis Division Revolving (4009)	96,300	91,100	91,100
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	648,300	575,000	575,000
Total - State Land Department	\$2,569,900	\$4,468,700	\$4,468,700
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,719,500	\$1,289,200	\$1,289,200
Legislature - Legislative Council (LCA)			
Museum Gift Shop Revolving (4008)	\$32,100	\$42,800	\$42,800
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$89,100	\$0	\$0
Audit Surcharge (3010)	90,500	244,400	244,400
Direct Shipment License Issuance (3017)	36,000	69,400	69,400
Direct Shipment License Renewal (3018)	0	383,500	383,500
DPS - FBI Fingerprint (2159)	0	0	0
Enforcement Surcharge - Enforcement Unit (3012)	355,400	475,300	475,300
Enforcement Surcharge - Multiple Complaints (3011)	334,800	449,900	449,900
Federal Grants (2000)	410,600	0	0
Growlers (1997)	10,000	0	0
IGA and ISA (2500)	0	24,900	24,900
Sampling Privileges (1998)	0	0	0
Total - Department of Liquor Licenses and Control	\$1,326,400	\$1,647,400	\$1,647,400
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$1,002,910,300	\$1,144,479,700	\$1,144,479,700
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$0	\$0	\$0
Federal Education and Training (2400)	61,900	56,800	56,800
Federal Grants (2000)	383,400	482,500	482,500
Total - State Mine Inspector	\$445,300	\$539,300	\$539,300
State Board of Nursing (BNA)			
Coronavirus State and Local Fiscal Recovery Fund (2985)	\$562,000	\$24,028,700	\$24,028,700
Nurse Aide Training and Registration (2000)	\$414,700	\$414,700	\$414,700
Statewide Donations (2025)	0	0	0
Total - State Board of Nursing	\$976,700	\$24,443,400	\$24,443,400
Arizona State Parks Board (PRA)			
Arizona State Parks Heritage (3126)	\$0	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	52,000	0	0
Federal (2000)	946,800	8,790,000	8,790,000
Off Highway Vehicle Recreation (2253)	769,300	2,107,000	2,107,000
Partnership (2448)	187,000	2,518,000	2,518,000
State Lake Improvement (2106)	7,526,800	12,624,000	12,624,000
State Parks (3117)	256,900	200,000	200,000
Sustainable State Parks and Roads (3125)	57,600	250,000	250,000
Total - Arizona State Parks Board	\$9,796,400	\$26,489,000	\$26,489,000

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	\$2,231,500	\$0	\$0
Federal Grants (2000)	0	0	0
Total - Arizona State Board of Pharmacy	\$2,231,500	\$0	\$0
Arizona Pioneers' Home (PIA)			
Pioneers' Home (Cemetery Proceeds) (3144)	\$9,000	\$9,100	\$9,100
Pioneers' Home (Donations) (3143)	5,400	5,500	5,500
Total - Arizona Pioneers' Home	\$14,400	\$14,600	\$14,600
Arizona Power Authority (PAA)			
Arizona Power Authority (9506)	\$105,000	\$238,400	\$238,400
Hoover Uprating (1113)	19,869,600	20,349,000	20,349,000
Interest Income (1112)	49,400	246,000	246,000
Total - Arizona Power Authority	\$20,024,000	\$20,833,400	\$20,833,400
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$257,600	\$274,000	\$274,000
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$3,144,700	\$3,514,000	\$3,514,000
Board of Fingerprinting (2435)	672,700	730,900	730,900
Capitol Police Administrative Towing (1999)	1,100	1,200	1,200
Coronavirus Relief (2975)	0	0	4,750,000
Coronavirus State and Local Fiscal Recovery (2985)	0	14,250,000	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	12,186,000	11,262,000	4,962,000
DPS Licensing (2490)	1,670,000	1,690,300	1,690,300
Driving Under the Influence Abatement (2422)	1,737,000	1,425,000	1,425,000
Families of Fallen Police Officers Special Plate (2386)	157,000	125,000	125,000
Federal Grants (2000)	64,101,600	69,740,700	56,822,400
Fentanyl Prosecution, Diversion and Testing Fund (9999)	0	0	0
Fingerprint Clearance Card (2433)	7,514,800	7,876,900	7,876,900
IGA and ISA (2500)	10,104,500	11,313,900	11,313,900
Indirect Cost Recovery (9000)	2,803,900	1,603,500	1,603,500
Motor Carrier Safety Revolving (2380)	0	0	0
Peace Officers' Training (2049)	1,155,500	1,245,500	1,245,500
Public Safety Equipment (2391)	820,300	1,200,000	1,200,000
Records Processing (2278)	5,356,500	5,640,500	5,640,500
Smart and Safe Arizona (1120)	0	0	0
State Highway Work Zone Safety (2480)	7,700	4,000	4,000
Victims' Rights Enforcement (2519)	942,500	991,200	991,200
Total - Department of Public Safety	\$112,375,800	\$132,614,600	\$103,896,300
Public Safety Personnel Retirement System (NA)			
Disability Program Trust (NA)	\$0	\$0	\$0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (NA)	211,300	260,200	260,200
Investment and Administrative Expenses (NA)	18,243,500	23,335,500	23,335,500
Retiree Pool Account (NA)	0	0	0
Total - Public Safety Personnel Retirement System	\$18,454,800	\$23,595,700	\$23,595,700
State Real Estate Department (REA)			
Condominium and Planned Community Hearing Office (2537)	\$41,600	\$41,600	\$41,600
Education Revolving (4011)	2,600	29,200	29,200
Recovery (3119)	6,200	6,200	6,200
Total - State Real Estate Department	\$50,400	\$77,000	\$77,000
Arizona State Retirement System (RSA)			
Administrative Account - Investment Expenses (1407)	\$19,368,200	\$28,621,300	\$28,621,300
ASRS Self-Insurance Administration (1409)	2,248,800	2,772,700	2,772,700
Total - Arizona State Retirement System	\$21,617,000	\$31,394,000	\$31,394,000
Department of Revenue (RVA)			
Escheated Estates (3745)	\$0	\$0	\$0
Estate and Unclaimed Property (1520)	0	0	0
I Didn't Pay Enough (1031)	0	0	0
IGA and ISA (2500)	2,039,500	1,469,000	1,469,000
Revenue Publications Revolving (2166)	33,100	28,000	28,000
Smart and Safe Arizona (1120)	0	517,700	517,700

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Veterans' Income Tax Settlement (VSA1601)	0	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	\$2,072,600	\$2,014,700	\$2,014,700
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$606,400	\$641,000	\$641,000
County Contributions to the Voter Registration System (2367)	14,200	370,000	370,000
Data Processing Acquisition (2265)	54,300	120,000	120,000
Election Training (2521)	0	0	0
Federal Grants (2000)	4,793,500	4,808,700	4,808,700
IGA and ISA (2500)	1,050,600	1,028,900	1,028,900
Museum Gift Shop Revolving (4008)	0	0	0
Notary Bond (2387)	159,100	185,900	185,900
Standing Political Committee Administrative (2426)	0	50,000	50,000
State Library (2115)	187,000	243,900	243,900
Total - Secretary of State - Department of State	\$6,865,100	\$7,448,400	\$7,448,400
State Board of Technical Registration (TEA)			
Technical Registration Board of Investigations (2072)	\$10,800	\$0	\$0
Office of Tourism (TOA)			
CARES Act Recovery and Assistance Fund (2977)	1,017,300	700,000	700,000
Coronavirus State and Local Fiscal Recovery (2985)	10,408,800	10,118,700	10,118,700
Federal Grants Fund	1,715,300	1,182,700	1,182,700
Tourism (2236)	36,478,800	35,429,700	35,429,700
Tourism Development (9999)	0	0	0
Total - Office of Tourism	\$49,620,200	\$47,431,100	\$47,431,100
Department of Transportation (DTA)			
Abandoned Vehicle Administration (2150)	\$865,500	\$1,000,000	\$1,000,000
Arizona Highways Magazine (2031)	5,294,300	5,830,300	5,830,300
Cash Deposits (2266)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	23,942,200	0	0
Federal Grants (2097)	19,894,300	22,430,800	22,430,800
Highway Expansion and Extension Loan Program (2417)	0	0	0
IGA and ISA (2500)	2,935,900	333,200	333,200
Local Agency Deposits (3701)	0	0	0
Maricopa Regional Area Road (2029)	13,446,600	13,745,400	13,745,400
Motor Carrier Safety Revolving (2380)	500	0	0
Rental Tax and Bond Deposit (3737)	0	0	0
Shared Location and Advertising Agreements Expense (2414)	0	0	0
State Match Advantage for Rural Transportation (9901)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	39,100	13,000	13,000
Statewide Special Plates (2650)	5,971,600	6,897,500	6,897,500
Total - Department of Transportation	\$72,390,000	\$50,250,200	\$50,250,200
State Treasurer (TRA)			
Arizona Health Innovation Trust (3324)	\$0	\$0	\$0
AZ529, Arizona's Education Savings Plan Trust (3122)	844,600	904,300	904,300
Criminal Justice Enhancement (3702)	0	0	0
Justice Reinvestment (1121)	797,500	800,100	800,100
Public Deposit Administration (2574)	126,100	134,400	134,400
Smart and Safe Arizona (1120)	7,425,600	14,436,900	14,436,900
State Treasurer's Financial Literacy (2725)	0	0	0
Total - State Treasurer	\$9,193,800	\$16,275,700	\$16,275,700
Governor's Office on Tribal Relations (IAA)			
Arizona Indian Town Hall (4014)	\$0	\$0	\$0
Statewide Donations (2025)	39,800	28,500	28,500
Total - Governor's Office on Tribal Relations	\$39,800	\$28,500	\$28,500
Arizona Board of Regents (BRA)			
Arizona Health Education Center Program (2)	\$0	\$0	\$0
Arizona Promise Program (4501)	0	0	0
Arizona Teacher Student Loan (2358)	0	0	0
Arizona Teachers Academy (4300)	0	0	0
Arizona Veterinary Loan Assistance (5000)	0	0	0

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Federal (2000)	274,700	275,300	275,300
Postsecondary Educational (2405)	1,240,000	1,182,900	1,182,900
Regents Local (8900)	7,830,100	8,485,800	8,485,800
Spouses and Dependents of Law Enforcement Officers			0
Tuition Scholarship Fund (2500)	0	0	0
Spouses of Military Veterans Tuition Scholarship (5100)	0	0	0
Technology and Research Initiative (2472)	7,012,800	23,000,000	23,000,000
Trust Land (3131/3132/3134/3136)	0	0	0
Total - Arizona Board of Regents	\$16,357,600	\$32,944,000	\$32,944,000
Arizona State University (ASA)			
Auxiliary (UNI8906)	\$307,117,400	\$318,553,300	\$318,553,300
Capital Infrastructure (UNI3001)	0	0	0
Designated - Other (UNI8905)	311,677,700	336,059,500	336,059,500
Designated - Tuition and Fees (UNI8905)	1,551,056,100	1,614,462,300	1,622,311,200
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	499,710,900	487,954,100	487,954,100
Federal Indirect Cost Recovery (UNI8902)	81,894,500	76,532,100	76,532,100
Indirect Cost Recovery (Non-Federal) (UNI8900)	101,656,800	95,280,900	95,280,900
Loan (UNI8901)	519,700	0	0
Restricted (Excluding Federal Funds) (UNI8907)	448,447,100	418,693,400	418,693,400
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,160,300	11,163,600	17,951,200
Total - Arizona State University	\$3,313,240,500	\$3,358,699,200	\$3,373,335,700
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	\$110,924,500	\$118,446,400	\$121,173,400
Capital Infrastructure (UNI3002)	0	0	0
Designated - Other (UNI8905)	79,350,500	81,349,400	84,918,700
Designated - Tuition and Fees (UNI8905)	117,842,200	120,099,800	123,554,600
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	118,603,400	119,789,500	120,987,400
Federal Indirect Cost Recovery (UNI8902)	11,781,400	11,899,200	12,018,300
Indirect Cost Recovery (Non-Federal) (UNI8900)	15,166,000	14,598,100	15,224,100
Loan (UNI8901)	141,700	100,000	100,000
Restricted (Excluding Federal Funds) (UNI8907)	37,291,300	37,647,100	38,023,900
University Capital Improvement Lease-to-Own and Bond (BRA3042)	10,053,900	10,049,300	10,035,400
Total - Northern Arizona University	\$501,154,900	\$513,978,800	\$526,035,800
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	\$333,366,100	\$347,180,600	\$354,124,200
Capital Infrastructure (UNI3003)	0	0	0
Designated - Other (UNI8905)	329,471,600	342,667,600	349,521,200
Designated - Tuition and Fees (UNI8905)	652,727,400	935,207,900	953,894,900
Endowment and Life Income (UNI8904)	616,900	641,600	641,600
Federal Grants (UNI8903)	217,668,200	226,280,400	230,830,900
Federal Indirect Cost Recovery (UNI8902)	60,216,800	62,625,500	63,878,100
Geological Survey (UNI3030)	277,700	216,900	216,900
Geological Survey Federal Grants (UNI3031)	1,097,300	1,235,600	1,235,600
Geological Survey - Mining, Mineral and Natural Resources			
Educational Museum Account (UNI9999)	12,400	86,000	86,000
Indirect Cost Recovery (Non-Federal) (UNI8900)	9,149,100	9,515,100	9,705,400
Loan (UNI8901)	447,300	560,200	571,400
On-Farm Irrigation Efficiency (8888)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	293,466,500	263,086,600	268,354,000
University Capital Improvement Lease-to-Own and Bond (BRA3042)	26,034,200	26,016,200	25,995,100
Total - University of Arizona - Main Campus	\$1,924,551,500	\$2,215,320,200	\$2,259,055,300
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	\$801,000	\$783,200	\$749,000
Designated - Other (UNI8905)	245,668,700	255,495,500	260,605,400
Designated - Tuition and Fees (UNI8905)	19,843,100	19,986,800	20,386,500
Endowment and Life Income (UNI8904)	19,283,400	20,054,700	20,054,700
Federal Grants (UNI8903)	157,598,800	163,902,800	167,180,800
Federal Indirect Cost Recovery (UNI8902)	52,144,400	54,230,200	55,314,700
Indirect Cost Recovery (Non-Federal) (UNI8900)	6,345,900	6,599,800	6,731,800
Loan (UNI8901)	(2,840,800)	0	0
Restricted (Excluding Federal Funds) (UNI8907)	72,220,700	72,745,400	74,200,200

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Total - University of Arizona - Health Sciences Center	\$571,065,200	\$593,798,400	\$605,223,100
Department of Veterans' Services (VSA)			
Arizona State Veterans' Cemetery Trust (2499)	\$227,400	\$742,300	\$742,300
Coronavirus State and Local Fiscal Recovery (2985)	4,095,200	0	0
Federal (2000)	1,084,200	1,098,000	1,098,000
Military Family Relief (2339)	1,578,500	1,602,400	1,602,400
Statewide Employee Recognition Gifts (2449)	3,400	3,000	3,000
Veterans' Donations (2441)	1,902,800	2,816,500	2,816,500
Total - Department of Veterans' Services	\$8,891,500	\$6,262,200	\$6,262,200
Water Infrastructure Finance Authority (WFA)			
Clean Water Annual Debt Service Interest (FAA4313)	\$1,239,700	\$1,654,700	\$1,654,700
Clean Water Annual Debt Service Principal Fund (FAA4312)	21,964,300	12,619,000	12,619,000
Clean Water Debt Service Reserve - Clean Water (FAA4315)	0	0	0
Clean Water Federal Loan (FAA4310)	7,024,500	20,582,000	20,582,000
Clean Water Fee Program Income (FAA4309)	939,100	12,300	12,300
Clean Water Fees Non Program Income (FAA4317)	1,626,500	46,500	46,500
Clean Water Financial Assistance (FAA4319)	6,721,600	0	0
Clean Water State Loan (FAA4311)	0	0	0
Drinking Water Annual Debt Service Interest (FAA4333)	3,843,200	6,150,500	6,150,500
Drinking Water Annual Debt Service Principal (FAA4332)	26,222,800	27,910,000	27,910,000
Drinking Water Debt Service Reserve (FAA4320)	0	0	0
Drinking Water Federal Loan (FAA4335)	25,892,800	62,717,900	62,717,900
Drinking Water Fees Non Program (FAA4322)	17,612,400	300,700	300,700
Drinking Water Fees Program Income (FAA4336)	976,500	0	0
Drinking Water Financial Assistance (FAA4324)	15,240,500	0	0
Drinking Water State Loan (FAA4331)	0	0	0
Long-Term Water Augmentation (9999)	62,000	2,324,000	2,324,000
Small and Disadvantaged Communities Drinking Water Assistance (FAA2230)	652,700	7,656,700	7,656,700
Small Drinking Water Systems (FAA2225)	0	0	0
Water Conservation Grant (9998)	0	125,000,000	125,000,000
Water Supply Development Revolving (2336)	63,000	10,480,900	10,480,900
Total - Water Infrastructure Financing Authority	\$130,081,600	\$277,455,200	\$277,455,200
Department of Water Resources (WCA)			
Arizona System Conservation (9900)	\$8,720,000	\$3,000,000	\$3,000,000
Arizona Water Banking (2110)	7,128,300	5,084,800	5,084,800
Arizona Water Protection (1302)	275,800	2,774,600	704,100
Arizona Water Quality (2304)	167,400	206,300	206,300
Augmentation and Conservation Assistance (2213)	1,114,200	925,000	730,000
Colorado River Water Use Fee Clearing Account (2538)	33,600	29,000	29,000
Coronavirus State and Local Fiscal Recovery (2985)	13,225,200	20,000,000	20,000,000
Dam Repair (2218)	158,900	300,000	1,100,000
Drought Mitigation Revolving (3230)	0	0	0
Employee Recognition (2449)	2,600	2,500	2,500
Federal Grants (2000)	800,500	469,100	469,100
Flood Warning System (1021)	8,400	10,000	10,000
General Adjudication Personnel and Support (7777)	0	0	0
General Adjudications (2191)	29,000	23,000	23,000
Indirect Cost Recovery (9000)	714,200	270,900	270,900
Interagency Service Agreement (2500)	425,200	273,600	273,600
Production and Copying (2411)	0	0	0
Publication and Mailing (2410)	0	0	0
Purchase and Retirement (2474)	0	0	0
Statewide Donations (2025)	0	100	100
Temporary Groundwater and Irrigation Efficiency Projects (9901)	183,200	2,500,000	2,500,000
Well Administration and Enforcement (2491)	943,400	1,053,000	1,053,000
Total - Department of Water Resources	\$33,929,900	\$36,921,900	\$35,456,400
Capital Funds			
Aviation Federal Funds (DTA2267)	\$1,208,000	\$1,912,000	\$1,546,000
Bond Proceeds (DTA5004/5008/2463)	33,466,000	156,234,000	174,185,000
Federal Grants (DTA2097)	916,499,000	976,598,000	1,052,282,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2023, 2024 and 2025

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Local Agency Deposits (DTA3701)	2,591,000	28,709,000	6,282,000
Maricopa Regional Area Road (DTA2029)	426,982,000	895,703,000	708,180,000
State Parks Board - State Lake Improvement (2105)	0	0	0
OPERATING FUNDS TOTAL	\$40,149,909,900	\$41,919,547,200	\$41,180,545,200
Subtotal - Other Funds	12,047,054,500	13,401,710,700	13,304,974,300
Subtotal - Federal Funds	28,102,855,400	28,517,836,500	27,875,570,900
CAPITAL FUNDS TOTAL	\$1,381,746,000	\$2,060,156,000	\$1,943,475,000
Subtotal - Other Funds	464,039,000	1,081,646,000	889,647,000
Subtotal - Federal Funds	917,707,000	978,510,000	1,053,828,000
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$41,531,655,900	\$43,979,703,200	\$43,124,020,200
Subtotal - Other Funds	12,511,093,500	14,483,356,700	14,194,621,300
Subtotal - Federal Funds	29,020,562,400	29,496,346,500	28,929,398,900

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

NA = No Fund Number

**PREVIOUSLY ENACTED APPROPRIATIONS
FY 2025 and BEYOND 1/**

GENERAL FUND

	FY 2025	FY 2026	FY 2027
<u>Arizona Department of Administration - School Facilities Division</u>			
Laws 2023, Ch. 133 - New School Facilities Fund	77,898,600		
<u>Attorney General</u>			
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000	85,000
<u>Commerce Authority, Arizona</u>			
A.R.S. § 43-409 - Withholding Tax Revenues	10,500,000	10,500,000	10,500,000
<u>Community Colleges</u>			
A.R.S. § 42-5031.01 - Tribal Postsecondary Institutions <u>2</u> /	1,372,200	1,372,200	1,372,200
A.R.S. § 15-1469.01 - Rural County Allocation <u>3</u> /	5,722,300	5,722,300	5,722,300
<u>Education, Department of</u>			
Laws 2015, 1st Special Session, Ch. 1 - State Aid Supplement	75,000,000		
Laws 2022, Ch. 313/Laws 2023, Ch. 133 - Basic State Aid (Rollover)	800,727,700		
Laws 2022, Ch. 313 - Basic State Aid - Charter Additional Assistance	23,836,000		
Laws 2022, Ch. 313 - Basic State Aid - District Additional Assistance	94,164,000		
Laws 2022, Ch. 313 - Basic State Aid - FRPL Group B Weight	100,000,000		
<u>Emergency and Military Affairs, Department of</u>			
A.R.S. § 26-263 - Military Airport Planning	90,000	90,000	90,000
A.R.S. § 35-192 - Governor's Emergency Authority	4,000,000	4,000,000	4,000,000
<u>Environmental Quality, Department of</u>			
A.R.S. § 49-282 - WQARF Priority Site Remediation <u>4</u> /	15,000,000	15,000,000	15,000,000
<u>Forestry and Fire Management, Department of</u>			
Laws 2019, Ch. 263 - Nonnative Species Eradication (through FY 2029)	1,000,000	1,000,000	1,000,000
A.R.S. § 37-1305 - Wild Land Fire Emergency	3,000,000	3,000,000	3,000,000
<u>Public Safety Personnel Retirement System</u>			
Laws 2019, Ch. 263 - Prescott Fire Dept. Pension Liability	1,000,000	1,000,000	
A.R.S. § 38-810 - EORP Closure (through FY 2043)	5,000,000	5,000,000	5,000,000
<u>Treasurer, State</u>			
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)	1,500,000	1,500,000	1,500,000
Laws 2022, Ch. 313 - Election Security Funding	6,000,000		
<u>Arizona State University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>5</u> /	13,459,300	13,453,900	13,450,100
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>6</u> /	13,300,700	13,566,700	13,838,000

	FY 2025	FY 2026	FY 2027
<u>Northern Arizona University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>5/</u>	4,885,500	4,884,500	4,884,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>6/</u>	5,041,400	5,142,200	5,245,000
<u>University of Arizona</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>5/</u>	14,247,300	14,248,400	14,251,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>6/</u>	11,766,600	12,001,900	12,241,900
<u>Water Infrastructure Finance Authority</u>			
Laws 2022, Ch. 366 - Long-Term Water Augmentation Fund	333,000,000		
<u>Other</u>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>7/</u>	25,998,700	26,497,400	26,997,100
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>8/</u>	17,000,000	17,000,000	17,000,000
GENERAL FUND TOTAL	1,664,595,300	155,064,500	155,177,200

OTHER FUNDS

	FY 2025	FY 2026	FY 2027
<u>Department of Agriculture</u>			
Laws 2023, Ch. 114 - Nuclear Emergency Management Fund	308,600		
<u>Department of Emergency and Military Affairs</u>			
Laws 2023, Ch.114 - Nuclear Emergency Management Fund	2,176,000		
<u>Arizona State Parks Board</u>			
Laws 2022, Ch. 309 - Statewide Campground Improvements	4,100,000		
Laws 2022, Ch. 309 - Statewide Sunshade Structures	2,233,333		
Laws 2022, Ch. 309 - Statewide Water Conservation	1,339,000		
Laws 2022, Ch. 309 - Yuma Territorial Prison Renovation	5,945,000		
Laws 2022, Ch. 309 - Red Rock Renovation	4,000,000		
Laws 2022, Ch. 309 - San Rafael Renovation	1,500,000		
OTHER FUNDS TOTAL	21,601,933	-	-

- 1/ All statutory appropriations are indefinite unless otherwise noted in this report. The appropriations in each column represent the total appropriation in each fiscal year and do not represent the increase above the prior year.
- 2/ Pursuant to A.R.S. § 42-5031.01, the JLBC Staff assumes an annual distribution of \$923,700 to the Navajo Nation, comprised of \$615,800 for Dine College and \$307,900 for Navajo Technical College, and an annual distribution of \$448,500 for the Tohono O'Odham Community College.
- 3/ Pursuant to A.R.S. § 15-1469.01, the JLBC Staff assumes an annual distribution of \$5,722,300 for the Community College Rural County Allocation. Statute requires the General Fund to pay the initial cost of students attending community colleges from counties that are not part of an established community college district, and the state will withhold these counties' sales tax revenues to offset the cost.
- 4/ A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The Environment Budget Reconciliation Bill of each year transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level.
- 5/ A.R.S. § 15-1670 appropriates monies from the General Fund to each public university for research infrastructure lease-purchase payments in varying amounts through FY 2031.
- 6/ A.R.S. § 15-1671 appropriates monies from the General Fund to each public university for debt service payments on capital projects as part of the \$1 billion bonding program. This amount increases by lesser of 2% or inflation each fiscal year through FY 2043.
- 7/ Pursuant to A.R.S. § 9-602, the City of Phoenix receives an annual distribution for Phoenix Convention Center financing based on a statutory debt schedule, which requires that cumulative payments to the city do not exceed estimated revenue resulting from the project.
- 8/ Pursuant to A.R.S. § 42-5031, the JLBC Staff assumes an annual distribution of \$17,000,000 from the General Fund for the Rio Nuevo Multi-Purpose Facility District. The district receives a diversion of Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2024 and 2025 1/

	Fiscal Year 2024			Fiscal Year 2025		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
<u>BUDGET UNITS</u>						
Accountancy, State Board of	0.0	14.0	14.0	0.0	14.0	14.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	114.2	424.9	539.1	114.2	424.9	539.1
School Facilities Division	17.0	0.0	17.0	17.0	0.0	17.0
SUBTOTAL - Administration, Arizona Department of	131.2	424.9	556.1	131.2	424.9	556.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
Agriculture, Arizona Department of	192.7	20.1	212.8	192.7	20.1	212.8
AHCCCS	371.5	802.0	1,173.5	371.5	802.0	1,173.5
AHCCCS - DES Eligibility	557.3	627.5	1,184.8	557.3	627.5	1,184.8
SUBTOTAL - AHCCCS <u>2/</u>	928.8	1,429.5	2,358.3	928.8	1,429.5	2,358.3
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	233.6	438.1	671.7	233.6	438.1	671.7
Barbering and Cosmetology Board	0.0	29.5	29.5	0.0	29.5	29.5
Behavioral Health Examiners, Board of	0.0	20.0	20.0	0.0	20.0	20.0
Charter Schools, State Board for	25.0	0.0	25.0	25.0	0.0	25.0
Child Safety, Department of <u>3/</u>	1,593.6	1,689.5	3,283.1	1,593.6	1,689.5	3,283.1
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	50.8	251.1	301.9	50.8	251.1	301.9
Corrections, State Department of	9,548.0	21.0	9,569.0	9,548.0	21.0	9,569.0
Criminal Justice Commission, Arizona	0.0	11.0	11.0	0.0	11.0	11.0
Deaf and the Blind, Arizona State Schools for the	284.8	277.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	21.0	21.0	0.0	21.0	21.0
Dental Examiners, State Board of	2.0	11.0	13.0	2.0	11.0	13.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>4/</u>	1,118.9	3,414.9	4,533.8	1,144.9	3,466.9	4,611.8
Education, State Board of	23.0	0.0	23.0	23.0	0.0	23.0
Education, Department of	217.7	15.2	232.9	217.7	15.2	232.9
Emergency and Military Affairs, Department of	66.1	8.5	74.6	66.1	8.5	74.6
Environmental Quality, Department of	0.0	355.7	355.7	0.0	355.7	355.7
Equal Opportunity, Governor's Office of	0.0	5.0	5.0	0.0	5.0	5.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.5	0.0	14.5	14.5	0.0	14.5
Exposition and State Fair Board, Arizona	0.0	184.0	184.0	0.0	184.0	184.0
Forestry and Fire Management, Arizona Department of	235.5	0.0	235.5	235.5	0.0	235.5
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	155.8	155.8	0.0	155.8	155.8
Governor's Office of Strategic Planning and Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of	843.4	305.6	1,149.0	843.4	305.6	1,149.0
Historical Society, Arizona	50.9	0.0	50.9	50.9	0.0	50.9
Historical Society of Arizona, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeland Security, Arizona Department of	0.0	20.0	20.0	0.0	20.0	20.0
Homeopathic and Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	3.0	3.0	0.0	3.0	3.0
Industrial Commission of Arizona	1.0	235.6	236.6	1.0	235.6	236.6
Insurance and Financial Institutions, Department of	95.8	59.6	155.4	95.8	59.6	155.4
Judiciary						
Supreme Court	149.6	53.4	203.0	149.6	53.4	203.0
Court of Appeals	162.8	0.0	162.8	162.8	0.0	162.8
Superior Court	231.8	8.7	240.5	231.8	8.7	240.5
SUBTOTAL - Judiciary	544.2	62.1	606.3	544.2	62.1	606.3
Juvenile Corrections, Department of	478.5	260.0	738.5	478.5	260.0	738.5
Land Department, State	131.7	0.0	131.7	131.7	0.0	131.7
Legislature						
Auditor General	224.8	0.0	224.8	224.8	0.0	224.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Legislative Council	56.0	0.0	56.0	56.0	0.0	56.0
Ombudsman-Citizens Aide Office	12.0	0.0	12.0	12.0	0.0	12.0
SUBTOTAL - Legislature	321.8	0.0	321.8	321.8	0.0	321.8

	Fiscal Year 2024			Fiscal Year 2025		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
BUDGET UNITS						
Liquor Licenses and Control, Department of	0.0	58.2	58.2	0.0	58.2	58.2
Lottery Commission, Arizona State	0.0	98.8	98.8	0.0	98.8	98.8
Massage Therapy, Board of	0.0	5.0	5.0	0.0	5.0	5.0
Medical Board, Arizona	0.0	61.5	61.5	0.0	61.5	61.5
Mine Inspector, State	22.0	0.0	22.0	22.0	0.0	22.0
Naturopathic Physicians Medical Board	0.0	2.0	2.0	0.0	2.0	2.0
Navigable Stream Adjudication Commission, Arizona	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	55.0	55.0	0.0	55.0	55.0
Nursing Care Institution of Administrators, Board of	0.0	7.0	7.0	0.0	7.0	7.0
Occupational Therapy Examiners, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, Arizona Board of	0.0	10.0	10.0	0.0	10.0	10.0
Parks Board, Arizona State	0.0	167.0	167.0	0.0	167.0	167.0
Personnel Board, State	0.0	2.0	2.0	0.0	2.0	2.0
Pharmacy, Arizona State Board of	0.0	25.4	25.4	0.0	25.4	25.4
Physical Therapy, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Pioneers' Home, Arizona	0.0	107.3	107.3	0.0	107.3	107.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.5	4.5	0.0	4.5	4.5
Public Safety, Department of	831.7	1,274.0	2,105.7	831.7	1,274.0	2,105.7
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	12.0	12.0	0.0	12.0	12.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	240.9	240.9	0.0	240.9	240.9
Revenue, Department of	274.0	618.8	892.8	274.0	618.8	892.8
Secretary of State, Department of State	144.1	0.0	144.1	144.1	0.0	144.1
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	25.0	25.0	0.0	25.0	25.0
Tourism, Office of	31.0	0.0	31.0	31.0	0.0	31.0
Transportation, Department of	0.0	4,554.0	4,554.0	0.0	4,554.0	4,554.0
Treasurer, State	0.0	38.4	38.4	0.0	38.4	38.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities 5/6/						
Regents, Arizona Board of	30.9	0.0	30.9	30.9	0.0	30.9
Arizona State University	2,567.7	5,718.0	8,285.7	2,567.7	5,718.0	8,285.7
Northern Arizona University	1,175.8	1,304.6	2,480.4	1,175.8	1,304.6	2,480.4
University of Arizona - Main Campus	2,839.6	3,249.4	6,089.0	2,839.6	3,249.4	6,089.0
University of Arizona - Health Sciences Center	570.5	584.4	1,154.9	570.5	584.4	1,154.9
SUBTOTAL - Universities	7,184.5	10,856.4	18,040.9	7,184.5	10,856.4	18,040.9
Veterans' Services, Department of	148.3	644.0	792.3	148.3	644.0	792.3
Veterinary Medical Examining Board, Arizona State	0.0	7.0	7.0	0.0	7.0	7.0
Water Resources, Department of	173.0	6.0	179.0	173.0	6.0	179.0
TOTAL APPROPRIATED FUNDS	26,047.1	29,028.4	55,075.5	26,073.1	29,080.4	55,153.5

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2024 and FY 2025 can be found in the individual agency pages.
- 2/ Includes 1,370.1 FTE Positions in FY 2024 and 1,377.0 FTE Positions in FY 2025 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Includes 970.3 FTE Positions in FY 2024 and FY 2025 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 4/ Includes 2,375.8 FTE Positions in FY 2024 and 2,427.8 FTE Positions in FY 2025 in the Other Fund columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 5/ The FY 2024 General Appropriation Act originally appropriated 17,538.9 FTE Positions to the Universities for FY 2024. This FTE Position amount has been revised to 18,040.9 to account for changes in projected tuition and fee collections. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount.
- 6/ The Other Fund FTE Positions are funded by the University Collections Fund, which includes a portion of tuition and fees and a portion of land earnings.

FY 2025 BUDGET RECONCILIATION BILL PROVISIONS

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

Statewide

1. As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
2. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund (BSF) through FY 2027. Also, notwithstanding the 10% BSF cap for FY 2025.
3. As session law, continues to set the FY 2025 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space.

Arizona Department of Agriculture

4. As session law, continues the fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2025, including legislative intent that limits additional revenues to \$357,000.

AHCCCS

Rates and Services

5. 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.

Counties

6. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations.
7. As session law, sets the FY 2025 County Acute Care contribution at \$43,176,200.
8. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2025, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
9. As session law, sets the FY 2025 county Arizona Long Term Care System (ALTCs) contributions at \$399,872,100.

Hospitals

10. As session law, continues to establish FY 2025 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (Valleywise), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. The Valleywise distribution would remain at \$113,818,500 in FY 2025.
11. As session law, continues to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow Valleywise to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.
12. As session law, continues to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2025 according to county population size. Hospitals in rural counties (i.e., excluding Maricopa, Pima, and Pinal) have first priority; hospitals in Pinal County have second priority; and hospitals in Maricopa and Pima Counties have third priority.

Available Funding

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

Arizona Community Colleges

14. As session law, continues to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2025 for only Maricopa and Pima Counties.

15. 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 2025 for all community college districts.

Counties and Cities & Towns

16. 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 2025, up to \$1,250,000 of county revenue for each county. The Baseline would continue to require counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2024.

Department of Economic Security

17. 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.

Department of Education

Formula Requirements

18. As permanent law, increases 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.
19. As permanent law, allocates \$37,000,000 to increase Group B weight in Basic State Aid formula for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program as part of the enacted FY 2023 budget's 3-year plan.
20. As permanent law, allocates \$23,142,000 to increase DAA as part of the enacted FY 2023 budget's 3-year plan. The estimated increase in the per pupil amounts in the DAA formula for FY 2025 above FY 2024 will be 4.62%.
21. As permanent law, allocates \$5,858,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations as part of the enacted FY 2023 budget's 3-year plan. Including regular 2.0% inflation adjustment, results in total CAA increase of 3.19% for FY 2025.
22. As permanent law, updates the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2025.

Other

23. As session law, continues stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
24. As session law, continue to notwithstanding A.R.S. 15-241 to allow ADE to expend monies in FY 2025 from the Failing Schools Tutoring Fund for school improvement.

Department of Environmental Quality

25. As session law, continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank Fund in FY 2025 for department administrative expenses and for sewage remediation.
26. As session law, continues 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.
27. As session law, continues to charge emissions inspection fees in FY 2025 that are no greater than those charged in FY 2024 for tests conducted in Area A.

Department of Gaming

28. As session law, continues to set the Regulatory Wagering Assessment at 0.5% in FY 2025 only.

Department of Health Services

29. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.

Arizona Navigable Stream Adjudication Commission

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

Department of Revenue

31. As session law, stipulates legislative intent that the amount to be charged to all counties, cities, towns, Council of Governments and regional transportation authorities with a population greater than 800,000 for the Integrated Tax System project shall not exceed \$6,626,900 for FY 2025. Each local government type (for example all counties share of the \$6,626,900) is based on that government type's proportionate share of certain state and locally-collected revenues received by those local entities 2 fiscal years prior to the current fiscal year. Once each government type's share of the local assessment has been calculated, population is the basis for determining the apportioning of fees among counties as well as among cities and towns.
32. As session law, stipulates legislative intent that the amounts charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax for the Integrated Tax System Project shall not exceed \$179,000 and \$803,600, respectively, in FY 2025.

Universities

33. 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).

Department of Water Resources

34. 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 2025.

FY 2025 GENERAL APPROPRIATION ACT PROVISIONS

The Baseline includes the following provisions in the General Appropriation Act. These provisions are in addition to the individual agency appropriations, but exclude supplemental appropriations, ex-appropriations, and fund transfers.

Department of Education

1. As session law, continue deferral of \$800,727,700 of Basic State Aid payments for FY 2025 until FY 2026. Continue to exempt districts with less than 4,000 students from the deferral. Appropriate \$800,727,700 in FY 2026 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2025.
2. As session law, continue to require school districts to include in the FY 2025 revenue estimates that they use for computing their FY 2025 tax rates the rollover monies that they will receive for FY 2025 in July 2025.

Revenues

3. As session law, continue to specify revenue and expenditure estimates for FY 2024, FY 2025, FY 2026, and FY 2027.
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2024 ending balances by September 15, 2024. Require the Joint Legislative Budget Committee (JLBC) Staff to report to JLBC by October 15, 2024 as to whether FY 2025 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

Statewide

5. As session law, continue to state legislative intent that all budget units receiving appropriations continue to report actual, estimated and requested expenditures in a format similar to prior years.
6. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2025 in all agencies and provide it to the Director by October 1, 2025. The Universities are exempt from the report but are required to report separately.
7. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2024 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2024.
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.
9. As session law, the following entities shall report to the Senate President, Speaker of the House of Representatives, Appropriations Committee Chairmen, and the JLBC Director on all total planned allocations and actual expenditures for monies received from the American Rescue Plan Act. The report is due within 45 days after the last day of the calendar quarter.
 - The Governor's Office would report on the Coronavirus State Fiscal Recovery Fund and the Coronavirus Capital Projects Fund.
 - The Superintendent of Public Instruction would report on the Elementary and Secondary School Emergency Relief Fund.
 - The Arizona Board of Regents (ABOR) 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 2025.

General

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

FY 2025 MAJOR FOOTNOTE CHANGES

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

Department of Education

1. Modifies footnote for school safety program to clarify that ADE shall first distribute monies to schools on the waiting list to receive grants for the cost of school resource officers (SRO) on school campuses. Priority for SROs previously only applied to new \$50 million increase from FY 2023. ADE's current allocation to SROs based on May 2023 grant awards is \$39 million.

Capital

2. Deletes footnote allowing ADOA to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives.

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	882,900	1,061,700	1,061,700
Employee Related Expenditures	373,100	420,500	420,500
Professional and Outside Services	251,400	393,200	393,200
Travel - In State	3,100	6,900	6,900
Travel - Out of State	3,600	12,000	12,000
Other Operating Expenditures	265,700	336,100	336,100
Equipment	16,900	0	0
AGENCY TOTAL	1,796,700	2,230,400	2,230,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Accountancy Fund	1,796,700	2,230,400	2,230,400
SUBTOTAL - Other Appropriated Funds	1,796,700	2,230,400	2,230,400
SUBTOTAL - Appropriated Funds	1,796,700	2,230,400	2,230,400
TOTAL - ALL SOURCES	1,796,700	2,230,400	2,230,400

AGENCY DESCRIPTION - The board licenses, investigates, and conducts examinations of certified public accountants. The board is also responsible for registering and investigating accounting firms owned by certified public accountants.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,230,400 and 14 FTE Positions from the Board of Accountancy Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,796,700	2,230,400
Year-End Fund Balance	2,767,100	2,128,300

Acupuncture Board of Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	101,000	113,000	113,000
Employee Related Expenditures	55,900	54,300	54,300
Travel - Out of State	0	3,000	3,000
Other Operating Expenditures	35,100	26,300	26,300
Equipment	2,900	4,000	4,000
AGENCY TOTAL	194,900	200,600	200,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	194,900	200,600	200,600
SUBTOTAL - Other Appropriated Funds	194,900	200,600	200,600
SUBTOTAL - Appropriated Funds	194,900	200,600	200,600
TOTAL - ALL SOURCES	194,900	200,600	200,600

AGENCY DESCRIPTION — The Acupuncture Board of Examiners licenses and regulates the practice of acupuncture by individuals who are not licensed to practice acupuncture by another professional board. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$200,600 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	194,900	200,600
Year-End Fund Balance	84,700	58,200

Arizona Department of Administration

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	539.1	539.1	539.1 ^{1/}
Personal Services	30,035,400	33,105,500	33,105,500
Employee Related Expenditures	11,198,900	12,070,800	12,070,800
Professional and Outside Services	5,701,700	4,677,700	4,677,700
Travel - In State	334,900	136,700	136,700
Travel - Out of State	11,000	57,400	57,400
Other Operating Expenditures	32,111,400	40,822,700	40,822,700
Equipment	150,300	188,600	188,600
OPERATING SUBTOTAL	79,543,600	91,059,400	91,059,400 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	5,155,300	7,649,900	7,649,900
Financial Services			
Arizona Financial Information System	8,307,500	14,386,200	9,829,200
Named Claimants	4,700	0	0
Information Technology Services			
Information Technology Project Management and Oversight	889,500	1,656,700	1,656,700
Risk Management			
Cyber Risk Insurance	0	23,037,200	23,037,200 ^{3/}
Federal Transfer Payment	3,107,700	0	0 ^{4/}
Risk Management Administrative Expenses	10,596,600	10,870,700	10,870,700
Risk Management Losses and Premiums	30,488,300	52,436,300	52,436,300
Workers' Compensation Losses and Premiums	24,218,500	28,395,000	28,395,000
Support Services			
Employee Compensation Study	0	4,000,000	0
Government Transformation Office	1,993,400	2,055,500	2,055,500
State Surplus Property Sales Agency Proceeds	1,437,600	1,810,000	1,810,000
Grants			
Election Security Grants	187,500	0	0
Fire Incident Management Fund Deposit	0	12,200,000	0
Health Care Interoperability Grants	3,002,700	3,000,000	0
K-12 Transportation Grants	20,000,000	15,000,000	0
School Safety Interoperability Fund Deposit	20,000,000	0	0
Other			
Early Literacy	0	250,000	0
Miami Unified School District Gym Floors	0	350,000	0
Skull Valley School District Distribution	0	300,000	0
Southwest Defense Contracts	0	25,000	25,000 ^{5/}
AGENCY TOTAL	208,932,900	268,481,900	228,824,900 ^{6/}
FUND SOURCES			
General Fund	51,614,800	44,293,600	9,193,600
<u>Other Appropriated Funds</u>			
Air Quality Fund	365,300	928,200	928,200
Arizona Financial Information System Collections Fund	8,307,500	14,386,200	9,829,200
Automation Operations Fund	25,680,600	29,726,400	29,726,400 ^{7/}
Capital Outlay Stabilization Fund	16,375,800	19,081,200	19,081,200
Corrections Fund	570,100	628,900	628,900

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Cyber Risk Insurance Fund	0	23,037,200	23,037,200
Federal Surplus Materials Revolving Fund	0	468,200	468,200
Information Technology Fund	1,974,600	2,159,300	2,159,300
Personnel Division Fund	13,124,600	13,672,500	13,672,500
Risk Management Revolving Fund	74,587,100	99,896,100	99,896,100
Special Employee Health Insurance Trust Fund	5,110,500	5,684,700	5,684,700
Special Services Revolving Fund	803,600	1,243,000	1,243,000
State Surplus Materials Revolving Fund	2,651,400	3,048,900	3,048,900 ^{8/}
State Web Portal Fund	6,276,300	8,429,300	8,429,300
Telecommunications Fund	1,490,700	1,798,200	1,798,200
SUBTOTAL - Other Appropriated Funds	157,318,100	224,188,300	219,631,300
SUBTOTAL - Appropriated Funds	208,932,900	268,481,900	228,824,900
Other Non-Appropriated Funds	1,036,331,900	1,176,518,600	1,176,518,600
Federal Funds	28,113,000	58,351,800	46,584,200
TOTAL - ALL SOURCES	1,273,377,800	1,503,352,300	1,451,927,700

AGENCY DESCRIPTION - The Arizona Department of Administration (ADOA) provides centralized general support services to state agencies, including accounting, financial, purchasing, building and grounds maintenance, personnel, information technology, motor pool, travel reduction, and risk management services.

FOOTNOTES

- 1/ Includes 43 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ On or before September 1, 2025, the department shall submit a report to the joint legislative budget committee on the results of pilot projects implemented in fiscal year 2024-2025 for the state employee public transportation service reimbursements pursuant to section 41-710.01, Arizona Revised Statutes, in a vehicle emissions control area as defined in section 49-541, Arizona Revised Statutes, of a county with a population of more than four hundred thousand persons. (General Appropriation Act footnote)
- 3/ On or before November 1, 2025, the department shall submit a report to the director of the joint legislative budget committee on expenditures made from the cyber risk insurance fund established by section 41-622, Arizona Revised Statutes, from the prior year. (General Appropriations Act Footnote)
- 4/ The legislature intends that the department of administration not enter into any agreements to pay for any federal reimbursements related to excess balances in the special employee health insurance trust fund established by section 38-654, Arizona Revised Statutes, unless the proposed agreements have been reviewed by the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ The amount appropriated for southwest defense contracts shall be distributed to a nonprofit organization that advocates for preserving and enhancing critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ The appropriation from the automation operations fund established by section 41-711, Arizona Revised Statutes, is an estimate representing all monies, including balance forward, revenues and transfers during fiscal year 2024-2025. These monies are appropriated to the department of administration for the purposes established in section 41-711, Arizona Revised Statutes. The appropriation is adjusted as necessary to reflect monies credited to the automation operations fund for automation operation center projects. Before spending any automation operations fund monies in excess of \$29,726,400 in fiscal year 2024-2025, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 8/ All state surplus materials revolving fund monies received by the department of administration in excess of \$3,048,900 in fiscal year 2024-2025 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$3,048,900 in fiscal year 2024-2025, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$91,059,400 and 496.1 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$9,168,600
Air Quality Fund	928,200
Automation Operations Fund	29,726,400
Capital Outlay Stabilization Fund (COSF)	11,431,300
Corrections Fund	628,900
Federal Surplus Materials Revolving Fund	468,200
Information Technology Fund	2,159,300
Personnel Division Fund	13,672,500
Risk Management Revolving Fund	8,194,100
Special Employee Health Insurance Trust Fund	5,684,700
Special Services Revolving Fund	1,243,000
State Surplus Materials Revolving Fund	1,238,900
State Web Portal Fund	4,717,100
Telecommunications Fund	1,798,200

These amounts are unchanged from FY 2024.

Facilities Management

Utilities

The Baseline includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2025 for Utilities. This amount is unchanged from FY 2024.

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

Financial Services

Arizona Financial Information System

The Baseline includes \$9,829,200 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2025 for the Arizona Financial Information System (AFIS). Adjustments are as follows:

AFIS Upgrade Project Completion

The Baseline includes a decrease of \$(4,557,000) from the AFIS Collections Fund in FY 2025 for the completion of a project to upgrade the state's financial accounting system.

The project costs were financed by increased charges to state agencies' AFIS transaction fees. The total 3-year

project development costs were \$9,500,000. Of that amount, \$2,000,000 was funded in FY 2022, \$3,500,000 in FY 2023, and \$4,000,000 was funded in FY 2024. The budget includes a footnote to make the FY 2024 appropriation of \$4,000,000 available through FY 2025. In addition, the FY 2024 budget included \$557,000 one-time for partial-year increased operating costs of the system.

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

Named Claimants

The Baseline includes no funding in FY 2025 for Named Claimants. This amount is unchanged from FY 2024.

The state must annually settle unpaid claims against received goods and services. Vendors providing goods and services to the state can make claims against the receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year.

Monies in this line item are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2023, Chapter 83 appropriated \$227,404.41 in FY 2023 for prior year unpaid claims from all state agencies.

Information Technology Services

Information Technology Project Management and Oversight

The Baseline includes \$1,656,700 and 15 FTE Positions from the State Web Portal Fund in FY 2025 for IT Project Management and Oversight. This amount is unchanged from FY 2024.

This line item funds staffing costs for statewide project management and oversight at the ADOA Arizona Strategic Enterprise Technology Office. A.R.S § 18-104 requires ADOA to approve all IT projects over \$25,000.

Risk Management

Cyber Risk Insurance

The Baseline includes \$23,037,200 from the Cyber Risk Insurance Fund in FY 2025 for Cyber Risk Insurance. This amount is unchanged from FY 2024.

The FY 2023 Budget Implementation Budget Reconciliation Bill (BRB) created the Cyber Risk Insurance Fund and established a cyber risk insurance program. The budget transferred \$24,624,400 one-time from the Risk Management Revolving Fund in FY 2023 into the Cyber Risk Insurance Fund to capitalize the fund.

The FY 2025 Baseline funds \$20,000,000 as a set aside for an insurance deductible in the event of a cyber security breach or incident, \$137,200 for staff to administer the program and \$1,450,000 for insurance premiums. These premiums would fund third-party insurance to assist the state with a large cyber breach with costs over \$10,000,000 for investigations, public notification for credit monitoring services, and remediation.

Beginning in FY 2025, ADOA will allocate actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system. Since the \$20,000,000 for insurance deductibles is already built into the fund balance, the agency charges should only reflect the cost of staff and insurance premiums.

Federal Transfer Payment

The Baseline includes no funding in FY 2025 for one-time payments to the federal government. This amount is unchanged from FY 2024.

The FY 2024 General Appropriation Act included an FY 2023 supplemental appropriation of \$3,107,700 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2022. In addition, the FY 2024 General Appropriation Act continued to specify that it is the intent of the Legislature that ADOA shall not enter into any agreements to pay for any federal reimbursements related to excess retained earnings in the Health Insurance Trust Fund (HITF), unless the proposed agreements are reviewed by the JLBC.

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government, which restricts the use of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds. Examples of restricted use include fund transfers from one ADOA fund to

another fund, using an ADOA fund for a federally disallowed operating purpose, or retaining an excess fund balance.

Amounts owed for FY 2023 will be paid in FY 2024 through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government.

Risk Management Administrative Expenses

The Baseline includes \$10,870,700 from the Risk Management Revolving Fund in FY 2025 for Risk Management Administrative Expenses. This amount is unchanged from FY 2024.

This line item funds financial and actuarial analyses, relevant investigations, and related travel. This line item also funds legal representation from outside the Office of the Attorney General.

Risk Management Losses and Premiums

The Baseline includes \$52,436,300 from the Risk Management Revolving Fund in FY 2025 for Risk Management Losses and Premiums. This amount is unchanged from FY 2024.

This line item represents estimated payments for liability and property settlements, medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Workers' Compensation Losses and Premiums

The Baseline includes \$28,395,000 from the Risk Management Revolving Fund in FY 2025 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2024.

This line item accounts for the state's liability in workplace injuries. The funding represents payments for workers' compensation beneficiaries, hospital and medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Support Services

Employee Compensation Study

The Baseline includes no funding in FY 2025 for an Employee Compensation Study. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2025 to remove one-time funding for an Employee Compensation Study.

The FY 2024 budget included a footnote requiring ADOA to submit a report on the results of the Employee Compensation Study on or before October 1, 2024, to the Speaker of the House, the President of the Senate, the Chairpersons of the Senate and the House of Representatives Appropriations Committees, and JLBC Staff.

Government Transformation Office

The Baseline includes \$2,055,500 from the State Web Portal Fund in FY 2025 for the Government Transformation Office (GTO). This amount is unchanged from FY 2024.

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

State Surplus Property Sales Agency Proceeds

The Baseline includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2025 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2024.

This line item separates surplus sales proceeds returned to agencies from the division's operating budget. The surplus property yard returns 90% of sales proceeds to the agency from which the property originated. The yard retains 10% of the proceeds to fund its operations.

Grants

Election Security Grants

The Baseline includes no funding in FY 2025 for Election Security Grants. This amount is unchanged from FY 2024.

The 2023 budget appropriated \$1,500,000 from the General Fund for eliminate one-time election security grants as follows:

- \$1,000,000 for ballot paper testing grants.
- \$500,000 for secure ballot boxes.

An FY 2023 General Appropriation Act footnote required ADOA to distribute grants to county recorders in at least one county for each ballot tabulation company currently used in the state of Arizona for the purposes of testing

specific security features and water marks and to report to the Legislature no later than May 1, 2023 on recommended ballot security features.

In its May 2023 report, ADOA reported that due to equipment delays with its Grantee, Cochise County, the county was not able to provide recommendations to ADOA. In August 2023, the Cochise County Board of Supervisors voted to end their pilot project with only \$187,500 expended.

A second FY 2023 General Appropriation Act footnote requires ADOA distribute grants to county recorders to purchase secure ballot boxes. The boxes shall generate a log and receipt of each ballot received. The distribution is as follows:

- 6 ballot boxes in Cochise County,
- 7 ballot boxes in Yuma County, and
- 3 ballot boxes in Pinal County.

At the end of FY 2023, ADOA had not yet distributed funds to these 3 counties.

Fire Incident Management Fund Deposit

The Baseline includes no funding in FY 2025 for a Fire Incident Management Fund Deposit. Adjustments are as follows:

Remove One-Time Grants

The Baseline includes a decrease of \$(12,200,000) from the General Fund in FY 2025 to remove a one-time deposit into the Fire Incident Management System Grants Fund.

The line item provides funding for ADOA to distribute as grants to municipal fire departments and fire districts for hardware and software with specific incident management system functionality as outlined in an FY 2023 General Appropriation Act footnote for FY 2023 and the FY 2024 Environment Budget Reconciliation Bill (BRB) for FY 2024. The FY 2023 budget also included \$6,200,000 from the General Fund for this purpose. The FY 2023 appropriation is non-lapsing. The Environment BRB allows ADOA to use up to \$200,000 for administrative costs.

Health Care Interoperability Grants

The Baseline includes no funding in FY 2025 for Healthcare Interoperability Grants. Adjustments are as follows:

Remove One-Time Grants

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2024 to remove one-time grants for health care interoperability grants.

This program funds grants for an interoperability software technology solution to support rural hospitals, health care providers and urban trauma centers to reduce public and private health care costs and unnecessary transportation costs. In addition to the FY 2024 appropriation, the FY 2023 budget included \$12,000,000 in one-time monies. The FY 2023 appropriation only is non-lapsing through FY 2025.

K-12 Transportation Grants

The Baseline includes no funding in FY 2025 for K-12 Transportation Grants. Adjustments are as follows:

Remove One-Time Grants

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2025 to remove one-time K-12 Transportation Grants.

The FY 2022 K-12 BRB established the Public School Transportation Modernization Grants program within ADOA for the distribution of grants to school districts, charter schools, and other entities for public transportation projects, such as improving access for students who attend school through open enrollment or through a charter school. Between FY 2022 and FY 2024, the budget appropriated \$45,000,000 for the program.

ADOA is required to select a nonprofit organization that would administer the program and report on its results. The nonprofit may use up to 5% of program monies for administrative expenses. The nonprofit A for Arizona was selected to administer the program.

Other

Early Literacy

The Baseline includes no funding in FY 2025 for Early Literacy. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 to remove a one-time distribution to an Early Literacy program.

The FY 2024 budget included a footnote specifying that the funding shall be distributed to a literacy program that places young adult role models in high-need preschool

classrooms and childcare centers, where they deliver targeted early literacy interventions to children who may otherwise never have young adult role models.

Miami Unified School District Gym Floors

The Baseline includes no funding in FY 2025 for Miami Unified School District Gym Floors. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(350,000) from the General Fund in FY 2025 to remove a one-time distribution to the Miami Unified School District to replace gym floors at Miami Junior-Senior School and Kornegay Intermediate School.

Skull Valley School District Distribution

The Baseline includes no funding in FY 2025 for distribution to Skull Valley School District. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2025 to remove one-time funding for ADOA to distribute to the Skull Valley School District.

Southwest Defense Contracts

The Baseline includes \$25,000 from the General Fund in FY 2025 for Southwest Defense Contracts. This amount is unchanged from FY 2024.

This line item is for distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwestern United States.

Other Issues

FY 2024 Federal Financial Participation Payment

ADOA's FY 2025 budget request includes an FY 2024 supplemental appropriation of \$9,493,000 from the General Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2023. This payment has historically been made from the Risk Management Revolving Fund. This amount consists of:

- \$7,267,900 related to transfers from 4 funds in FY 2023, primarily the Risk Management Revolving Fund to the Cyber Risk Insurance Fund.

- \$874,600 related to payments made from the Risk Management Revolving Fund in FY 2022 which has federal financial participation.
- \$1,350,500 related to interest on fund transfers, disallowed costs, and payments. This amount also includes a negotiation cushion estimated by ADOA.

(Please see the Federal Transfer Payment line item above for information.)

Health Insurance Trust Fund

The Health Insurance Trust Fund (HITF) is used to administer state employee health insurance benefit plans. Funding consists of employer and employee medical and dental insurance contributions.

Beyond the regular employer contributions, HITF has been subsidized over the last 7 years through either one-time or ongoing appropriations of General Fund and other monies to maintain a fund balance with sufficient reserve for claims. For example, the FY 2024 budget included \$73,000,000 from the General Fund (including a university tuition backfill) and \$120,399,500 total funds for a one-time employer premium increase (see Table 1).

Table 1

Health Insurance Trust Fund (\$ in M)

	FY 23	FY 24
	<u>Actual</u>	<u>Estimate</u>
Beginning Balance	\$20.8	\$128.7
<u>Revenue</u>		
Baseline Premiums	\$820.2	\$832.1
One-time Employer Increase	<u>\$172.8</u>	<u>\$120.4</u>
<u>Net Revenues</u>	<u>\$993.0</u>	<u>\$952.5</u>
<u>Expenses</u>		
Baseline Medical Expenses	\$879.7	\$1,016.3
Administration	<u>\$5.4</u>	<u>\$5.6</u>
<u>Net Expenses</u>	<u>\$885.1</u>	<u>\$1,021.9</u>
Cash Balance	\$128.7	\$59.3

ADOA implemented no changes to employee premiums, deductibles, copays, or plan structure for Plan Year 2024 with the exception of a minor increase to the Health Savings Account (HSA) deductible to comply with federal HSA requirements.

For FY 2024, the fund is projected to have a cash balance of \$59,300,000. With the removal of the one-time employer premium increase in FY 2025, ADOA projects

HITF to have a projected ending cash shortfall of approximately \$(199,600,000) in FY 2025

As a self-insured fund, the state assumes the direct risk for payment of claims and should therefore retain a sufficient balance to ensure claims can be paid in the event of fluctuations in cash flow or catastrophic expenses. The recommended reserve is between \$50,000,000 to \$100,000,000, equal to approximately 1 month's claim expenses.

Auditor General Report

In July 2023 and September 2023, the Auditor General published 2 ADOA audits: a performance audit on the department's IT project oversight and a sunset review.

Arizona Strategic Enterprise Technology Office (ASET) IT Project Oversight

The report evaluated ASET's oversight of IT projects statewide. The report found that ASET had insufficient oversight which hindered the department's ability to identify projects at risk for failing. In addition, the report found that ASET did not always ensure agency projects had independent third-party reviews when required by law to do so. The report recommended that the department implement policies and procedures to collect and review status reports from agencies with IT projects. In addition, the department should develop a process to validate agency IT project expenditures and determine when to suspend IT projects at risk for failure. ADOA agreed with the Audit Recommendations.

Sunset Review

The report included a broad range of ADOA programs including Risk Management, State Employee Health Insurance (HITF), Facilities Management and Capitol Mall Consolidation, and Statewide IT services. The report also found that ADOA did not have a process to review fees it charges to agencies who use the department's centralized financial services, the Central Services Bureau, which could result in over- or undercharging agencies for the services it provides.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	365,300	928,200
Year-End Fund Balance	442,900	964,300
Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)		Appropriated
Source of Revenue: Revenues are collected from state agencies to recover pro rata costs of operating AFIS. Pro rata charges are determined by ADOA and allocated to each agency based on AFIS usage.		
Purpose of Fund: Supplements the cost of operating AFIS.		
Funds Expended	8,307,500	14,386,200
Year-End Fund Balance	4,667,800	755,600
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. Balances reflect a transfer into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	25,680,600	29,726,400
Year-End Fund Balance	4,059,200	2,609,400
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	16,375,800	19,081,200
Year-End Fund Balance	19,194,700	7,101,400
Capitol Mall Consolidation Fund (ADA3211/A.R.S. § 41-792.02)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: For repair and renovations of state-owned buildings. Monies in the fund for capital expenses are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	927,000	927,000
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	16,297,400	14,404,000
Year-End Fund Balance	7,690,700	7,685,700
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	2,792,400	10,110,700
Year-End Fund Balance	21,822,300	20,036,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To operate the cooperative purchasing program and support its membership list.		
Funds Expended	6,516,300	7,115,900
Year-End Fund Balance	4,570,000	3,316,500
Coronavirus State and Local Fiscal Recovery Fund (ADA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	23,028,000	58,316,800
Year-End Fund Balance	42,358,000	100
Corrections Fund (ADA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Department of Juvenile Corrections (DJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or DJC.		
Funds Expended	570,100	628,900
Year-End Fund Balance	0	0
Cyber Risk Insurance Fund (ADA4217/A.R.S. § 41-622)		Appropriated
Source of Revenue: The FY 2023 budget transferred \$24,624,400 from the Risk Management Revolving Fund in FY 2023 into the Cyber Risk Insurance Fund for FY 2023 and FY 2024 costs. Beginning in FY 2025, revenues may include actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system.		
Purpose of Fund: To pay claim costs and administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits for Cyber Security.		
Funds Expended	0	23,037,200
Year-End Fund Balance	24,624,400	3,379,200
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. In addition, a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, as authorized by A.R.S. § 42-5402.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up to 5% of revenue); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	23,157,300	21,396,800
Year-End Fund Balance	11,109,400	10,761,900
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	37,513,100	38,695,100
Year-End Fund Balance	1,556,100	2,140,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Grant Fund (ADA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants, including pass through grants from several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
Funds Expended	2,227,900	35,000
Year-End Fund Balance	1,500	1,500
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	0	468,200
Year-End Fund Balance	30,800	(437,400)
Fire Incident Management Fund (ADA9998/Laws 2023, Chapter 138)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To provide grants to municipal fire departments and districts to purchase hardware and software. No more than \$200,000 may be used for administrative costs. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Governor's Emergency Education Relief Fund (ADA2980/U.S. P.L. 116-136)		Federal Funds
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the state educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	2,857,100	0
Year-End Fund Balance	0	0
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	52,999,100	55,674,600
Year-End Fund Balance	59,003,500	57,484,400
Information Technology Fund (ADA2152/A.R.S. § 18-401)		Appropriated
Source of Revenue: A pro rata share of 0.61% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO) in the Arizona Department of Homeland Security. Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	1,974,600	2,159,300
Year-End Fund Balance	7,346,000	9,749,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. Monies appropriated for capital expenses are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	4,633,600	5,568,600
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	273,000	(47,800)
Year-End Fund Balance	(122,800)	0
Personnel Division Fund (ADA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	13,124,600	13,672,500
Year-End Fund Balance	3,495,200	4,370,800
Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to an individual shall not exceed \$30,000.		
Funds Expended	15,413,700	11,369,000
Year-End Fund Balance	12,688,500	12,319,500
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	74,587,100	99,896,100
Year-End Fund Balance	122,051,600	103,361,500
School Safety Interoperability Fund (ADA3076/A.R.S. § 41-1733)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund school safety pilot programs which enable the deployment of a secure, multimedia data communications system to a user base consisting of public safety agencies and public schools. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The FY 2023 Automation Budget Reconciliation Bill (BRB) transferred this fund from the State Treasurer to ADOA in FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	2,600,000	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	5,110,500	5,684,700
Year-End Fund Balance	129,086,300	59,690,300
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Non-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. The Non-Appropriated expenditures reflect the state's self-insured health care claims costs. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	879,658,100	1,016,179,400
Year-End Fund Balance	129,086,300	59,690,300
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	19,700	0
Year-End Fund Balance	4,000	4,000
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Appropriated monies are collected from 11 small regulatory boards residing in the State Boards' Office to provide centralized administrative services. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	803,600	1,243,000
Year-End Fund Balance	99,200	(540,800)
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Non-Appropriated expenditures reflect various centralized printing, copying, and repair services offered by ADOA. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,013,600	1,015,100
Year-End Fund Balance	99,200	(540,800)
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	448,100	577,500
Year-End Fund Balance	1,228,900	1,186,400
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,651,400	3,048,900
Year-End Fund Balance	960,200	710,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
State Web Portal Fund (ADA2531/A.R.S. § 18-421)		Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in A.R.S. § 18-421.		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	6,276,300	8,429,300
Year-End Fund Balance	7,519,600	8,237,700
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits.		
Purpose of Fund: Employee donations are used to recognize outstanding employees.		
Funds Expended	400	1,300
Year-End Fund Balance	600	300
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,490,700	1,798,200
Year-End Fund Balance	1,492,700	1,287,200
Text to 911 Services Fund (ADA2177/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred from the Emergency Telecommunications Service Revolving Fund.		
Purpose of Fund: To provide grants to political subdivisions of the state for text-to-911 services.		
Funds Expended	203,700	0
Year-End Fund Balance	721,300	0
Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		Non-Appropriated
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	0	0
Year-End Fund Balance	2,500	2,500
Transparency Website Fund (ADA2955/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to local governments that utilize the state's transparency website, Arizona OpenBooks.		
Purpose of Fund: To maintain the transparency website for public use.		
Funds Expended	26,000	27,000
Year-End Fund Balance	37,900	37,900
VW Diesel Emissions Environment Mitigation Trust Fund (ADA3917/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies deposited from the National Volkswagen Lawsuit Settlement. Arizona will receive approximately \$57.0 million over 10 years in settlement monies to support eligible air pollution mitigation activities.		
Purpose of Fund: To support eligible air pollution mitigation activities.		
Funds Expended	0	0
Year-End Fund Balance	191,700	0

Arizona Department of Administration - Automation Projects Fund

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SPECIAL LINE ITEMS^{1/2/}			
ADOA Business One-Stop Shop Web Portal	6,661,400	0	0
ADOA K-12 School Financial Transparency Reporting Portal	3,984,500	3,500,000	0
ADOA State Data Center	603,500	0	0
ADOA HRIS Replacement	12,274,900	20,647,800	0
Agriculture IT Projects and Cloud Migration	179,500	0	0
AHCCCS Statewide HHIS Technology Projects	0	15,000,000	0
Charter School Board Online Platform	533,800	0	0
DCS CHILDS Replacement	4,992,800	0	0
Corporation Commission Online Records & Filing System	0	7,000,000	0
DES Child Care Management System	2,112,200	0	0
ADE Education Learning and Accountability System	4,285,300	0	0
Industrial Commission IT System Upgrades	610,600	0	0
Judiciary Community Supervision Electronic Monitoring	0	2,500,000	0
Judiciary Probation Case Management System Replacement	0	3,270,000	0
Board of Psychology e-Licensing Systems Modification	20,000	0	0
DPS Concealed Weapons Tracking System	312,800	494,500	0
DOR Integrated Tax System Modernization	503,100	19,369,400	19,456,800 ^{3/}
SOS Electronic Record Storage Study	139,200	0	0
DWR Application Modernization and Integration	177,500	0	0
AGENCY TOTAL	37,391,100	71,781,700	19,456,800 ^{4/5/}

FUND SOURCES

Other Appropriated Funds

Charter School Board APF Subaccount	533,800	0	0
Corporation Commission APF Subaccount	0	7,000,000	0
Department of Administration APF Subaccount	11,249,400	3,500,000	0
Department of Agriculture APF Subaccount	179,500	0	0
Department of Child Safety APF Subaccount	4,992,800	0	0
Department of Economic Security APF Subaccount	2,112,200	0	0
Department of Education APF Subaccount	4,285,300	0	0
Department of Public Safety APF Subaccount	312,800	494,500	0
Department of Revenue APF Subaccount	503,100	19,369,400	19,456,800
Department of Water Resources APF Subaccount	177,500	0	0
Health and Human Services Information System (HHIS) APF Subaccount	0	15,000,000	0
Human Resources Information System APF Subaccount	12,274,900	20,647,800	0
Industrial Commission of Arizona APF Subaccount	610,600	0	0
Judiciary – Supreme Court APF Subaccount	0	5,770,000	0
Secretary of State APF Subaccount	139,200	0	0
State Board of Psychologist Examiners APF Subaccount	20,000	0	0
SUBTOTAL - Other Appropriated Funds	37,391,100	71,781,700	19,456,800
SUBTOTAL - Appropriated Funds	37,391,100	71,781,700	19,456,800 ^{6/}
TOTAL - ALL SOURCES	37,391,100	71,781,700	19,456,800

AGENCY DESCRIPTION — The Automation Projects Fund (APF) is administered by the Arizona Department of Administration (ADOA). Monies in this appropriated fund are designated to implement, upgrade, or maintain automation and information technology projects for any state agency. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to JLBC for review.

FOOTNOTES

- 1/ General Fund monies are transferred into the Automation Projects Fund to finance certain projects. See *Table 2* for all fund transfers into the APF. These individual transfers are discussed in the narrative as part of the individual projects listed in the Automation Projects Fund.
- 2/ Represents expenditures from the APF. Because many of the APF appropriations are spent over multiple years, the FY 2023 actual column also includes non-lapsing expenditures from prior year appropriations.
- 3/ The monies appropriated in this subsection shall be spent for an integrated tax system modernization project that meets the following minimum specifications:
 1. Captures data fields from electronically-filed individual and corporate income tax returns and makes the data available for querying and reporting purposes. The system shall provide the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff direct access to the querying and reporting functions. The querying and reporting functions shall include procedures to protect taxpayer confidentiality under applicable state and federal law.
 2. For electronic corporate income tax returns, captures 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.
 3. Includes an integrated individual income tax model within the project and provides the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff direct access to the individual income tax model. At a minimum, the model shall allow the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff to adjust tax law parameters against an anonymized representative sample of income tax returns to estimate the fiscal impact of proposed tax legislation. The model shall only include data from state and federal tax returns that are captured by the tax system. The individual income tax model shall include procedures to protect taxpayer confidentiality under applicable state and federal law.
 4. Makes individual and corporate income tax data available for querying, modeling and reporting within twenty-four months following the end of a tax year. (General Appropriation Act footnote)
- 4/ The amount appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2024-2025 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriation Act footnote)
- 5/ Within thirty days after the last day of each calendar quarter, the department of administration shall submit to the joint legislative budget committee a quarterly report on implementing projects approved by the information technology authorization committee established by section 18-121, Arizona Revised Statutes, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 6/ The transfers into the automation projects fund established by section 41-714, Arizona Revised Statutes, are not appropriations out of the automation project fund. Only direct appropriations out of the automation projects fund are appropriations. (General Appropriation Act footnote)

Background

The APF is administered by ADOA and consists of subaccounts used to implement, upgrade, or maintain automation and information technology (IT) projects for state agencies. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit to the Joint Legislative Budget Committee (JLBC) for review an expenditure plan that includes project costs, deliverables, timeline for completion and method of procurement.

Pursuant to A.R.S. § 18-121, the Information Technology Authorization Committee (ITAC) is required to approve or disapprove all IT projects that exceed a total cost of \$1,000,000. If project costs are greater than \$5,000,000, A.R.S. § 18-104 requires an additional third-party analysis

before receiving ITAC approval and requires agencies to submit quarterly progress reports from the third-party consultant. Unless otherwise noted, appropriations are non-lapsing for 2 years.

Department of Administration Subaccount

ADOA Business One-Stop Shop Web Portal

The Baseline includes no funding in FY 2025 for the Business One-Stop Shop Web Portal. This amount is unchanged from FY 2024.

At its June 2023 meeting, the Committee gave a favorable review of ADOA's request to spend \$6,500,000 of its FY 2023 appropriation for FY 2024 operating costs and

development of the Business One Stop Portal. Please see the FY 2024 Appropriations Report for additional information about the Business One Stop Shop Web Portal project.

ADOA K-12 School Financial Transparency Reporting Portal

The Baseline includes no funding in FY 2025 for the K-12 School Financial Transparency Reporting Portal. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(3,500,000) from the ADOA APF Subaccount in FY 2024 for the K-12 School Financial Transparency Reporting Portal.

The FY 2022 K-12 Budget Reconciliation Bill (BRB) included a provision which requires ADOA to develop a school financial transparency portal with school level data from districts and charter schools on revenues generated by weighted student count, allocation of federal, state, and local revenue, allocation of Classroom Site Fund monies, and expenditures on teacher pay and benefits, classroom supplies, student support, and other expenditures.

The FY 2022 appropriation was financed by an appropriation for the General Fund to the ADOA APF Subaccount. The FY 2022 General Appropriation Act also included appropriations of \$1,500,000 in both FY 2023 and FY 2024 for the completion of the project. In addition, the FY 2024 budget included an additional \$2,000,000 financed from the General Fund. These appropriations are non-lapsing through FY 2025.

Human Resources Information System Subaccount

ADOA HRIS Replacement

The Baseline includes no funding in FY 2025 for the HRIS Replacement project. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(20,647,800) from the HRIS Subaccount in FY 2025 to remove one-time funding for the HRIS replacement project.

A total of \$20,647,800 of the FY 2023 appropriation and all of the FY 2024 appropriation was financed via a proportional pro rata charge to state agencies. Agencies were allocated additional resources as a statewide adjustment to pay the fee. Of that amount, \$8,011,400 is from the General Fund and \$12,636,400 is charged to other appropriated and non-appropriated agency funds.

These funds were allocated to individual agency budgets in FY 2023 to pay HRIS user charges. Of this \$8,011,400, \$(7,000,000) would be reduced from individual agency user charges with the completion of the project. This reduction would occur as part of a statewide adjustment. The JLBC Staff, in consultation with OSPB, would determine the distribution of the \$(7,000,000) to individual agencies.

In addition, \$1,750,000 was transferred from the balance of ADOA's Personnel Division Fund into the HRIS APF Subaccount in FY 2023 for the project as an FY 2023 supplemental appropriation.

HRIS is the state's central hub for salary and benefit administration, employee records, time and leave management, and other workforce data. The FY 2023 budget assumed that total project costs would be \$68,000,000 over 3 years. In July 2022, ADOA awarded a contract for the project and reduced the total project costs to \$44,166,800.

Department of Agriculture Subaccount

Agriculture IT Projects and Cloud Migration

The Baseline includes no funding in FY 2025 for IT projects and cloud migration at the Department of Agriculture. This amount is unchanged from FY 2024.

The FY 2023 budget appropriated \$2,000,000 to the department to continue its efforts to modernize its IT systems and move the systems to the cloud. The FY 2023 appropriation was financed from the General Fund. At its December 2022 meeting, the JLBC gave a favorable review of the department's \$300,000 expenditure plan to conduct a feasibility study for the project. The Committee included a provision that required the department to report to the JLBC staff on the outcome of the feasibility study.

In November 2023, the department issued a task order to procure a cloud-based system based on the feasibility study roadmap. The project will be awarded to the winning bidder in late January of 2024 and the project will be completed in about 18 months after awarding the contract.

**Health and Human Services Information System
Subaccount**

AHCCCS Statewide HHIS Technology Projects

The Baseline includes no funding in FY 2025 for Statewide HHIS Technology Projects. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(15,000,000) from the HHIS APF Subaccount for to remove one-time funding for Statewide HHIS Technology Projects.

The FY 2024 appropriation was financed from the General Fund.

HHIS projects may include the Systems Integrator at AHCCCS to replace the agency's reliance on its mainframe IT system for the Prepaid Medicaid Management Information System. Projects may also include other health and human agency systems to improve identification management for safety net systems and address the inoperability of outdated IT systems.

At its June 2023 JLBC meeting, the Committee favorably reviewed an expenditure plan for AHCCCS totaling \$2,000,000 to begin the development of the Prepaid Medicaid Management Information System (PMMIS) Systems Integrator. The AHCCCS project includes \$7,500,000 in federal expenditure authority from its operating budget.

Corporation Commission Subaccount

Corporation Commission Online Records & Filing System

The Baseline includes no funding in FY 2025 for an Online Records and Filing System Replacement project. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(7,000,000) from the Corporation Commission Subaccount in FY 2025 for an Online Records and Filing System Replacement project.

The Corporation Commission e-Corp system provides online access to corporation and limited liability company records on file with the agency's Corporations Division. The current system is aging and will no longer be maintained by the vendor in FY 2024. The FY 2024 funding will be used to implement and migrate to a new cloud-based system.

The FY 2024 appropriation was financed from the Securities Regulatory and Enforcement Fund.

The FY 2024 budget includes a footnote requiring the agency to include a report for JLBC review on its plan to support the ADOA Business One-Stop project through its completion, including plans for how the new e-Corp system will integrate with the business one-stop solution. The report is due as part ADOA's request for expenditure review pursuant to A.R.S § 41-714.

Department of Economic Security Subaccount

DES Child Care Management System

The Baseline includes no funding in FY 2025 for the Department of Economic Security (DES) Child Care Management System. This amount is unchanged from FY 2024. *Please see the FY 2024 Appropriations Report for additional background on the project.*

Department of Education Subaccount

ADE Education Learning and Accountability System

The Baseline includes no funding in FY 2025 for the Arizona Department of Education (ADE) Education Learning and Accountability System (ELAS). This amount is unchanged from FY 2024. *Please see the FY 2024 Appropriations Report for additional background on the project.*

Judiciary Supreme Court Subaccount

Judiciary Community Supervision Electronic Monitoring

The Baseline includes no funding in FY 2025 for the Statewide Community Supervision Electronic Monitoring System. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(2,500,000) from the Judiciary Supreme Court Subaccount in FY 2025 to remove one-time funding for the Statewide Community Supervision Electronic Monitoring System.

In FY 2023, the Supreme Court initiated a \$2,500,000 pilot project funded with the American Rescue Plan Act (ARPA) Funds. The system is designed to enable probation officers to monitor and communicate with individuals involved in the criminal justice system, both pre-trial and in selected probation groups, using a cell phone.

The FY 2024 appropriation was financed from the General Fund. At its October 2023 meeting, the Committee gave a favorable review of the project which is expected to be completed in FY 2025.

Judiciary Probation Case Management System

The Baseline includes no funding in FY 2025 to replace the Probation Case Management System. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(3,270,000) from the Judiciary Supreme Court Subaccount in FY 2025 to remove one-time funding to replace the Probation Case Management System.

The statewide system is used by all 15 county adult probation departments. The current system is over 20 years old and has reached its end of life.

The Supreme Court estimates that the total project costs are approximately \$11,100,000 over 3 years. In FY 2023, the Supreme Court initiated the project with approximately \$4,372,300 of operating funds. At its October 2023 meeting, the Committee gave a favorable review of the FY 2024 expenditure plan.

The FY 2024 appropriation was financed from the General Fund.

Department of Public Safety Subaccount

DPS Concealed Weapons Tracking System

The Baseline includes no funding in FY 2025 for upgrades to the Department of Public Safety (DPS) Concealed Weapons Tracking System. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(494,500) from the DPS APF Subaccount in FY 2025 to remove one-time funding for the Concealed Weapons Tracking System.

In addition to the FY 2024 appropriation, the FY 2022 budget included \$550,000 from the DPS APF Subaccount to complete upgrades to the Concealed Weapons Tracking System. The FY 2024 General Appropriation Act extends the lapsing date of the FY 2022 appropriation through FY 2024.

The system tracks concealed weapon permits and allows law enforcement to verify permits. The current system uses antiquated mainframe technology. The new system

will interface with other law enforcement systems and allow the public to renew permits online. *(Please see the FY 2022 Appropriations Report for additional details and background on the project.)*

Department of Revenue Subaccount

DOR Integrated Tax System Modernization

The Baseline includes \$19,456,800 from the Department of Revenue (DOR) APF Subaccount in FY 2025 for the DOR's development of a new integrated tax system. Adjustments are as follows:

Third-Year Development costs

The Baseline includes an increase of \$87,400 from the DOR APF Subaccount in FY 2025 for the development of a new integrated tax system modernization project. The FY 2025 Baseline funding level is included in the FY 2024 budget's 3-year General Fund spending plan. The FY 2024 3-year spending plan includes the FY 2024 – FY 2026 funding levels as displayed in *Table 1*.

The FY 2025 appropriation will be financed by a transfer from the following funds to the DOR APF Subaccount:

- \$11,847,300 from the General Fund
- \$7,609,500 from the Integrated Tax System Project Fund. The Integrated Tax System Project Fund consists of monies recovered from local governments (including regional transportation authorities) and state non-General Fund accounts that will benefit from the system.

As part of the FY 2023 budget, DOR estimated that the system will cost \$104,827,600 to implement by FY 2028. The long-term spending plan for the tax system assumed that development costs would be allocated as follows: 1) 60.89% from the General Fund; 2) 34.06% from Local Governments; 3) 4.13% from the 0.6% Education Sales Tax; and 4) 0.92% from the 16% recreational marijuana excise tax. As noted above, the non-General Fund sources (which total 39.11% of the project budget) are deposited into the Integrated Tax System Project Fund.

Given these fixed allocation percentages, of the total project budget of \$104,827,600, the General Fund cost would be \$63,829,700. The remaining \$40,997,900 is to be appropriated from the Integrated Tax System Project Fund as show in *Table 1*.

Table 1

Integrated Tax Modernization Costs
Integrated Tax
System Project

	<u>General Fund</u>	<u>Fund</u>	<u>Total</u>
FY 2023	\$9,632,700	\$6,187,100	\$15,819,800
FY 2024	11,794,100	7,575,300	19,369,400
FY 2025	11,847,300	7,609,500	19,456,800
FY 2026	11,725,500	7,531,300	19,256,800
FY 2027	11,238,400	7,218,400	18,456,800
FY 2028	<u>7,591,700</u>	<u>4,876,300</u>	<u>12,468,000</u>
Total	\$63,829,700	\$40,997,900	\$104,827,600

DOR is given annual guidance in budget legislation on the dollar amounts of these non-General Fund allocations, which represent the fixed percentages multiplied by that year's annual project budget. In addition, budget legislation also provides DOR guidance for the assessment of the local government charges.

The FY 2024 Taxation BRB (Laws 2023, Chapter 147) provides the legislative intent for setting these assessments as follows:

- 1) The amount to be charged to all counties, cities, towns, Council of Governments and regional transportation authorities with a population greater than 800,000 shall not exceed \$6,597,200 for FY 2024.
- 2) Each local government type's share (for example all counties' share of the \$6,597,200) is based on that government type's proportionate share of certain state and locally-collected revenues received by those local entities 2 fiscal years prior to the current fiscal year. *(See Table 2 for a list of the state/local tax categories and distributions used to allocate the local government charges.)* Once each government type's share of the local assessment has been calculated, population is the basis for determining the apportioning of fees among counties as well as among cities and towns.
- 3) The amounts charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax shall not exceed \$178,100 and \$800,000, respectively, in FY 2024.

In FY 2025 and future years, these limits will continue to be adjusted in session law to allow for the collection of the expected future contributions from the Integrated Tax System Project Fund as shown in Table 2.

Table 2

Tax Categories Used for Allocation

Tax Category/Distribution	ARS Statutory Reference
State TPT Revenue Sharing	42-5029
Municipal TPT	42-6001
County Excise Tax	42-6103
Maricopa County Road Tax	42-6105
Pima County Road Tax	42-6106
County Road Tax	42-6107
County Hotel Tax	42-6108
County Jail Excise Tax	42-6109/42-6109.01
County Capital Projects Tax	42-6111
County Judgment Bonds Tax	42-6112
Urban Revenue Sharing	43-206

The Baseline continues a footnote that details the following system requirements for the project:

- Capturing data fields from electronically-filed individual and corporate income tax returns and make the data available for querying and reporting purpose.
- For electronic corporate income tax returns, capturing 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.
- Including an integrated tax model within the project that will be accessible to DOR, JLBC, and 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 anonymity.
- 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.

The JLBC favorably reviewed the \$15,819,800 FY 2023 appropriation at two different meetings. At the September 2022 JLBC meeting, the Committee gave DOR a favorable review for initial scoping and procurement costs totaling \$870,900.

At its June 1, 2023 meeting, the JLBC favorably reviewed both the expenditure plan for the remaining FY 2023 monies as well as the project specifications. The selected vendor submitted a bid at \$55 million for development costs. This amount, combined with DOR's internal costs of \$40 million, results in a total development budget of \$95 million, leaving \$9.4 million for a contingency (See Table 3 below). The selected vendor's contract included \$30 million for 10 years of post-implementation operations

and maintenance. This latter amount was not included in the DOR project budget.

Table 3

**DOR Total Project Budget Costs
(\$ in Millions)**

	6-Year Budget
Vendor Development Costs	55.0
DOR Internal Development Costs	40.0
Total	95.0

Secretary of State Subaccount

SOS Electronic Record Storage Study

The Baseline includes no funding in FY 2025 for an electronic record storage feasibility study. This amount is unchanged from FY 2024.

The FY 2023 budget appropriated \$300,000 for the Secretary of State (SOS) to conduct a feasibility study on how to preserve electronic records on behalf of the state in a self-sustaining manner similar to physical record storage. The FY 2023 appropriation was financed from a transfer from the Records Services Fund.

At its December 2022 meeting, the JLBC gave a favorable review of the SOS's \$300,000 expenditure plan for the feasibility study. The Committee included a provision that required the department to report to the JLBC Staff on the outcome of the feasibility study.

Department of Water Resources Subaccount

DWR Application Modernization and Integration

The Baseline includes no funding in FY 2025 to update the Department of Water Resources' (DWR's) applications. This amount is unchanged from FY 2024.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the General Fund deposits into the APF costs are projected to decrease by \$(121,800) in FY 2026 below FY 2025 and decrease by \$(487,100) in FY 2027 below FY 2026. These estimates are based on assumed project funding for the the DOR Integrated Tax System modernization.

Subaccount Balance Transfers

A.R.S § 41-714 allows ADOA to transfer unspent APF subaccount funding back to the fund of origin at the completion of an IT project. ADOA is required to annually report on transfers. In FY 2024, ADOA reported the following transfers:

	Transfer Amount
<u>General Fund</u>	
Charter School Board	\$ 51,000
<u>Other Appropriated Funds</u>	
Department of Administration	
Automation Projects Fund	1,396,500

Table 2

Automation Projects Fund Transfers

(\$ in thousands)

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>Department of Administration Subaccount</u>			
General Fund	17,114.3	3,500.0	
<u>HHIS Subaccount</u>			
General Fund		15,000.0	
<u>HRIS Subaccount</u>			
General Fund	8,011.4	8,011.4	
Other Agency Funds	12,636.4	12,636.4	
Personnel Division Fund	1,750.0 ²		
<u>Department of Agriculture Subaccount</u>			
General Fund	2,000.0		
<u>Corporation Commission</u>			
Securities Regulatory and Enforcement Fund		7,000.0	
<u>Judiciary -Supreme Court Subaccount</u>			
General Fund		5,770.0	
<u>Department of Public Safety Subaccount</u>			
Concealed Weapons Permit Fund		494.5	
<u>Secretary of State Subaccount</u>			
Record Services Fund	300.0		
<u>Department of Revenue Subaccount</u>			
General Fund	9,632.7	11,794.1	11,847.3
Integrated Tax System Project Fund	6,187.1	7,575.3	7,609.5
<u>Department of Water Resources</u>			
Water Resources Fund	1,700.0		
General Fund Subtotal	36,758.4	44,075.5	11,847.3
Other Appropriated Fund Subtotal	22,573.5	27,706.2	7,609.5
Total	59,331.9 ^{1/}	71,781.7	19,456.8

^{1/} The FY 2023 column of numbers are transfers, not actuals, and therefore may not match the FY 2023 Actual column in the Budget table above.^{2/} Supplemental transfer in FY 2024 budget.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Automation Projects Fund (ADA2566/A.R.S. § 41-714)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. A.R.S § 41-714 requires ADOA to establish subaccounts for each agency that implements an Information Technology project funded through the APF. Transfers out of this fund are not displayed to avoid double counting of appropriations..		
Funds Expended	0	0
Year-End Fund Balance	17,600	1,414,100
Charter School Board Automation Projects Fund Subaccount (ADA9991/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Charter School Board.		
Funds Expended	533,800	0
Year-End Fund Balance	80,300	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Corporation Commission Subaccount (ADA9961/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Corporation Commission.		
Funds Expended	0	7,000,000
Year-End Fund Balance	0	0
Department of Administration Automation Projects Fund Subaccount (ADA9966/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Administration.		
Funds Expended	11,249,400	3,500,000
Year-End Fund Balance	18,452,900	9,369,400
Department of Agriculture Automation Projects Fund Subaccount (ADA9974/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Agriculture.		
Funds Expended	179,500	0
Year-End Fund Balance	1,820,500	0
Department of Child Safety Automation Projects Fund Subaccount (ADA9967/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Child Safety.		
Funds Expended	4,992,800	0
Year-End Fund Balance	0	0
Department of Economic Security Automation Projects Fund Subaccount (ADA9989/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Economic Security.		
Funds Expended	2,112,200	0
Year-End Fund Balance	6,997,800	0
Department of Education Automation Projects Fund Subaccount (ADA9975/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Education.		
Funds Expended	4,285,300	0
Year-End Fund Balance	2,914,700	0
Department of Public Safety Automation Projects Fund Subaccount (ADA9964/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Public Safety.		
Funds Expended	312,800	494,500
Year-End Fund Balance	237,200	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Department of Revenue Automation Projects Fund Subaccount (ADA9978/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Revenue.		
Funds Expended	503,100	19,369,400
Year-End Fund Balance	15,316,700	0
Department of Water Resources Automation Projects Fund Subaccount (ADA9993/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Water Resources.		
Funds Expended	177,500	0
Year-End Fund Balance	1,522,500	0
Health and Human Services Information System (HHIS) Subaccount (ADA9995/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for health and human services systems statewide.		
Funds Expended	0	15,000,000
Year-End Fund Balance	0	0
Human Resources Information System Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Administration (Human Resources Information System Replacement).		
Funds Expended	12,274,900	20,647,800
Year-End Fund Balance	10,125,100	0
Industrial Commission of Arizona Automation Projects Fund Subaccount (ADA9990/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Industrial Commission of Arizona.		
Funds Expended	610,600	0
Year-End Fund Balance	0	0
Judiciary – Supreme Court Subaccount (ADA9962/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Supreme Court.		
Funds Expended	0	5,770,000
Year-End Fund Balance	0	0
Secretary of State Automation Projects Fund Subaccount (ADA9982/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Secretary of State.		
Funds Expended	139,200	0
Year-End Fund Balance	160,800	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
State Board of Psychologist Examiners Automation Projects Fund Subaccount (ADA9992/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the State Board of Psychologist Examiners.		
Funds Expended	20,000	0
Year-End Fund Balance	0	0

Arizona Department of Administration - School Facilities Division

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	1,048,200	1,033,400	1,033,400
Employee Related Expenditures	395,000	379,100	379,100
Professional and Outside Services	123,800	101,800	101,800
Travel - In State	16,600	10,000	10,000
Travel - Out of State	600	600	600
Other Operating Expenditures	49,500	128,500	128,500
OPERATING SUBTOTAL	1,633,700	1,653,400	1,653,400
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2022 Authorizations)	47,950,000	0	0
New School Facilities (FY 2023 Authorizations)	48,253,900	26,365,000	0
New School Facilities (FY 2024 Authorizations)	0	116,089,400	77,898,600 ^{1/}
New School Facilities (FY 2025 Authorizations)	0	0	48,098,600 ^{2/3/}
Santa Cruz Valley New School	0	2,000,000	0
Yuma Union High School	16,515,200	0	0
Kirkland Site Conditions	400,000	0	0
New School Facilities Debt Service	9,938,100	9,938,100	9,938,100 ^{4/5/}
Other Programs			
Building Renewal Grants Deposit	199,967,900	199,967,900	16,667,900
School Facilities Inspections	0	1,000,000	0
AGENCY TOTAL	324,658,800	357,013,800	154,256,600 ^{6/}
FUND SOURCES			
General Fund	324,658,800	357,013,800	154,256,600
SUBTOTAL - Appropriated Funds	324,658,800	357,013,800	154,256,600
Other Non-Appropriated Funds	322,100	382,000	0
TOTAL - ALL SOURCES	324,980,900	357,395,800	154,256,600

AGENCY DESCRIPTION - The School Facilities Division in the Arizona Department of Administration administers the New School Facilities Fund, the Building Renewal Grant Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts. The division is assisted in its duties by a School Facilities Oversight Board composed of 7 gubernatorial appointments, along with the State Superintendent of Public Instruction and the Director of the Department of Administration serving as advisory non-voting members.

FOOTNOTES

- ^{1/} Laws 2023, Chapter 133, appropriated \$77,898,600 from the General Fund in FY 2025 for the New School Facilities FY 2024 authorizations.
- ^{2/} Pursuant to section 41-5741, Arizona Revised Statutes, the amount appropriated for new school facilities shall be used only for facilities and land costs for school districts that received final approval from the division of school facilities on or before December 15, 2023. (General Appropriation Act footnote)
- ^{3/} After approving a distribution of funding for a land purchase, a land lease or the construction of a new school, the division of school facilities shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting the final amount of the distribution. (General Appropriation Act footnote)
- ^{4/} At least thirty days before any monies are transferred out of the new school facilities debt service line item, the division of school facilities shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriation Act footnote)
- ^{5/} Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the division of school facilities under the federal qualified school construction bond program in fiscal year 2024-2025 shall be deposited in or revert to the state general fund. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$1,653,400 and 17 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

New School Facilities

The Baseline includes \$125,997,200 from the General Fund in FY 2025 for New School Facilities, which is a decrease of \$(18,457,200) from FY 2024. The funding amount for New School Facilities includes the following:

- \$77,898,600 for the remaining 50% of construction funding to complete 8 projects which were authorized to begin construction in FY 2024.
- \$48,098,600 for land costs and the first 50% of construction costs for 5 projects authorized to begin construction in FY 2025. This amount includes \$45,077,100 for construction, \$780,000 for a land donation credit, and \$2,241,500 for site conditions and demolition.

All new school construction is labeled as one-time spending rather than ongoing spending. (See Table 3 for a summary of New School Facilities Funding)

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. The division distributes the monies to school districts as work is completed on approved projects. A school district qualifies for new construction funding when the districtwide square feet per student is predicted to fall below the statutory minimum within the next 2 years. Funding is then provided to the district at a statutorily-prescribed dollar amount per square foot. The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC. At its December 14, 2023 meeting, the JLBC approved a 6.52% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2022 when the Committee last adopted an adjustment. This adjustment applies to the FY 2025 projects approved by the division. (See Table 1 for the current statutory funding amounts)

In addition, the division distributes money for land acquisition and site conditions. Site conditions funding is used for extraordinary site-specific construction needs such as: 1) Earth moving costs beyond normal requirements (such as dynamite blasting); 2) Building footings that must be deeper than standard code (in excess of 3 feet below grade); and 3) Replacing poor/collapsing soil which cannot support buildings with

other materials such as engineered fill. Site conditions do not include the costs of utilities placement or complying with standard local building codes.

Table 1

New School Facilities Statutory Funding Guidelines – FY 2025 Awards ^{1/2/}

Type of School	Per Student	Funding Per Square Foot
K-6	90	\$329.26
7-8	100	\$347.62
9-12 (<1,800 pupils)	134	\$402.43
9-12 (≥1,800 pupils)	125	\$402.43

^{1/} Increased by 5% for rural school districts.

^{2/} Adjusted annually for inflation in subsequent years.

New School Facilities (FY 2023 Authorization)

The Baseline includes no funding in FY 2025 for New School Facilities projects which were authorized to start construction in FY 2023. Adjustments are as follows:

New School Funding Completion

The Baseline includes a decrease of \$(26,365,000) from the General Fund in FY 2025 for the completion of 3 projects:

- Marana (9-12) – for a new high school
- Nadaburg (9-12) – for a new high school including land.
- Pima (9-12) – for a new high school including land.

New School Facilities (FY 2024 Authorization)

The Baseline includes \$77,898,600 from the General Fund in FY 2025 for New School Facilities projects which are authorized to start construction in FY 2024. Adjustments are as follows:

Continue New School Construction Projects

The Baseline includes a decrease of \$(28,053,300) from the General Fund in FY 2025 to continue construction for 8 new schools. These school districts are projected to be at capacity in FY 2025 or before. The Baseline assumes 50% of construction costs for each project will be appropriated in FY 2025, except for the Glendale project which was funded 100% in FY 2024 due to its small size. 100% of land costs were also funded in FY 2024. The projects are as follows:

- Agua Fria (9-12) – for a new high school including land
- Glendale (K-8) – for replacement space with 100% of the costs funded in FY 2024.

- Liberty (K-8) – for a new elementary school including land.
- Queen Creek (K-6) – for 2 elementary school additions.
- Queen Creek (K-6) – for a new elementary school including land.
- Queen Creek (7-8) – for 2 middle school additions.
- Saddle Mountain (9-12) – for a high school addition.
- Snowflake (9-12) – for a new high school including land.

This adjustment also includes the removal of one-time savings associated with the Sahuarita 9-12 project cancellation (which was authorized for FY 2022). The savings from this cancelled project were realized by reducing SFD's FY 2024 new school facilities appropriation.

The FY 2024 General Appropriation Act appropriated the remaining \$77,898,600 of funding in FY 2025 for these projects. As a result, these monies will not appear in the FY 2025 General Appropriation Act.

Remove One-Time Prior Year Land Costs

The Baseline includes a decrease of \$(6,190,000) from the General Fund in FY 2025 to remove one-time funding for prior year land cost adjustments. *(Please see the FY 2024 Appropriations Report for additional details on funding distributions for prior year land costs.)*

Remove One-Time Site Conditions

The Baseline includes a decrease of \$(3,947,500) from the General Fund in FY 2025 to remove one-time funding for site conditions. *(Please see the FY 2024 Appropriations Report for additional details on funding distributions for site conditions.)*

New School Facilities (FY 2025 Authorization)

The Baseline includes \$48,098,600 from the General Fund in FY 2025 for New School Facilities projects which are authorized to start construction in FY 2025. Adjustments are as follows:

Begin New School Construction Projects

The Baseline includes \$48,098,600 from the General Fund in FY 2025 for New School Facilities projects. These school districts are projected to be at capacity in FY 2026 or before. The Baseline assumes 50% of construction costs and 100% of land costs for each project will be appropriated in FY 2025. The projects are as follows:

- Marana (6-8) – for a new middle school and a land donation credit
- Queen Creek (9-12) – for 2 high school additions.

- Sahuarita (9-12) – for high school addition and site conditions. The SFD award (and corresponding Baseline amount) for this project reflects a deduction of \$(484,900) for design costs previously funded.
- Valentine (K-8) – for a replacement school, site conditions, and demolition. SFD has made the determination that Valentine Elementary School has outlived its useful life. Under statute, with that determination, SFD removed the school's capacity and recalculated the new construction square footage requirements based on total district enrollment and minimum adequacy guidelines. SFD then awarded the district a 15,463 square feet project.

Santa Cruz Valley New School

The Baseline includes no funding in FY 2025 for additional project funding for a new school in the Santa Cruz Valley Unified School District. Adjustments are as follows:

Remove One-Time Additional Project Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding for additional project funding for the Santa Cruz Valley Unified School District.

The district was awarded a new high school for FY 2020 and the project received additional funding as part of the new construction statutory rate adjustment in FY 2022. Given that the district required additional funding to award a construction contract for the school, this line item allocates further monies to supplement the project budget. With the additional FY 2024 funding, the total project funding is \$10,852,000.

New School Facilities Debt Service

The Baseline includes \$9,938,100 from the General Fund in FY 2025 for New School Facilities Debt Service. This amount is unchanged from FY 2024.

SFD's only current debt service is for an FY 2010 lease-purchase agreement used to finance the costs of new school construction. That agreement requires the \$9,938,100 annual debt service payment through FY 2027 and a final lower debt service amount in FY 2028.

The FY 2025 Baseline includes \$9,938,100 for the debt service requirement for the 2010 Qualified School Construction Bonds (QSCB) issuance. The lease-purchase agreement associated with the QSCBs requires the state to appropriate the entire debt service amount for the payment, as opposed to deducting the expected federal subsidy from the payment. The state is expected to receive a federal subsidy of \$3,729,900, in FY 2025 related to the lease-purchase payment.

Pursuant to A.R.S. § 35-142.01, the subsidy funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$6,208,200.

Other Programs

Building Renewal Grants

The Baseline includes \$16,667,900 from the General Fund in FY 2025 for Building Renewal Grants. Adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(183,300,000) from the General Fund in FY 2025 to eliminate one-time funding for building renewal grants.

Since FY 2014, the state has funded an ongoing "base" amount of Building Renewal Grant funding of \$16,667,900. (See Table 2.)

Background – SFD distributes monies to school districts to fund "primary" building renewal projects. SFD prioritizes projects with emphasis given to school districts that have provided routine preventative maintenance. "Primary" building renewal projects are those required to meet the minimum adequacy guidelines. Statute also requires SFD to prioritize funding to critical projects.

Table 2

Building Renewal Appropriations FY 2013 - FY 2024

Fiscal Year	Ongoing	One-Time	Total
2013	2,667,900	0	2,667,900
2014	16,667,900	0	16,667,900
2015	16,667,900	0	16,667,900
2016	16,667,900	15,000,000	31,667,900
2017	16,667,900	15,000,000	31,667,900
2018	16,667,900	27,167,900	43,835,800
2019	16,667,900	59,417,900	76,085,800
2020	16,667,900	90,790,900	107,458,800
2021	16,667,900	129,591,100	146,259,000
2022	16,667,900	183,949,100	200,617,000
2023	16,667,900	183,300,000	199,967,900
2024	16,667,900	183,300,000	199,967,900

Pursuant to A.R.S. § 41-5721, SFD is required to transfer excess funds in the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund to the extent that the transfer does not affect or disrupt any approved new construction projects.

If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors.

School Facility Inspections

The Baseline includes no funding in FY 2025 for School Facility Inspections. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding for school facility inspections.

Monies in the School Facility Inspection line item will provide resources to the SFD to conduct building inspections. Statute requires the SFD to inspect school buildings once every 5 years. The FY 2024 appropriation is non-lapsing.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SFD's General Fund costs are projected to increase by \$10,838,300 in FY 2026 above FY 2025 and increase by \$135,760,800 in FY 2027 above FY 2026. These estimates are based on:

New School Construction

The long-term estimates assume 3 types of new school construction funding: 1) Providing the remaining funding in FY 2026 for the schools which were authorized to begin construction in FY 2025; 2) Conceptual approvals made by SFD as part of the agencies' long-term planning process, and 3) a 4% annual increase to the cost per square foot inflation factor in both FY 2026 and FY 2027.

In FY 2026, new school construction spending is projected to increase by \$10,838,300. In addition, FY 2027 new school construction spending is projected to increase by \$135,760,800.

Long-term estimates include land costs when SFD indicates land is required which is not already available to the district. Unless a land cost estimate was specifically provided by SFD, land costs are projected using an estimated parcel size within the range required by SFD policy (based on school type/size) and estimated land market values.

New construction projects assumed to start in FY 2026 and FY 2027 reflect SFD conceptual approvals as of December 2023.

Table 3

Long-Term New School Facilities Funding ^{1/}

	Type	Sq. Ft	Student Capacity	FY 2024	FY 2025	FY 2026	FY 2027
FY 2023 Starts							
Marana 9-12	New	37,400	369	3,416,200			
Nadaburg 9-12	New	67,000	500	11,799,000			
Pima 9-12 (Rural)	New	60,300	450	11,149,800			
Subtotal - FY 2023 Starts				\$ 26,365,000			
FY 2024 Starts ^{1/}							
Agua Fria 9-12	New	125,000	1000	\$ 23,613,000	\$ 23,613,000		
Aqua Fria Land				24,000,000			
Glendale K-8	Replacement	2,442	28	764,800			
Liberty K-8	New	73,920	800	11,575,400	11,575,400		
Liberty Land				10,000,000			
Queen Creek K-6	Addition	18,330	229	2,832,950	2,832,950		
Queen Creek K-6	Addition	14,520	182	2,244,150	2,244,150		
Queen Creek K-6	New	90,000	1000	13,909,800	13,909,800		
Queen Creek Land				11,100,000			
Queen Creek 7-8	Addition	39,918	499	6,513,400	6,513,400		
Queen Creek 7-8	Addition	25,082	314	4,092,600	4,092,600		
Saddle Mountain 9-12	Addition	57,620	430	10,884,700	10,884,700		
Snowflake 9-12 (Rural)	New	11,256	84	2,232,600	2,232,600		
Snowflake Land				5,000,000			
Sahuarita Project Savings				(22,811,500)			
Prior Year Land Adjustments				6,190,000			
Prior and Current Year Site Conditions				3,947,500			
Subtotal - FY 2024 Starts				\$ 116,089,400	\$ 77,898,600		
FY 2024 New School Line Items							
Santa Cruz Valley 9-12				\$ 2,000,000			
FY 2025 Starts							
Maricopa 6-8	New	96,670	1,000		16,503,500	16,503,500	
Maricopa Land Donation					780,000		
Queen Creek 9-12	Addition	37,500	300		7,545,600	7,545,600	
Queen Creek 9-12	Addition	62,500	500		12,576,000	12,576,000	
Sahuarita 9-12 ^{2/}	New	29,750	238		5,743,700	5,743,700	
Sahuarita Site Conditions					906,500		
Valentine K-8 (Rural)	Replacement	15,463	151		2,708,300	2,708,300	
Valentine Site Conditions and Demolition					1,335,000		
Subtotal - FY 2025 Starts					\$ 48,098,600	\$ 45,077,100	
FY 2026 Starts							
Buckeye Union 9-12	New	225,000	1,800			47,084,700	47,084,700
Clarkdale - Jerome K-8	Addition	4,620	50			801,500	801,500
Laveen K-8	New	92,400	1,000			16,029,100	16,029,100
Laveen Land						6,000,000	
Queen Creek K-6	New	67,500	750			11,557,000	11,557,000
Snowflake 7-8 (Rural)	New	6,800	68			2,581,400	
Somerton K-6	New	45,000	500			7,704,700	7,704,700
Subtotal - FY 2026 Starts						\$ 91,758,400	\$ 83,177,000
FY 2027 Starts							
Buckeye Elementary K-8	New	87,780	950				\$ 15,836,900
Liberty K-8	New	73,920	800				\$ 13,336,300
Marana 9-12	New	125,000	1,000				\$ 27,204,400
Maricopa K-5	New	72,000	800				\$ 12,820,700
Maricopa 9-12	Addition	125,000	1,000				\$ 27,204,400
Nadaburg K-8	New	73,920	800				\$ 13,336,300
Palo Verde K-8	New	64,680	700				\$ 11,669,300
Tollson 9-12	New	312,500	2,500				\$ 68,011,000
Subtotal - FY 2027 Starts							\$ 189,419,300
Total				\$ 144,454,400	\$ 125,997,200	\$ 136,835,500	\$ 272,596,300

^{1/} See the Arizona Department of Administration section for additional FY 2024 funding associated with the Miami Unified School District and the Skull Valley Elementary District.

^{2/} Project formula reduced by \$484,900 for design costs previously funded.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 41-5857)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations. The fund is administered by the Treasurer's Office. (Please see the State Treasurer's Section for more information.)		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. To pay administrative expenses for the Arizona Credit Enhancement Program. The School Facilities Division allows the Governor's Office to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Building Renewal Grant Fund (SFA2392/A.R.S. § 41-5741)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The balance amounts displayed represent unencumbered funds which have not been awarded by the division.		
Funds Expended	0	0
Year-End Fund Balance	280,501,200	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 41-5721)		Non-Appropriated
Source of Revenue: Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	322,100	382,000
Year-End Fund Balance	382,000	0
Lease to Own Debt Service Fund (SFA2373/A.R.S. § 41-5704)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by the school facilities oversight board to finance the costs of new school construction. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	3,633,800	3,632,200
New School Facilities Fund (SFA2460/A.R.S. § 41-5731)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	0	0
Year-End Fund Balance	139,340,500	56,896,900
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 41-5084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	9,377,400	9,377,400
State School Trust Revenue Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	22,700	22,700

Office of Administrative Hearings

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	624,300	621,600	621,600
Employee Related Expenditures	253,100	254,000	254,000
Professional and Outside Services	200	0	0
Other Operating Expenditures	121,300	114,400	114,400
OPERATING SUBTOTAL	998,900	990,000	990,000
SPECIAL LINE ITEMS			
Increased Workload	0	0 ^{1/}	0
AGENCY TOTAL	998,900	990,000	990,000 ^{2/}
FUND SOURCES			
General Fund	998,900	990,000	990,000
SUBTOTAL - Appropriated Funds	998,900	990,000	990,000
Other Non-Appropriated Funds	816,500	873,900	873,900
TOTAL - ALL SOURCES	1,815,400	1,863,900	1,863,900

AGENCY DESCRIPTION — The Office of Administrative Hearings (OAH) is an independent office whose services and personnel are to be used by all state agencies to conduct administrative hearings, unless exempted by law. All agencies supported by other appropriated or non-appropriated funding sources are to contract for administrative hearing services from the office. The Director shall assign Administrative Law Judges (ALJ) from the office to an agency, on either a temporary or permanent basis, to preside over contested cases in accordance with the special expertise of the ALJ in the subject matter of the agency.

FOOTNOTES

- ^{1/} The amount appropriated in the increased workload line item reverts to the state general fund if a bill addressing provider claims against insurers does not become law in the first regular session of the fifty-sixth legislature. (FY 2024 General Appropriation Act footnote) The bill did not become law during the first regular session of the 56th Legislature. As a result, we have removed \$180,000 from the OAH FY 2024 appropriation.
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$990,000 and 12 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Increased Workload

The FY 2024 budget included \$180,000 from the General Fund for an Increased Workload line item. The 3-year budget plan included the \$180,000 as one-time for 3 years in FY 2024, FY 2025, and FY 2026. A General Appropriation Act footnote made this funding contingent on the passage of a bill addressing provider claims against insurers. The bill, HB 2290, was not ultimately enacted, and therefore these monies will revert to the General Fund. For this reason, the \$180,000 appropriation is not reflected in the FY 2024 budget display.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	816,500	873,900
Year-End Fund Balance	(1,800)	(1,800)
Video Service Provider Complaint Fund (HGA2603/A.R.S. § 9-1451)		Non-Appropriated
Source of Revenue: Fees from administrative hearings conducted for complaints filed about alleged violations of video service statutes or agreements between local government and video service providers.		
Purpose of Fund: To cover expenses of hearings to hear disputes between local governments and video service providers.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Commission of African-American Affairs

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	0.0	0.0
Personal Services	92,000	0	0
Employee Related Expenditures	36,000	0	0
Professional and Outside Services	2,000	0	0
Other Operating Expenditures	30,600	0	0
AGENCY TOTAL	160,600	0	0
FUND SOURCES			
General Fund	160,600	0	0
SUBTOTAL - Appropriated Funds	160,600	0	0
Other Non-Appropriated Funds	4,900	0	0
TOTAL - ALL SOURCES	165,500	0	0

AGENCY DESCRIPTION — The Arizona Commission of African-American Affairs advises state and federal agencies on policies, legislation and rules that affect the African-American community, and enables the state to be responsive to the needs of the African-American community. The commission is composed of 9 public members and 8 ex-officio members. Beginning in FY 2024, the annual appropriation for the commission is included in the operating budget of the Governor.

The FY 2024 General Appropriation Act transferred the funding of the Arizona Commission of African-American Affairs to the operating budget of the Governor. *(Please see the Governor's narrative for current funding.)*

Operating Budget

The Baseline includes no funding in FY 2025 for the operating budget. This amount is unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs. The FY 2024 expenditures and balance are reported in the Summary of Funds for the Governor's Office.		
Funds Expended	4,900	0
Year-End Fund Balance	1,800	0

Arizona Department of Agriculture

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	212.8	212.8	212.8 ^{1/2/}
Personal Services	7,883,700	9,149,100	9,149,100
Employee Related Expenditures	3,332,600	3,351,600	3,351,600
Professional and Outside Services	500,300	599,600	599,600
Travel - In State	1,277,400	1,928,500	1,928,500
Travel - Out of State	43,100	74,800	74,800
Other Operating Expenditures	2,411,400	3,028,400	1,828,800
Equipment	232,700	115,100	115,100
OPERATING SUBTOTAL	15,681,200	18,247,100	17,047,500
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	134,600	135,700	135,700
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	63,700	65,000	65,000
Livestock Operator Assistance Program Deposit	10,000,000	0	0
Nuclear Emergency Management Program	280,500	321,300	308,600 ^{3/4/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	26,206,500	18,815,600	17,603,300 ^{5/}
FUND SOURCES			
General Fund	24,339,700	16,911,000	15,711,400
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,586,300	1,583,300	1,583,300
Nuclear Emergency Management Fund	280,500	321,300	308,600
SUBTOTAL - Other Appropriated Funds	1,866,800	1,904,600	1,891,900
SUBTOTAL - Appropriated Funds	26,206,500	18,815,600	17,603,300
Other Non-Appropriated Funds	18,922,500	25,153,500	25,153,500
Federal Funds	5,543,600	5,751,900	5,751,900
TOTAL - ALL SOURCES	50,672,600	49,721,000	48,508,700

AGENCY DESCRIPTION — The Arizona Department of Agriculture administers and enforces agriculture-related statutes. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to guard public health and to ensure product quality. The department administers programs to protect livestock and crops from pests and diseases and to protect farm workers who handle agricultural chemicals. It also tests certain non-food agricultural products to ensure product quality and content, as well as providing administrative support to several agricultural product promotion groups. The Weights and Measures Service Division inspects, tests and licenses commercial weighing and measuring devices. The Division of Pest Management licenses and regulates professional pest control companies and conducts examinations of the applicators of structural pesticides.

FOOTNOTES

- 1/ Includes 2.88 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Includes 2.88 OF FTE Positions appropriated by Laws 2023, Chapter 114 for the Nuclear Emergency Program.
- 3/ Laws 2023, Chapter 114 appropriated \$321,319 and 2.88 FTE Positions in FY 2024 and \$308,569 and 2.88 FTE Positions in FY 2025 from the Nuclear Emergency Management Fund. Because this appropriation is in separate legislation, these amounts will not be included in the General Appropriation Act.
- 4/ Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$17,047,500 and 209.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$15,464,200
Air Quality Fund	1,583,300

Adjustments are as follows:

Remove One-Time IT Support Expansion

The Baseline includes a decrease of \$(1,199,600) from the General Fund in FY 2025 for the removal of one-time funding for expanded information technology support.

Agricultural Consulting and Training

The Baseline includes \$135,700 from the General Fund in FY 2025 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2024.

This line item funds on-site visits to establishments for consultation, interpreting, and applying alternative methods of complying with statutes, rules, regulations, and standards relating to compliance.

Agricultural Employment Relations Board

The Baseline includes \$23,300 from the General Fund in FY 2025 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2024.

This line item funds accounting and budgeting support for the Agricultural Employment Relations Board. The board receives and investigates complaints and conducts farm labor union elections.

Animal Damage Control

The Baseline includes \$65,000 from the General Fund in FY 2025 for the Animal Damage Control line item. This amount is unchanged from FY 2024.

This line item funds agreements with the U.S. Department of Agriculture to control, dispatch, or relocate predatory animals and noxious rodents, which are injurious to livestock, poultry, agriculture, other industries, or the public health.

Nuclear Emergency Management Program

The Baseline includes \$308,600 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2025 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

2025 NEMF Assessment

The Baseline includes a decrease of \$(12,700) from the NEMF in FY 2025 for a change to the assessment rate in FY 2025.

Laws 2023, Chapter 114 appropriated \$321,319 and 2.88 FTE Positions from NEMF in FY 2024 and \$308,569 and 2.88 FTE Positions from NEMF in FY 2025. As a result, these amounts will not be included in the General Appropriation Act.

The Department of Emergency and Military Affairs (DEMA) and the Department of Agriculture both receive appropriations from Laws 2023, Chapter 114. *(Please see the DEMA narrative for more information.)*

The NEMF appropriation amounts for FY 2023-FY 2025 are displayed in *Table 1*.

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation. The Legislature enacts this revised fee level in a bill outside of the budget process.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Department representatives assist in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participate in the annual response exercises, mainly the Ingestion Pathway Zone exercises. The Department of Agriculture is responsible for controlling embargoes of food, water, and milk in the event that there is an emergency that would contaminate those items produced in the areas around the plant.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2023		FY 2024		FY 2025	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	8.50	\$1,987,423	8.50	\$2,113,549	8.50	\$2,176,031
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>321,319</u>	<u>2.88</u>	<u>308,569</u>
Total	11.38	\$2,267,935	11.38	\$2,434,868	11.38	\$2,484,600

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

Red Imported Fire Ant Control

The Baseline includes \$23,200 from the General Fund in FY 2025 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2024.

This line item funds ongoing pest exclusion efforts aimed at preventing the introduction of the red imported fire ant. The state has successfully suppressed isolated infestations of red imported fire ants and continues to be federally certified as free from this pest.

Other Issues**Statutory Changes**

The Baseline would, as session law, continue the fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2025, including legislative intent that limits additional revenues to \$357,000.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	46,500	50,800
Year-End Fund Balance	64,300	53,800
Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01.		
Funds Expended	2,900	4,400
Year-End Fund Balance	11,900	7,500
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	637,800	533,200
Year-End Fund Balance	169,300	162,100
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	1,586,300	1,583,300
Year-End Fund Balance	11,500	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the regulation of aquaculture.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	2,500	9,900
Year-End Fund Balance	46,900	42,500
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	323,700	350,000
Year-End Fund Balance	94,000	47,000
Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessment on citrus produced in the state, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	53,900	50,000
Year-End Fund Balance	151,000	147,500
Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessments and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	358,200	354,300
Year-End Fund Balance	72,900	67,100
Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for licensing fees and fees collected for the inspection of animal and bird feeds.		
Purpose of Fund: To regulate animal and bird feeds.		
Funds Expended	258,100	469,600
Year-End Fund Balance	1,206,900	1,140,600
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	4,100	4,000
Year-End Fund Balance	27,900	27,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	3,579,800	7,929,700
Year-End Fund Balance	(186,000)	(3,854,400)
Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S. § 3-214.01)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for certification fees and reimbursements for the destruction of dangerous plants, pests, and diseases.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Funds Expended	6,900	90,700
Year-End Fund Balance	256,100	247,700
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), 5% of Beef Council surcharges, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	556,200	1,209,000
Year-End Fund Balance	1,451,700	1,197,800
Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees from the regulation of eggs and egg products.		
Purpose of Fund: To administer the Egg Inspection Program.		
Funds Expended	1,847,400	1,840,000
Year-End Fund Balance	1,274,500	1,274,500
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	0	0
Year-End Fund Balance	1,200	1,400
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: The Arizona Department of Agriculture is the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry in accordance with the cooperative agreement between the department and the U.S. Department of Agriculture.		
Funds Expended	8,537,900	9,185,300
Year-End Fund Balance	16,725,800	19,221,000
Federal Funds (AHA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to U.S. Department of Agriculture meat inspection regulation enforcement, hazardous plant pest eradication, increasing consumption of specialty crops, and studies of threatened and endangered plant species. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	5,546,800	5,421,800
Year-End Fund Balance	88,200	21,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees collected for the inspection of materials and a portion of the fertilizer manufacturer's license fee.		
Purpose of Fund: To regulate fertilizers.		
Funds Expended	393,700	506,100
Year-End Fund Balance	868,600	762,600
Grain Trust Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	82,100	91,900
Year-End Fund Balance	141,200	123,700
Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	70,300	75,000
Year-End Fund Balance	40,600	40,800
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	(3,200)	330,100
Year-End Fund Balance	558,300	417,400
Industrial Hemp Trust Fund (AHA2372/A.R.S. § 3-315)		Non-Appropriated
Source of Revenue: Legislative appropriations and licensing fees related to the processing, manufacturing, and distribution of industrial hemp.		
Purpose of Fund: To support the licensing and regulation of industrial hemp.		
Funds Expended	154,600	325,600
Year-End Fund Balance	509,800	279,900
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Originally, \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23. There are no new sources of revenue other than interest payments.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	13,900	6,800
Year-End Fund Balance	208,900	208,100
Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with monies resulting from fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Funds Expended	24,400	36,400
Year-End Fund Balance	178,800	179,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Livestock Operator Fire and Flood Assistance Fund (AHA2374/A.R.S. § 3-109.03)		Non-Appropriated
Source of Revenue: Federal monies, legislative appropriations from the state General Fund, public and private grants and private donations received for the purpose of providing grant monies to landowners and lessees of a livestock operation for infrastructure projects. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To administer the Livestock Operator Assistance Program.		
Funds Expended	0	0
Year-End Fund Balance	10,159,800	7,068,900
Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	280,500	321,300
Year-End Fund Balance	64,200	64,200
Pest Management Trust Fund (AHA2050/A.R.S. § 3-3604)		Non-Appropriated
Source of Revenue: Monies collected by the Division of Pest Management for the licensing of professional pest control companies and applicators of structural pesticides.		
Purpose of Fund: To license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,615,200	1,500,000
Year-End Fund Balance	2,138,500	1,969,300
Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from a portion of pesticide registration fees.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	228,600	434,000
Year-End Fund Balance	1,510,500	1,390,200
Produce Safety Trust Fund (AHA2371/A.R.S. § 3-525.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations from public or private sources, and any monies collected by the Arizona Department of Agriculture through the administration of the Produce Safety Rule Enforcement Program.		
Purpose of Fund: To support the department's administration of the Produce Safety Rule Enforcement Program.		
Funds Expended	0	0
Year-End Fund Balance	1,000	1,000
Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from permits issued for the removal or salvage of protected native plants.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	40,900	12,000
Year-End Fund Balance	23,100	60,000
Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from seed dealers' and labelers' license fees and penalties.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Funds Expended	82,900	84,800
Year-End Fund Balance	344,300	367,300

Arizona Health Care Cost Containment System

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	2,348.3	2,358.3	2,358.3 ^{1/}
Personal Services	51,423,200	54,627,300	54,627,300
Employee Related Expenditures	21,723,600	23,164,600	23,164,600
Professional and Outside Services	5,087,900	10,986,800	(3,513,200)
Travel - In State	7,200	68,500	68,500
Travel - Out of State	47,000	304,600	304,600
Other Operating Expenditures	29,248,400	47,351,700	47,351,700
Equipment	621,700	513,900	513,900
OPERATING SUBTOTAL	108,159,000	137,017,400	122,517,400 ^{2/}
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	14,331,100	19,325,800	19,325,800
DES Eligibility	99,368,100	97,074,500	97,074,500 ^{3/}
Proposition 204 - AHCCCS Administration	24,666,700	15,222,200	15,222,200 ^{4/}
Proposition 204 - DES Eligibility	38,800,400	44,358,700	44,358,700 ^{4/}
Medicaid Services ^{5/6/}			
Traditional Medicaid Services	7,674,991,600	7,978,162,400	7,710,427,500 ^{7/-10/}
Proposition 204 Services	8,377,037,700	7,038,319,000	7,426,608,400 ^{6/9/10/}
Adult Expansion Services	1,027,021,500	926,824,300	726,135,800 ^{9/10/}
Comprehensive Health Plan	189,958,400	203,903,500	173,980,100 ^{9/}
KidsCare Services	195,027,000	186,394,000	222,712,200
ALTCS Services	2,209,373,500	2,680,175,800	2,458,072,600 ^{11/-13/}
Behavioral Health Services in Schools	9,891,200	9,120,600	8,630,600
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	76,569,800	77,646,900	77,646,900 ^{14/}
Supported Housing	5,279,600	65,324,800	65,324,800
Crisis Services	16,278,200	16,391,300	16,391,300
Children's Behavioral Health Services Fund Deposit	0	250,000	0
Non-Medicaid Seriously Mentally Ill Services	76,569,800	77,646,900	77,646,900
Hospital Payments			
Disproportionate Share Payments	4,820,600	5,087,100	5,087,100 ^{15/}
DSH Payments - Voluntary Match	28,627,300	69,735,200	65,330,500 ^{10/16/}
Graduate Medical Education	400,334,300	426,531,500 ^{20/}	469,246,600 ^{10/17/-21/}
Critical Access Hospitals	23,910,900	41,074,400	16,454,300
Targeted Investments Program	50,000,000	26,000,000	56,000,000
On-Call Obstetrics and Gynecological Services	0	7,500,000	0
AGENCY TOTAL	20,574,446,900	20,071,439,400	19,796,547,300 ^{22/-24/}
FUND SOURCES			
General Fund	2,171,637,900	2,515,401,900	2,789,838,100
Other Appropriated Funds			
Budget Neutrality Compliance Fund	4,303,100	4,669,300	4,914,300
Children's Health Insurance Program Fund	164,829,700	150,833,600	174,025,900
Prescription Drug Rebate Fund - State	165,160,800	165,410,500	165,160,500
Seriously Mentally Ill Housing Trust Fund	217,300	217,700	217,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	17,448,300	17,458,500	17,458,500
Tobacco Tax and Health Care Fund - Medically Needy Account	58,500,300	67,258,900	66,586,300

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SUBTOTAL - Other Appropriated Funds	412,709,700	408,098,700	430,613,400
SUBTOTAL - Appropriated Funds	2,584,347,600	2,923,500,600	3,220,451,500
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	98,980,700	102,000,000	102,000,000
County Funds	397,615,200	409,939,100	443,048,300
Delivery System Reform Incentive Payment Fund	15,495,200	8,321,200	17,922,700
Federal Medicaid Authority	15,697,080,400	14,560,642,600	13,875,934,000
Health Care Investment Fund	330,087,100	588,163,600	621,552,500
Hospital Assessment Fund	627,866,800	606,180,400	594,319,800
Nursing Facility Provider Assessment Fund	29,129,900	32,989,600	32,989,600
Political Subdivision Funds	147,947,600	193,784,400	242,411,000
Prescription Drug Rebate Fund - Federal	609,060,300	609,060,300	609,060,300
Third Party Liability and Recovery Fund	194,700	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	36,641,400	36,662,900	36,662,900
SUBTOTAL - Expenditure Authority Funds	17,990,099,300	17,147,938,800	16,576,095,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	20,574,446,900	20,071,439,400	19,796,547,300
Other Non-Appropriated Funds	130,167,800	154,859,400	154,859,400
Federal Funds	220,492,800	252,604,100	252,604,100
TOTAL - ALL SOURCES	20,925,107,500	20,478,902,900	20,204,010,800

AGENCY DESCRIPTION - The Arizona Health Care Cost Containment System (AHCCCS) operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS is the state's federally matched Medicaid program and provides acute care services, behavioral health services, and long term care services.

FOOTNOTES

- 1/ Includes 619.3 GF and 696.8 EA FTE Positions funded from Special Line Items in FY 2025.
- 2/ Before spending the monies for the replacement of the prepaid medicaid management information system, the Arizona strategic enterprise technology office shall submit, on behalf of the Arizona health care cost containment system, an expenditure plan for review by the joint legislative budget committee. The report shall include the project cost, deliverables, the timeline for completion and the method of procurement that are consistent with the department's prior reports for its appropriations from the automation projects fund. (General Appropriation Act footnote)
- 3/ The amount appropriated for the DES eligibility line item shall be used for intergovernmental agreements with the department of economic security for eligibility determination and other functions. The state general fund share may be used for eligibility determination for other programs administered by the division of benefits and medical eligibility based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 4/ The amounts included in the proposition 204 — AHCCCS administration, proposition 204 — DES eligibility and proposition 204 services line items include all available sources of funding consistent with section 36-2901.01, subsection B, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona health care cost containment system administration shall report its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 6/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2025 on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates, the administration shall report its expenditure plan for review by the joint legislative budget committee. Before the administration implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$1,000,000 or more for any fiscal year, the administration shall submit the policy change for review by the joint legislative budget committee. (General Appropriation Act footnote)

- 7/ The Arizona health care cost containment system administration shall transfer up to \$1,200,000 from the traditional medicaid services line item for fiscal year 2024-2025 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriation Act footnote)
- 8/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2024-2025 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 9/ The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent of the overall capitation rate. (General Appropriation Act footnote)
- 10/ The expenditure authority fund source includes voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program or treat low-income patients and for payments to qualifying providers affiliated with teaching hospitals. The political subdivision portions of the fiscal year 2024-2025 costs of graduate medical education, disproportionate share payments — voluntary match, traditional medicaid services, proposition 204 services and adult expansion services line items are included in the expenditure authority fund source. (General Appropriation Act footnote)
- 11/ Any federal monies that the Arizona health care cost containment system administration passes through to the department of economic security for use in long-term care for persons with developmental disabilities do not count against the long-term care expenditure authority. (General Appropriation Act footnote)
- 12/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2024-2025 nonfederal costs of providing long-term care system services is \$399,872,100. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 13/ Any supplemental payments received in excess of \$97,235,600 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2024-2025, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2024-2025. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. These payments are included in the expenditure authority fund source. (General Appropriation Act footnote)
- 14/ On or before June 30, 2025, the Arizona health care cost containment system administration shall report to the joint legislative budget committee on the progress in implementing the Arnold v. Sarn lawsuit settlement. The report shall include, at a minimum, the administration's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa county for supported housing services for 1,200 class members, supported employment services for 750 class members, eight assertive community treatment teams and consumer operated services for 1,500 class members. The administration shall also report by fund source the amounts it plans to use to pay for expanded services. (General Appropriation Act footnote)
- 15/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2024-2025 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, includes \$4,202,300 for the Maricopa county health care district and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 16/ Any monies received for disproportionate share hospital payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona board of regents, and any federal monies used to match those payments, in fiscal year 2024-2025 by the Arizona health care cost containment system administration in excess of \$65,330,500 are appropriated to the administration in fiscal year 2024-2025. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 17/ Any monies for graduate medical education received in fiscal year 2024-2025, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$469,246,600 are appropriated to the administration in fiscal year 2024-2025. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 18/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$5,000,000 from the state general fund and \$10,678,900 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties with a population of less than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)

- 19/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$4,000,000 from the state general fund and \$8,543,100 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties with a population of more than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. (General Appropriation Act footnote)
- 20/ Monies appropriated for graduate medical education in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024 2025. (FY 2024 General Appropriation Act footnote, as modified by the FY 2025 General Appropriation Act for a technical correction)
- 21/ Monies appropriated for graduate medical education in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriation Act footnote)
- 22/ The nonappropriated portion of the prescription drug rebate fund established by section 36-2930, Arizona Revised Statutes, is included in the federal portion of the expenditure authority fund source. (General Appropriation Act footnote)
- 23/ On or before July 1, 2025, the Arizona health care cost containment system administration shall report to the director of the joint legislative budget committee the total amount of medicaid reconciliation payments and penalties received on or before that date since July 1, 2024. (General Appropriation Act footnote)
- 24/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS's FY 2025 General Fund spending increases by \$274,436,200 from FY 2024. This amount includes:

- \$291,094,400 for formula adjustments.
- \$(700,000) for removal of one-time PMMIS replacement costs.
- \$(160,000) for removal of one-time rapid whole genome sequencing pilot funding.
- \$(4,098,200) to shift rural hospital reimbursement program funding.
- \$(4,200,000) for removal of one-time critical access hospital supplemental payments.
- \$(7,500,000) for removal of one-time funding for on-call obstetrics and gynecological services.

Below is an overview of FY 2025 formula adjustments, which *Table 1* summarizes, as well as any non-formula adjustments. As part of the Baseline's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$176,607,200 in FY 2026 above FY 2025 and by \$148,935,400 in FY 2027 above FY 2026. (See the *Other Issues* section for more information.)

Formula Adjustments

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions. The Baseline includes an increase of \$291,094,400 from the General Fund in FY 2025 for the following AHCCCS formula adjustments. This amount includes:

- \$355,094,300 for state match expenses associated with formula adjustments.
- \$(63,999,900) for changes in General Fund offsets.

Table 1

AHCCCS State Match Spending Changes (in millions) ^{1/}

State Match Formula Adjustments

FY 2024 Rebase	(127)
FY 2025 Caseload Growth	(55)
FY 2025 Inflation Increase	108
FY 2025 Federal Medicaid Match Rate Change	429
<i>State Match Costs Subtotal</i>	<i>355</i>

Non-General Fund State Match Offsets

Political Subdivisions Fund Increase	10
County Funds Increase	33
Hospital Assessment Fund	(12)
Health Care Investment Fund	33
<i>General Fund Offsets Subtotal</i>	<i>64</i>

Non-Formula Adjustments

Remove FY 2024 One-Time Funding	(12)
Remove Rural Hospital Reimbursement Funding	(4)
Other Adjustments	(<1)
<i>Non-Formula Subtotal</i>	<i>(17)</i>

Total General Fund Spending Change **\$274**

^{1/} Numbers may not sum due to rounding.

FY 2024 Base Adjustment

The Baseline includes a decrease of \$(126,626,500) from state match and a Total Funds decrease of \$(546,838,600) in FY 2025 for an FY 2024 base adjustment. The base adjustment is primarily associated with lower-than-budgeted caseloads.

The 2020 Families First Coronavirus Response Act prohibited disenrolling members for exceeding income eligibility limits while the COVID Public Health Emergency

(PHE) was in effect. The disenrollment prohibition was continued by federal executive action until April 1, 2023. At that time, AHCCCS resumed disenrolling members pursuant to the 2023 Consolidated Appropriations Act.

The enacted FY 2024 budget assumed the expiration of continuous enrollment would result in AHCCCS enrollment gradually returning to pre-pandemic levels by June 2024, adjusted for state population growth since that time. In comparison to the enacted budget assumptions, we estimate based on year-to-date trends that enrollment in Traditional Medicaid will be lower than anticipated in FY 2024, while other AHCCCS populations are anticipated to meet or exceed their original FY 2024 enrollment assumptions. The rebase incorporates these adjustments. This lowers AHCCCS costs relative to the enacted budget.

While overall AHCCCS enrollment in June 2024 is expected to be higher than original anticipated, we estimate that overall General Fund formula expenses will be \$(39,944,900) below the enacted budget assumption. This reflects the net impact of faster-than-anticipated enrollment declines within Traditional Medicaid, partially offset by slower-than-anticipated enrollment declines within the Proposition 204 Childless Adults and KidsCare programs. *(Please see Table 2 for more detailed information on enrollment.)* As a result, we also estimate a \$7,527,500 Other Funds supplemental need within the KidsCare program. *(See FY 2024 Adjustments in Other Issues for additional information.)*

FY 2025 Caseload Adjustment

Formula adjustments reflect 1.1% enrollment growth in FY 2025. Table 2 displays historical and forecasted member months across AHCCCS populations.

The Baseline assumes that once AHCCCS completes its pandemic-related disenrollment workload by June 2024, enrollment in FY 2025 will grow at an annualized average rate of 1.1% based on Arizona population growth projections. We estimate, however, that the 1.1% growth rate nevertheless results in a General Fund caseload savings in FY 2025 compared with FY 2024, due to the annualization of caseload declines that occurred prior to June 2024. For example, the June 2025 caseload level is 1.1% higher than in June 2024, but is approximately (8.2)% below enrollment as of June 2023.

Overall, caseload declines are expected to decrease state match expenses by \$(55,329,900) and Total Funds expenses by \$(281,593,800) in FY 2025.

Table 2

AHCCCS Enrollment ^{1/}					
Population	June 2023 (Actual)	June 2024 (Enacted)	June 2024 (Forecast) ^{2/}	June 2025 (Forecast)	'24-'25 % Change
Traditional	1,147,192	1,100,495	1,040,969	1,051,118	1.0%
Prop 204 Childless					
Adults	545,506	357,792	508,070	513,136	1.0%
Other Prop 204	196,261	188,655	172,596	175,254	1.5%
Adult Expansion	103,357	82,361	71,890	72,608	1.0%
KidsCare	63,289	52,899	69,294	69,628	0.5%
CMDP	10,169	11,761	9,755	9,802	0.5%
ALTCS - Elderly & Physically Disabled ^{3/}	28,503	32,301	29,340	30,455	3.8%
Emergency Services	<u>141,388</u>	<u>134,593</u>	<u>128,296</u>	<u>129,547</u>	<u>1.0%</u>
Total Enrollment	2,235,665	1,960,857	2,030,210	2,051,548	1.1%

^{1/} The figures represent June 1 enrollment for both capitated and fee-for-service members.

^{2/} The forecasted numbers account for caseload decreases associated with the end to a prohibition of disenrollment on April 1, 2023, established by the 2023 Consolidated Appropriations Act.

^{3/} The ALTCS program is funded in AHCCCS. An additional 40,204 people received Medicaid services through the Department of Economic Security's Developmental Disabilities program as of June 1, 2023.

FY 2025 Inflation Adjustments

The Baseline assumes a 4.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2024. This increase is based on several factors, including the medical care consumer price index and the growth certain categories experienced in the FY 2024 capitation rate adjustment. The Baseline also annualizes the FY 2024 capitation rate adjustment. Inflation adjustments increase AHCCCS state costs by \$107,816,700 and Total Funds costs by \$532,589,900 in FY 2025.

FY 2025 Federal Match Rate Changes

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During SFY 2025, the standard FMAP rates will be as follows:

- Traditional Medicaid rate will decrease to 65.24% (a 1.87 percentage point decrease).
- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 75.67% (a 1.30 percentage point decrease).

Additionally, the phased-down enhanced match rate that was in effect as states began to disenroll ineligible members will no longer be available in FY 2025. The Baseline annualizes the loss of this enhanced match, which increases state match costs. *(Please see Formula Adjustments in the FY 2024 Appropriations Report for*

more information on enhanced match rates during the pandemic.)

The Baseline includes an increase of \$429,234,000 in state costs and a corresponding decrease of \$(429,234,000) in Federal Medicaid Authority in FY 2025 as a result of these FMAP adjustments.

Non-General Fund State Match Items

The gross state match contribution from the FY 2024 base adjustment, FY 2025 caseload growth, inflation, and federal match rate changes is projected to increase by \$355,094,300. The Non-General Fund state match is projected to increase by \$63,999,900, resulting in a net General Fund change of \$291,094,400.

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

- An increase of \$9,790,000 in Political Subdivision Funds, mostly for Traditional.
- An increase of \$33,354,200 in County Funds (including the Budget Neutrality Compliance Fund), mostly for ALTCS.
- A decrease of \$(11,860,600) from the Hospital Assessment Fund in FY 2025 for physical health costs of enrollees in the Proposition 204 and Adult Expansion programs. The decrease is due to a revision to the methodology AHCCCS uses to determine the proportion of physical/behavioral health costs within the Proposition 204 fee-for-service program.
- An increase of \$33,388,900 from the Health Care Investment Fund. The increase primarily covers the lower federal match for directed payments to hospitals in FY 2025.
- A decrease of \$(672,600) from lower tobacco tax revenues.

Operating Budget

The Baseline includes \$122,517,400 and 1,042.2 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$35,989,500
Children's Health Insurance Program (CHIP) Fund	5,726,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	662,600
Seriously Mentally Ill (SMI) Housing Trust Fund	217,700
Federal Medicaid Authority (FMA)	77,448,800

Adjustments are as follows:

Remove PMMIS Replacement – Systems Integrator Funding

The Baseline includes a decrease of \$(7,500,000) from Federal Medicaid Authority in FY 2025 to remove one-time funding for the services of a Systems Integration provider to replace AHCCCS's Prepaid Medicaid Management Information System (PMMIS). The corresponding General Fund state match amount was \$2,000,000 and included in a \$15,000,000 General Fund appropriation to Arizona Department of Administration – Automation Projects Fund for health and human services information technology projects within state agencies. (Please see ADOA – Automation Projects Fund narrative for additional information.)

Remove PMMIS Replacement – Roadmap Implementation Funding

The Baseline includes a decrease of \$(7,000,000) in FY 2025 to remove funding to implement the draft roadmap associated with replacement of AHCCCS's PMMIS. This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget. This amount consists of:

General Fund	(700,000)
Federal Medicaid Authority	(6,300,000)

An FY 2024 General Appropriation Act footnote makes these monies non-lapsing through FY 2025.

Administration

AHCCCS Data Storage

The Baseline includes \$19,325,800 in FY 2025 for AHCCCS Data Storage. This amount consists of:

General Fund	5,915,400
CHIP Fund	160,000
Federal Medicaid Authority	13,250,400

These amounts are unchanged from FY 2024.

This line item funds charges paid by AHCCCS to ADOA pursuant to an interagency service agreement through which ADOA provides mainframe computing services to AHCCCS. Funds may also be used for broader computing expenses, including cloud migration and storage costs.

DES Eligibility

The Baseline includes \$97,074,500 and 885 FTE Positions in FY 2025 for DES Eligibility services. These amounts consist of:

General Fund	30,191,200
Federal Medicaid Authority	66,883,300

These amounts are unchanged from FY 2024.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$15,222,200 and 131 FTE Positions in FY 2025 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,821,700
PDRF - State	60,900
Federal Medicaid Authority	10,339,600

These amounts are unchanged from FY 2024.

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

Proposition 204 - DES Eligibility

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2025 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	15,807,900
Budget Neutrality Compliance Fund (BNCF)	4,914,300
Federal Medicaid Authority	23,636,500

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(245,000) from the General Fund and a corresponding increase of \$245,000 from the BNCF in FY 2025 to reflect an increase of county contributions in FY 2025. This adjustment assumes an inflation adjustment of 3.55% and a state population adjustment of 1.7% pursuant to A.R.S. § 11-292.

Background – The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the health care program for some of the Proposition 204 population. This line item contains funding for eligibility costs in DES for the Proposition 204 program.

Medicaid Services

AHCCCS oversees acute care, behavioral health services, and long-term care services for Medicaid enrollees.

Chart 1 shows the income eligibility limits for each AHCCCS population in FY 2025. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$7,710,427,500 in FY 2025 for Traditional Medicaid Services. This amount consists of:

General Fund	1,856,308,200
County Funds	43,176,200
Health Care Investment Fund	396,507,000
Political Subdivision Funds	57,400,800
PDRF - State	156,858,600
TTHCF - Medically Needy Account	66,586,300
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,560,757,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(267,248,400) in FY 2025 for formula adjustments. This amount consists of:

General Fund	135,088,500
County Funds	(557,500)
Health Care Investment Fund	11,685,000
Political Subdivision Funds	7,081,400
TTHCF - Medically Needy Account	(672,600)
Federal Medicaid Authority	(419,873,200)

Remove One-Time Rapid Whole Genome Sequencing Pilot Funding

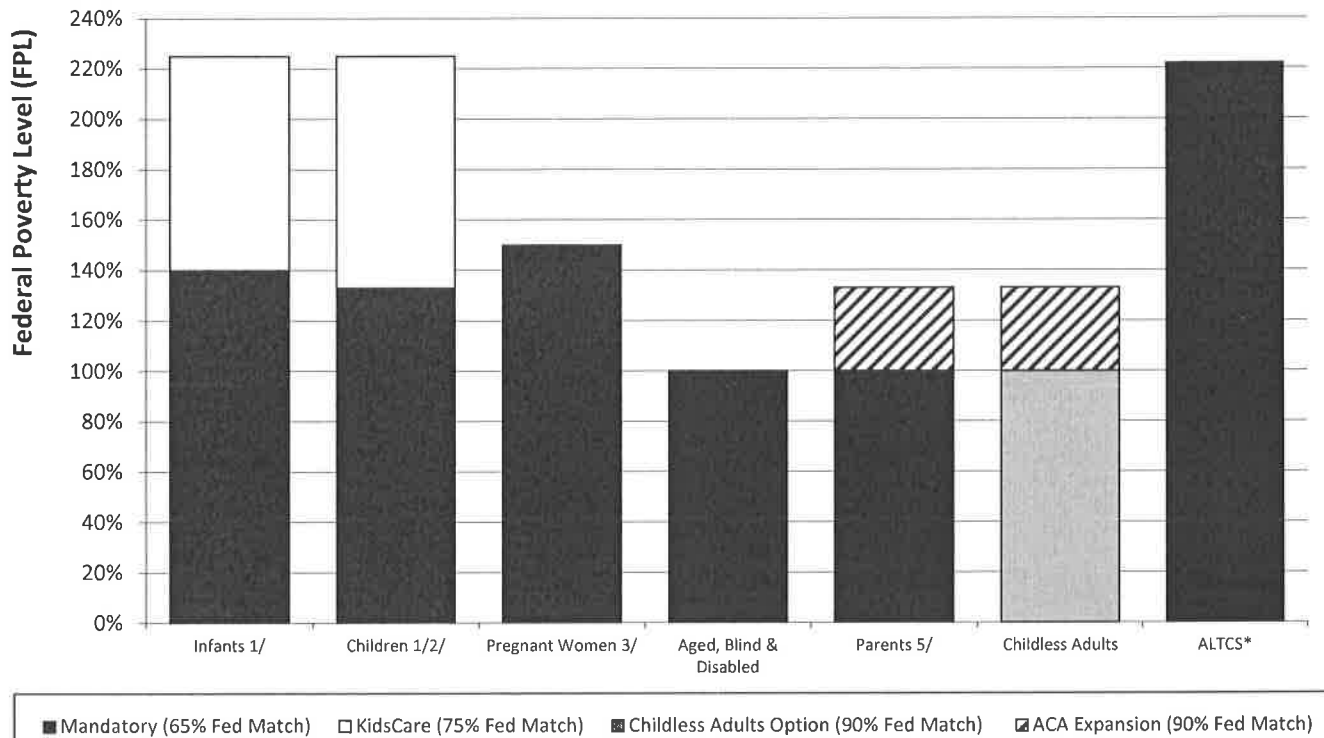
The Baseline includes a decrease of \$(486,500) in FY 2025 to remove one-time funding for pilot coverage of rapid whole genome sequencing. This amount consists of:

General Fund	(160,000)
Federal Medicaid Authority	(326,500)

Rapid whole genome sequencing involves examining the patient's entire human genome to identify disease-causing genetic changes to diagnose and treat the patient. Laws 2023, Chapter 139 made rapid whole genome sequencing available for AHCCCS members under the age of 1 who meet certain criteria.

Chart 1

AHCCCS Eligibility



- 1/ The KidsCare expansion from 200% to 225% FPL is in effect beginning October 1, 2023.
 2/ Children ages 6 to 18 years in families with incomes between 100% FPL and 133% FPL are eligible to receive an 78.69% federal match in FFY 2023.
 3/ Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.

Pursuant to an FY 2024 General Appropriation Act footnote, these monies are non-lapsing through FY 2026. The program is repealed after December 31, 2026.

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

- Children under 1, up to 147% of the federal poverty level (FPL).
- Children aged 1-5, up to 141% FPL.
- Children ages 6-19, up to 133% FPL.
- Pregnant women (including 1 year postpartum), up to 156% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 17% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

Proposition 204 Services

The Baseline includes \$7,426,608,400 in FY 2025 for Proposition 204 Services. This amount consists of:

General Fund	215,011,500
Health Care Investment Fund	167,723,500
Hospital Assessment Fund	550,025,200
Political Subdivision Funds	13,946,600
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,458,500
TPTF - Proposition 204 Protection Account	36,662,900
Federal Medicaid Authority	6,323,780,200

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$388,289,400 in FY 2025 for formula adjustments. This amount consists of:

General Fund	74,513,900
Health Care Investment Fund	21,402,000
Hospital Assessment Fund	7,965,700
Political Subdivision Funds	2,351,200

Federal Medicaid Authority	282,056,600
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Background – The Proposition 204 program serves adults with incomes that exceed the income limits for the Traditional population but are below 100% FPL.

Adult Expansion Services

The Baseline includes \$726,135,800 in FY 2025 for Adult Expansion Services. This amount consists of:

General Fund	8,020,100
Health Care Investment Fund	16,698,500
Hospital Assessment Fund	44,294,600
Political Subdivision Funds	1,137,300
Federal Medicaid Authority	655,985,300

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(200,688,500) in FY 2025 for formula adjustments. This amount consists of:

General Fund	(1,244,500)
Health Care Investment Fund	1,815,800
Hospital Assessment Fund	(19,826,300)
Political Subdivision Funds	38,200
Federal Medicaid Authority	(181,471,700)

Background – The Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program.

Pursuant to A.R.S. § 36-2901.07 and Laws 2013, First Special Session, Chapter 10, coverage of this population is discontinued if any of the following occur: 1) the federal matching rate for adults in this category or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly-eligible populations; or 3) the Federal ACA is repealed.

Comprehensive Health Plan

The Baseline includes \$173,980,100 in FY 2025 for the Comprehensive Health Plan (CHP). This amount consists of:

General Fund	54,355,300
Health Care Investment Fund	5,988,800
Federal Medicaid Authority	113,636,000

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(29,923,400) in FY 2025 for formula adjustments. This amount consists of:

General Fund	(2,800,400)
Health Care Investment Fund	(2,004,900)
Federal Medicaid Authority	(25,118,100)

Background – This line item provides coverage to CHP eligible children. CHP is the health plan responsible for providing health services for children in foster care. The Department of Child Safety (DCS) administers both the physical and behavioral health services for this population. The funding amounts listed above are transferred to DCS, where they appear as expenditure authority.

KidsCare Services

The Baseline includes \$222,712,200 in FY 2025 for KidsCare Services. This amount consists of:

General Fund	47,782,500
Health Care Investment Fund	5,958,700
Political Subdivision Funds	831,600
CHIP Fund	168,139,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$36,318,200 in FY 2025 for formula adjustments. This amount consists of:

General Fund	14,674,100
Health Care Investment Fund	(1,867,400)
Political Subdivision Funds	319,200
CHIP Fund	23,192,300

Background – The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes between 133% and 225% FPL. Laws 2023, Chapter 139 raised the upper limit, previously 200% FPL, beginning October 1, 2023. Households are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program. KidsCare is funded with the federal CHIP Block Grant and state matching dollars. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund KidsCare. *For additional program history, please refer to the FY 2020 Appropriations Report.*

ALTCS Services

The Baseline includes \$2,458,072,600 in FY 2025 for ALTCS Services. This amount consists of:

General Fund	400,434,200
County Funds	399,872,100
Health Care Investment Fund	26,203,700
Political Subdivision Funds	6,227,800
PDFR - State	7,578,400
PDFR - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	32,989,600
Federal Medicaid Authority	1,548,344,800

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$125,637,300 in FY 2025 for formula adjustments. This amount consists of:

General Fund	70,865,300
County Funds	33,666,700
Health Care Investment Fund	2,358,400
Federal Medicaid Authority	18,746,900

Remove American Rescue Plan HCBS Spending

The Baseline includes a decrease of \$(347,740,500) from Federal Medicaid Authority in FY 2025 to remove one-time funding for home-and community-based services (HCBS). On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. FY 2024 is the final year of available funding. The amount will be spent in accordance with the department's HCBS Spending Plan. Monies in this appropriation are non-lapsing.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$32,368 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$10,935 per person.

Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2024, AHCCCS estimates that client contributions will pay for 3.7%, or \$61,400,000, of the cost of care.

A.R.S. § 36-2999.52 authorizes AHCCCS to set the amount of and charge a provider assessment on health items and services provided to ALTCS enrollees by nursing facilities

that are not paid for by Medicare. Laws 2022, Chapter 64 continued the assessment through September 30, 2031. The assessment ranges from \$1.80 to \$15.63 per day of patient care. AHCCCS may not increase rates to a level that generates assessment revenues more than 3.5% of facilities' net patient revenues.

Behavioral Health Services in Schools

The Baseline includes \$8,630,600 in FY 2025 for Behavioral Health Services in Schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	5,630,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(490,000) from Federal Medicaid Authority in FY 2025 for a change in the federal match rate.

Background – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. Funds are allocated to behavioral health providers contracted with AHCCCS health plans working directly in schools.

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The Baseline includes \$77,646,900 from the General Fund in FY 2025 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2024.

Background – This line item provides funding for Non-Medicaid SMI clients. The state was a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. (Please see footnotes for more information on service targets established by the *Arnold v. Sarn* exit agreement and see the FY 2015 Appropriations Report for a history of the case.)

Supported Housing

The Baseline includes \$65,324,800 in FY 2025 for Supported Housing. This amount consists of:

General Fund	5,324,800
Federal Medicaid Authority	60,000,000

These amounts are unchanged from FY 2024.

Background – This line item funds housing services that enable individuals to live in the community. These funds may serve Medicaid and 100% state-funded recipients. In October 2021, AHCCCS shifted administration of its housing programs from RBHAs to a contracted third-party public housing authority. Available housing services include rental subsidies for permanent supported housing and other housing-related supports, such as eviction prevention, move-in assistance, and move-in deposits. Most of the funding is reserved for members with an SMI designation, though some services are available for individuals without an SMI designation who have a general mental health or substance use disorder. As of October 2023, 2,199 households are enrolled in AHCCCS's housing program.

In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. AHCCCS reports \$24,552,800 was spent for Supported Housing services from the Non-Medicaid Seriously Mentally Ill Services line item in FY 2023.

In May 2021, AHCCCS submitted a waiver amendment to the Centers for Medicare and Medicaid Services (CMS) that would use current state funding for housing initiatives to draw down additional Federal Funds. While the "Housing and Health Opportunities" waiver amendment received CMS approval in October 2022, the implementation date of the program has been delayed until October 1, 2024. According to AHCCCS, CMS is requiring 2 additional deliverables defining the program's operational details before the program can start. AHCCCS submitted the first deliverable in April 2023, which addressed protocol for assessment of beneficiary eligibility, infrastructure planning, and provider qualifications for the program.

The new funds will be used to 1) increase homeless outreach, 2) provide housing for members who are homeless or at risk, and 3) expand wraparound housing services to ensure housing stability. Specific services allowed under the waiver include short-term post-transition housing up to 6 months, housing supports, pre-tenancy and tenancy supportive services, and home modifications deemed medically necessary. AHCCCS reports that the approved waiver would allow the agency to draw down an estimated \$69.3 million in Federal Funds annually for housing initiatives through FY 2027.

Obtaining the full federal allocation, however, requires AHCCCS to identify \$5.5 million in additional state monies

over and above existing state housing funding. In FY 2024, the additional state match is being funded from the Housing Trust Fund.

Crisis Services

The Baseline includes \$16,391,300 in FY 2025 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,200

These amounts are unchanged from FY 2024.

Background – This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services.

Children's Behavioral Health Services Fund Deposit

The Baseline includes no funding in FY 2025 for Children's Behavioral Health Services Fund Deposit. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(250,000) from PDRF - State in FY 2025 to remove a one-time deposit into the Children's Behavioral Health Services Fund established by A.R.S. § 36-3436.

This line item funds behavioral health services rendered to low-income, non-Medicaid students who are referred through an educational institution.

Hospital Payments

These line items represent supplemental payments made to hospitals and other providers separate from Medicaid service payments.

Disproportionate Share Hospital Payments Overview

The Disproportionate Share Hospital (DSH) program provides supplemental payments of federal and state dollars to hospitals that serve a large, or disproportionate, number of low-income patients. The total amount of eligible funding has historically been adjusted for annual changes in prices and the federal match rate.

Reduction in Federal DSH Payments

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

FY 2024. Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the Baseline does not assume any federal funding loss related to DSH in FY 2025. The Baseline therefore assumes that Arizona's DSH allocation would be adjusted in FY 2025 through FY 2027 according to the regular federal formula, as outlined below.

Distribution

The Baseline continues to appropriate \$4,202,300 of federal DSH funds associated with uncompensated care at Maricopa Integrated Health System (Valleywise) for distribution to Valleywise. The remaining \$74,162,900 of federal DSH funds associated with uncompensated care in public hospitals (Valleywise and the Arizona State Hospital) are available for General Fund deposit. The \$74,162,900 assumes Valleywise would report uncompensated care of \$92,291,200 in FY 2025.

Change in Uncompensated Care Payments

In FY 2025, the state's total DSH payments are estimated to decrease by \$(4,404,700) from \$191,386,100 in FY 2024 (originally budgeted) to \$186,981,400 due to federal adjustments for inflation. Of the \$186,981,400 of eligible DSH funding in FY 2025, \$145,920,900 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$41,060,500 of eligible funding represents existing expenditures used as part of the state match. (See the *Hospital Payments program summary on the JLBC website*.)

Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2025 for Disproportionate Share Payments. This amount consists of:

General Fund	310,700
Federal Medicaid Authority	4,776,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$12,400 from the General Fund and a corresponding decrease of \$(12,400) from Federal Medicaid Authority in FY 2025 to reflect a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the Baseline in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals, including \$310,700 from the General Fund and \$574,100 in federal expenditure authority. In FY 2022, there were 25 private hospitals that received DSH payments. The

remaining \$4,202,300 represents federal matching funds that the state appropriates to Valleywise.

DSH Payments - Voluntary Match

The Baseline includes \$65,330,500 in FY 2025 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	22,212,400
Federal Medicaid Authority	43,118,100

Adjustments are as follows:

Decreased Funding

The Baseline includes a decrease of \$(4,404,700) in FY 2025 due to DSH Formula adjustments. This amount consists of:

Political Subdivision Funds	(1,295,300)
Federal Medicaid Authority	(3,109,400)

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline continues a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include Valleywise in allocations of voluntary match DSH payments if Valleywise's CPE and matching Federal Funds exceed \$113,818,500 in FY 2025. (Please see *Table 3*.)

Graduate Medical Education

The Baseline includes \$469,246,600 in FY 2025 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	140,654,500
Federal Medicaid Authority	319,592,100

Adjustments are as follows:

Funding Adjustment

The Baseline includes an increase of \$42,715,100 in FY 2025 for a GME funding adjustment. This amount consists of:

Political Subdivision Funds	40,131,900
Federal Medicaid Authority	2,583,200

The funding adjustment reflects AHCCCS' estimate of hospital participation in the program in FY 2025, as well as changes in the federal match rate.

Table 3			
Disproportionate Share Hospital Payments			
Eligible Funding ^{1/}	FY 2024 (Enacted)	FY 2024 (Estimated)	FY 2025 (Estimated)
Valleywise - CPE ^{2/}	\$ 92,291,200	\$ 92,291,200	\$ 92,291,200
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>69,735,200</u>	<u>58,098,600</u>	<u>65,330,500</u>
Total Funding	\$ 191,386,100	\$ 179,749,500	\$ 186,981,400
General Fund			
Retain FF of CPE (via Valleywise)	\$ 56,977,500	\$ 56,977,500	\$ 55,685,500
Retain FF of CPE (via ASH)	<u>18,876,000</u>	<u>18,876,000</u>	<u>18,477,400</u>
Subtotal - General Fund	\$ 75,853,500	\$ 75,853,500	\$ 74,162,900
Other Entities			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$ 80,940,600	\$ 80,940,600	\$ 80,590,400
Voluntary Match	\$ 69,735,200	\$ 58,098,600	\$ 65,330,500
Total Distributions	\$ 150,675,800	\$ 139,039,200	\$ 145,920,900
^{1/} Amounts include state and federal match funding. ^{2/} The Baseline continues a Valleywise DSH limit of \$113,818,500 in the FY 2024 Health Care BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher. However, due to uncompensated care not reaching the statutory limit in recent years, the Baseline assumes the FY 2022 uncompensated care amount of \$92,291,200 in FY 2024 and FY 2025.			

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Besides the use of General Fund monies, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds. In FY 2023, 23 hospitals received a total of \$381,273,600 for Graduate Medical Education.

The Baseline modifies a footnote included in the FY 2024 General Appropriations Act. The original footnote made the monies appropriated for the GME program in FY 2024 non-lapsing through June 30, 2024. The modified footnote extends the non-lapsing status through June 30, 2025. The Baseline also includes a similar footnote that makes the monies appropriated for the GME program in FY 2025 non-lapsing through June 30, 2026.

Critical Access Hospitals

The Baseline includes \$16,454,300 in FY 2025 for Critical Access Hospitals (CAH). This amount consists of:

General Fund	5,777,100
Federal Medicaid Authority	10,677,200

Adjustments are as follows:

Shift Rural Hospital Inpatient Funding

The Baseline includes a decrease of \$(12,158,100) in FY 2025 to shift funding for the Rural Hospital Reimbursement program to AHCCCS's regular hospital rate schedule. This amount consists of:

General Fund	(4,098,200)
Federal Medicaid Authority	(8,059,900)

Under A.R.S. § 36-2905.02, AHCCCS is required to request approval from the Centers for Medicare and Medicaid Services to make supplemental payments to rural hospitals to increase reimbursement for inpatient services. The agency previously administered these payments through the Rural Hospital Inpatient Fund distribution.

AHCCCS reports that CMS is requiring Arizona to phase out the Rural Hospital Inpatient Fund no later than FY 2027. As a result, effective January 1, 2023, AHCCCS replaced the fund with a \$12.1 million increase to the inpatient portion of its regular hospital rate schedule. The actuaries included this adjustment in AHCCCS's FY 2024 capitation rates. The agency is therefore requesting that the Rural Hospital Inpatient Fund monies in this line item be eliminated and instead reflected in the regular service line items. The Baseline incorporates this adjustment.

Remove One-Time Supplemental Pool Increase

The Baseline includes a decrease of \$(12,462,000) in FY 2025 to remove one-time supplemental payments to Critical Access Hospitals. This amount consists of:

General Fund	(4,200,000)
Federal Medicaid Authority	(8,262,000)

Formula Adjustments

The Baseline includes an increase of \$230,100 from the General Fund and a corresponding decrease of \$(230,100) from Federal Medicaid Authority in FY 2025 due to a change in the federal match.

Background – This line item funds the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. To be eligible as a CAH, the hospital must be in a rural area more than 35 miles from the nearest hospital and maintain no more than 25 inpatient beds. Funding is distributed according to a hospital's share of the cost in serving Medicaid enrollees during the prior year. In FY 2023, 12 hospitals qualified for funding from CAH.

Targeted Investments Program

The Baseline includes \$56,000,000 in FY 2025 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	17,922,700
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	38,077,300

Adjustments are as follows:

Funding Adjustment

The Baseline includes an increase of \$30,000,000 in FY 2025 for increased TI program payments. This amount consists of:

DSRIP Fund	9,601,500
Federal Medicaid Authority	20,398,500

AHCCCS included waiver authority for this program as part of its 2022-2027 waiver renewal application, which received CMS approval in October 2022.

Background – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS's request to create a Targeted Investments Program. AHCCCS began using the program in FY 2018 to make incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. CMS initially authorized up to \$300,000,000 in total funds for the program from FY 2018 through FY 2022. In October 2022,

CMS granted a 5-year extension of the program at a total funding level of \$250,000,000. The state portion of the program's cost is funded from certified public expenditures for existing state-funded programs and voluntary contributions from local governments and public universities.

On-Call Obstetrics and Gynecological Services

The Baseline includes no funding in FY 2025 for On-Call Obstetrics and Gynecological Services. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(7,500,000) from the General Fund in FY 2025 to remove one-time funding for on-call obstetric and gynecological services in low-volume obstetric delivery areas and rural communities.

An FY 2024 General Appropriation Act footnote makes the monies non-lapsing until the end of FY 2026 and instructs AHCCCS to distribute up to \$2,500,000 annually to qualifying community health centers for the unreimbursed cost necessary to maintain on-call services. AHCCCS must submit a report by July 1 annually regarding the use of these monies, including the number of services provided by health care providers receiving funding from this appropriation.

Other Issues

This section includes information on the following topics:

- FY 2024 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Health Workforce Development Funding
- Fraud Investigation
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2024 Adjustments

The Baseline assumes AHCCCS General Fund formula expenses for FY 2024 will be \$(39,944,900) lower than the original FY 2024 General Fund appropriation. The Baseline includes an FY 2024 ex-appropriation of \$(39,944,900) from the General Fund to account for the surplus. The Baseline also includes an FY 2024 supplemental appropriation of \$7,527,500 from the CHIP Fund.

The \$(39,944,900) ex-appropriation primarily reflects the net impact of faster-than-anticipated enrollment declines within Traditional Medicaid, partially offset by slower-than-anticipated enrollment declines within the Proposition 204 Childless Adults and KidsCare programs. This lowers AHCCCS costs relative to the enacted budget. *(See Formula Adjustments for additional information on pandemic-related disenrollment.)*

The final estimated surplus could be higher or lower than \$(39,944,900) as additional caseload and spending data become available during FY 2024.

The \$7,527,500 supplemental primarily reflects slower-than-anticipated enrollment declines within the KidsCare program. The supplemental also accounts for an estimated 6.9% capitation rate adjustment for FY 2024, higher than the 3.1% inflation adjustment included in the FY 2024 enacted budget.

(Please note that the summary table has not been updated to reflect the recommended adjustments.)

Statutory Changes

The Baseline would:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continues to allow AHCCCS to impose a reduction on funding for all managed care organizations administrative funding levels.

Counties

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the FY 2025 County Acute Care contribution at \$43,176,200.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2025, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
- As session law, set the FY 2025 county Arizona Long Term Care System (ALTCs) contributions at \$399,872,100.

Hospitals

- As session law, continue to establish FY 2025 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (Valleywise), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. The Valleywise distribution would remain at \$113,818,500 in FY 2025.

- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow Valleywise to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.
- As session law, continue to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2025 according to county population size. Hospitals in rural counties (i.e. excluding Maricopa, Pima, and Pinal) have first priority; hospitals in Pinal County have second priority; and hospitals in Maricopa and Pima Counties have third priority.

Available Funding

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

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$176,607,200 in FY 2026 above FY 2025 and by \$148,935,400 in FY 2027 above FY 2026.

The FY 2026 estimate is based on:

- 1% caseload growth.
- 3.0% capitation growth.
- An estimated 65.06% FMAP.

The FY 2027 estimate is based on:

- 1% caseload growth.
- 3.0% capitation growth.
- An estimated 65.13% FMAP.

Health Workforce Development Funding

The 3-year spending plan associated with the enacted FY 2023 budget assumed the Executive would spend \$27,000,000 in each of FY 2023, FY 2024, and FY 2025 from federal American Rescue Plan Act (ARPA) monies for the Student Nurse Clinical Rotation and Licensed or Certified Nurse Training Program established by Laws 2022, Chapter 330. The program is administered by AHCCCS and provides grants to hospitals, nursing facilities, and assisted living facilities to expand or create clinical training placements for undergraduate nursing students and licensed or certified nurses. AHCCCS designated the Arizona State Board of Nursing as the administrator of the program in December 2022. The Nursing Board opened the grant cycle for the program in January 2023. At the time of this writing, the grant's

advisory board has approved 17 award recipients, encompassing 25 total programs.

The 3-year spending plan associated with the enacted FY 2023 budget also assumed \$5,000,000 in non-appropriated Federal Funds in each of FY 2023, FY 2024, and FY 2025 to expand behavioral health care worker training. Federal funding will be deposited into the Behavioral Health Training Pilot Program Fund, established by Laws 2022, Chapter 330. The funding will be used to create behavioral health curriculum in the Maricopa County and Navajo County Community College Districts. AHCCCS reported in February 2023 that Maricopa Community College District will receive \$3,425,600 annually and Navajo County Community College District will receive \$1,058,400 annually. The remaining \$500,000 will support joint programs administered by the community colleges.

These monies do not appear in the General Appropriations Act because they are non-appropriated Federal Funds.

Fraud Investigation

In May 2023, AHCCCS released preliminary findings of fraud in an ongoing federal investigation. Since that time, AHCCCS has suspended payments to 317 registered behavioral health residential and outpatient treatment providers alleged to have engaged in fraudulent billing activities, including billing for services that were never provided or not medically necessary. For example, some providers billed for services rendered to deceased AHCCCS members or for services rendered to AHCCCS members not physically present. While the exact amount defrauded is currently unknown, the Executive estimated it to be in the "hundreds of millions of dollars" since 2019. AHCCCS has hired a forensic auditor to review all fee-for-service claims submitted in the past 6 years.

We assume that fee-for-service expenditures per enrollee will be lower in FY 2024 and FY 2025 compared with FY 2023 based on reductions in the volume of fraudulent claims. Based on preliminary post-investigation fee-for-service spending data, we estimate that on a Total Funds basis fee-for-service expenditures will total \$2,292,532,400 across all programs in FY 2024, or (38.7)% below FY 2023 actual spending of \$3,741,971,000. The Baseline also does not assume any specific level of fraud recoveries in General Fund revenues.

Beyond contracting a forensic audit, AHCCCS has taken other actions to eliminate fraudulent billing, such as:

- Recategorizing 3 behavioral health provider types as high-risk for all new registrants
- Imposing a moratorium on new provider registrations for specified provider types
- Adding new reporting to flag concerning claims prior to payment
- Setting billing thresholds and requiring prepayment review for specified scenarios

In the future, AHCCCS plans to implement additional fraud prevention measures, including mandating visual attestation of individual billers; requiring third-party billers to disclose terms of compensation; and implementing new rules that allow the administration to exclude payment of individuals affiliated with terminated or suspended providers.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 4*. The counties' single largest contribution is the ALTCS program. Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program. (See the *County Contributions program summary on the JLBC website*.)

Program Components

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

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2025, the average capitation rate is expected to be approximately \$576 per member per month (or \$6,900 annually). Of that amount, an average of \$156 is from state match and \$420 from Federal Medicaid Authority.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all member costs until an annual deductible has been met.

Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 3 programs: 1) federally-mandated services for Native Americans living on reservations; 2) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan, and 3) federally-mandated emergency services for unauthorized and qualified immigrants.

Table 4

County Contributions

County	FY 2024			FY 2025		
	<u>BNCF ^{1/}</u>	<u>Acute</u>	<u>ALTCS</u>	<u>BNCF ^{1/}</u>	<u>Acute</u>	<u>ALTCS</u>
Apache	\$153,900	\$268,800	692,800	\$162,000	\$268,800	975,500
Cochise	287,100	2,214,800	6,587,900	302,100	2,214,800	973,400
Coconino	283,200	742,900	2,080,000	298,100	742,900	2,928,200
Gila	116,300	1,413,200	2,852,300	122,400	1,413,200	3,161,900
Graham	82,700	536,200	1,540,200	87,000	536,200	1,596,200
Greenlee	21,200	190,700	0	22,400	190,700	43,400
La Paz	44,000	212,100	682,700	46,300	212,100	990,200
Maricopa	0	15,703,400	240,195,400	0	15,145,900	269,359,200
Mohave	330,500	1,237,700	10,847,500	347,900	1,237,700	11,389,600
Navajo	216,700	310,800	2,867,700	228,000	310,800	4,037,000
Pima	1,968,900	14,951,800	56,396,600	2,072,300	14,951,800	62,975,600
Pinal	385,300	2,715,600	18,011,700	405,500	2,715,600	16,370,500
Santa Cruz	91,100	482,800	2,582,800	95,800	482,800	2,880,000
Yavapai	363,900	1,427,800	9,820,100	383,000	1,427,800	9,862,900
Yuma	<u>324,500</u>	<u>1,325,100</u>	<u>11,047,700</u>	<u>341,500</u>	<u>1,325,100</u>	<u>12,328,500</u>
Subtotal	\$4,669,300	\$43,733,700	\$366,205,400	\$4,914,300	\$43,176,200	\$399,872,100
Total			\$414,608,400			\$447,962,600

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

Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 75.0% of the estimated drug costs.

Tobacco Master Settlement Agreement

The Baseline continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2025 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General for costs associated with tobacco settlement litigation.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties. (See the program summary on the JLBC website.)

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$141,400,900 in transfers of tobacco tax collections in FY 2025. This amount represents a decrease of \$(1,428,300) from the FY 2024 budgeted amount. Table 5 summarizes tobacco tax transfers and allocations to the agencies.

Table 5

Summary of Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund

	FY 2023	FY 2024
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 12,350,800
Transfer In - Tobacco Tax and Health Care Fund	47,664,100	47,759,400
Transfer In - Tobacco Products Tax Fund	25,987,700	26,039,700
Total Funds Available	\$ 73,651,800	\$ 86,149,900
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 60,601,000	\$ 66,558,900
Total AHCCCS Allocations	\$ 60,601,000	\$ 66,558,900
<u>DHS</u>		
Folic Acid	\$ 400,000	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	300,000	300,000
Administrative Adjustments	0	0
Total DHS Allocations	700,000	700,000
Balance Forward*	\$ 12,350,800	\$ 18,891,000
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,138,500	\$ 4,982,400
Transfer In - Tobacco Products Tax Fund	36,485,300	36,558,300
Total Funds Available	\$ 41,623,800	\$ 41,540,700
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 36,641,400	\$ 36,662,900
Administrative Adjustments	0	0
Balance Forward	\$ 4,982,400	\$ 4,877,800
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 2,799,500	\$ 723,000
Transfer In - Tobacco Products Tax Fund	15,371,800	17,458,500
Total Funds Available	\$ 18,171,300	\$ 18,181,500
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 17,448,300	\$ 17,458,500
Administrative Adjustments	0	0
Balance Forward ^{1/}	\$ 723,000	\$ 723,000
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 16,127,900	\$ 18,513,700
Transfer In - Tobacco Tax and Health Care Fund	12,722,300	11,619,300
Transfer In - Tobacco Products Tax Fund	1,623,000	1,573,200
Smoke-Free Arizona Fund	303,700	294,600
Total Funds Available	\$ 30,776,900	\$ 32,000,800
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 10,709,100	\$ 15,840,000
Leading Causes of Death - Prevention and Detection	1,554,100	2,160,000
Balance Forward	\$ 18,513,700	\$ 14,000,800
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,534,100	\$ 9,789,000
Transfer In - Tobacco Tax and Health Care Fund	2,729,700	2,614,500
Transfer In - Tobacco Products Tax Fund	4,094,500	3,921,700
Total Funds Available	\$ 12,358,300	\$ 16,325,200
<u>Allocations</u>		
Research Grants	2,569,300	9,550,300
Balance Forward	\$ 9,789,000	\$ 6,774,900

^{1/} Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Tobacco Litigation Settlement Fund (HCA2468/A.R.S. § 36-2901.02)	Expenditure Authority	
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	98,980,700	102,000,000
Year-End Fund Balance	0	0
Behavioral Health Training Pilot Program Fund (HCA9999/A.R.S. § 36-1807)	Non-Appropriated	
Source of Revenue: Legislative appropriations, grants, donations, and federal monies.		
Purpose of Fund: Monies in the fund shall be used to expand the capacity of the Maricopa County Community College District and the Navajo County Community College District to train students as behavioral health workers by developing behavioral health curriculum in partnership with the community college districts.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)	Appropriated	
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	4,303,100	4,669,300
Year-End Fund Balance	9,800	9,800
Children’s Behavioral Health Services Fund (HCA2735/A.R.S. § 36-3436)	Non-Appropriated	
Source of Revenue: Includes monies appropriated to the fund, gifts or donations to the fund, and any interest earned.		
Purpose of Fund: To provide behavioral health services for uninsured or underinsured non-Medicaid children. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,004,000	1,004,000
Children's Health Insurance Program Fund (HCA2410/A.R.S. § 36-2995)	Appropriated	
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 225% of the Federal Poverty Level (FPL), which is approximately \$67,500 for a family of 4.		
Funds Expended	164,829,700	150,833,600
Year-End Fund Balance	7,428,600	7,428,600
Coronavirus Relief Fund (HCA2975/A.R.S. § 35-142)	Federal Funds	
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state’s share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state’s COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Coronavirus State and Local Fiscal Recovery Fund (HCA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	2,853,100	223,400
Year-End Fund Balance	446,900	223,500
County Funds (HCA9691/A.R.S. § 36-2912)		Expenditure Authority
Source of Revenue: Statutorily prescribed county contributions that are deposited in the AHCCCS Fund or the Long Term Care System Fund.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars. County Funds received by AHCCCS to provide behavioral health services to persons with a serious mental illness are accounted for separately in the IGA for County Behavioral Health Services Fund.		
Funds Expended	397,615,200	409,939,100
Year-End Fund Balance	0	0
Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match. Federal revenues and expenditures associated with DSRIP are accounted for in Federal Medicaid Authority.		
Purpose of Fund: To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investment Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities.		
Funds Expended	15,495,200	8,321,200
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2449/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	0	1,900
Year-End Fund Balance	3,800	2,000
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Federal Funds
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	90,250,300	90,250,300
Year-End Fund Balance	0	0
Federal Funds (HCA2000/A.R.S. § 36-2913)		Federal Funds
Source of Revenue: Non-Medicaid federal grant monies.		
Purpose of Fund: To support specific federally funded behavioral health programs, including the Mental Health Block Grant and the Substance Abuse Prevention and Treatment Block Grant.		
Funds Expended	127,389,400	162,130,400
Year-End Fund Balance	2,377,700	2,377,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)	Expenditure Authority	
Source of Revenue: Federal matching funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services that is deposited in the AHCCCS Fund, the Long Term Care System Fund, the Nursing Facility Provider Assessment Fund, or the Delivery System Reform Incentive Payment Fund. Federal matching dollars for the Medicaid in the Public Schools program are accounted for in Federal - Medicaid Direct Services.		
Purpose of Fund: For AHCCCS's administrative costs and for the provision of services to eligible Medicaid populations.		
Funds Expended	15,697,080,400	14,560,642,600
Year-End Fund Balance	128,922,700	128,922,700
Health Care Investment Fund (HCA2588/A.R.S. § 36-2999.73)	Expenditure Authority	
Source of Revenue: An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
Purpose of Fund: To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by AHCCCS.		
Funds Expended	330,087,100	588,163,600
Year-End Fund Balance	233,716,800	233,716,800
Hospital Assessment Fund (HCA2576/A.R.S. § 36-2901.09)	Expenditure Authority	
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
Funds Expended	627,866,800	606,180,400
Year-End Fund Balance	55,634,700	55,634,700
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)	Non-Appropriated	
Source of Revenue: Operating transfers to provide the state matches for the Department of Economic Security Long-Term Care Program, Department of Corrections claims processing for inmates, and county claims for processing inmates. Excludes amounts received from political subdivisions for GME, DSH, APSI and PSI programs.		
Purpose of Fund: To receive and spend monies associated with intergovernmental agreements and interagency service agreements. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA for County Behavioral Health Services Fund (HCA4503/A.R.S. § 36-108.01)	Non-Appropriated	
Source of Revenue: Monies from local governments and state liquor service fees.		
Purpose of Fund: To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse.		
Funds Expended	77,361,800	77,339,200
Year-End Fund Balance	1,915,800	6,950,100
Intergovernmental Service Fund (HCA2442/A.R.S. § 36-2927)	Non-Appropriated	
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medicaid Management Information System.		
Funds Expended	14,562,500	40,165,600
Year-End Fund Balance	248,800	750,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)	Expenditure Authority	
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources. Federal revenues and expenditures associated with the nursing facility assessment are accounted for in Federal Medicaid Authority.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
Funds Expended	29,129,900	32,989,600
Year-End Fund Balance	1,001,600	1,001,600
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)	Expenditure Authority	
Source of Revenue: Portion of IGA and ISA Fund monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), and Pediatric Services Initiative (PSI) programs.		
Funds Expended	147,947,600	193,784,400
Year-End Fund Balance	0	0
Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)	Expenditure Authority	
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments, and federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies are listed as Expenditure Authority. All other monies are appropriated. Expenditures displayed only include the federal share of disbursements and exclude "contra expenses" recorded in AFIS associated with the federal share of rebate collections.		
Funds Expended	609,060,300	609,060,300
Year-End Fund Balance	143,346,800	74,372,700
Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)	Appropriated	
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated. Expenditures displayed only include the state share of disbursements from the fund and exclude "contra expenses" recorded in AFIS associated with the state share of rebate collections.		
Funds Expended	165,160,800	165,410,500
Year-End Fund Balance	68,729,900	83,529,400
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)	Non-Appropriated	
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	37,352,700	37,352,700
Year-End Fund Balance	10,564,700	10,564,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To cover related administrative expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	217,300	217,700
Year-End Fund Balance	0	0
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To fund housing projects and rental assistance for seriously mentally ill persons. The Legislature may appropriate up to 10% of the monies from the fund for administrative costs of services. Appropriated monies are displayed in the Appropriated portion of the fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	890,800	0
Year-End Fund Balance	11,569,200	11,569,200
Substance Abuse Services Fund (HCA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from the Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services; to contract for preventive or rehabilitative and substance abuse services; and to provide priority for treatment services to pregnant substance abusers.		
Funds Expended	2,250,200	2,250,200
Year-End Fund Balance	17,800	17,800
Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund, any gifts or donations to the fund, and interest earned on those monies.		
Purpose of Fund: To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preferences shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing. Expenditures are not displayed to avoid double counting of General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	1,461,300	100
Third Party Liability and Recovery Fund (HCA3791 Acute Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	194,700	194,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. This account displays payment of the Third Party Liability contractor fee and return of the federal share of recoveries to CMS. Please see the Expenditure Authority portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	16,371,300	16,371,300
Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Funds Expended	17,448,300	17,458,500
Year-End Fund Balance	723,000	723,000
Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)		Expenditure Authority
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		
Funds Expended	36,641,400	36,662,900
Year-End Fund Balance	780,000	780,000
Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.		
Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
Funds Expended	58,500,300	67,258,900
Year-End Fund Balance	0	0

Arizona Commission on the Arts

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	5,000,000	5,000,000	0
AGENCY TOTAL	5,000,000	5,000,000 ^{1/}	0
FUND SOURCES			
General Fund	5,000,000	5,000,000	0
SUBTOTAL - Appropriated Funds	5,000,000	5,000,000	0
Other Non-Appropriated Funds	1,660,000	1,786,200	1,786,200
Federal Funds	1,008,300	1,136,800	1,136,800
TOTAL - ALL SOURCES	7,668,300	7,923,000	2,923,000

AGENCY DESCRIPTION — The agency promotes arts in the state by offering matching grants to communities and arts organizations, developing programs in-house to showcase artists in all disciplines, and serving as a resource for local artists.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Special Line Item by Agency.

Arts Trust Fund Deposit

The Baseline includes no funding from the General Fund in FY 2025 for deposit into the non-appropriated Arts Trust Fund. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for the Arts Trust Fund.

Monies in the Arts Trust Fund are used to award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are statutorily used to provide grants to organizations representing handicapped persons or racial or ethnic minorities and organizations representing rural areas.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Arts Trust (HUA3043/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for-profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons; 2) racial or ethnic minorities; and 3) organizations representing rural areas. Amounts transferred in from the General Fund are not displayed to avoid double counting of appropriations.		
Funds Expended	1,289,200	1,548,200
Year-End Fund Balance	527,600	179,400
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions, charges for services, and amounts transferred in from the Budget Stabilization Fund.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	370,800	238,000
Year-End Fund Balance	23,300	21,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Grants (HUA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants from the National Endowment for the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	1,008,300	1,136,800
Year-End Fund Balance	0	0
State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To pay costs of the State poet laureate.		
Funds Expended	0	0
Year-End Fund Balance	2,500	2,500

Board of Athletic Training

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	77,900	75,400	75,400
Employee Related Expenditures	28,500	59,100	59,100
Professional and Outside Services	1,100	0	0
Travel - In State	500	1,200	1,200
Other Operating Expenditures	24,900	29,600	29,600
Equipment	3,600	0	0
AGENCY TOTAL	136,500	165,300	165,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	136,500	165,300	165,300
SUBTOTAL - Other Appropriated Funds	136,500	165,300	165,300
SUBTOTAL - Appropriated Funds	136,500	165,300	165,300
TOTAL - ALL SOURCES	136,500	165,300	165,300

AGENCY DESCRIPTION — The board examines and licenses athletic trainers, investigates complaints, and holds hearings to enforce standards of practice.

FOOTNOTES

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

Operating Budget

The Baseline includes \$165,300 and 1.5 FTE Positions from the Athletic Training Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	136,500	165,300
Year-End Fund Balance	318,300	322,900

Attorney General - Department of Law

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	655.7	671.7	671.7 ^{1/}
Personal Services	34,201,200	39,263,800	39,263,800
Employee Related Expenditures	13,463,300	15,778,400	15,778,400
Professional and Outside Services	1,752,500	680,200	680,200
Travel - In State	225,700	174,200	174,200
Travel - Out of State	148,200	118,000	118,000
Other Operating Expenditures	6,748,300	10,998,400	7,998,400
Equipment	644,000	464,900	464,900
OPERATING SUBTOTAL	57,183,200	67,477,900	64,477,900 ^{2/}
SPECIAL LINE ITEMS			
Employee Stipend/Retention Bonus	3,000,000	0	0
Capital Postconviction Prosecution	506,000	876,400	876,400
Child and Family Advocacy Centers	600,000	600,000 ^{3/}	100,000 ^{4/}
Colorado City Radio Dispatch System	400,000	0	0
Criminal Division Major Fraud Unit	536,200	1,187,300	1,187,300
Internet Crimes Against Children Enforcement	304,400	1,271,500	1,271,500 ^{5/}
Expert Witness and Outside Counsel	275,500	0	0
Federalism Unit	1,062,300	0	0
Government Accountability and Special Litigation	607,600	1,287,500	1,287,500
Military Airport Planning	82,700	85,000	85,000 ^{6/}
Opioid Abatement	5,000,000	12,000,000	0
Organized Retail Theft Task Force	776,100	1,570,700	1,570,700 ^{7/}
Risk Management Interagency Service Agreement	9,218,500	10,655,300	10,655,300
State Grand Jury	156,800	193,000	193,000
Southern Arizona Law Enforcement	1,575,200	1,656,600	1,656,600
Tobacco Enforcement	83,700	875,900	875,900
Victims' Rights	2,099,400	4,023,500	4,023,500
Victims' Rights Fund Deposit	1,400,000	0	0
Voter Fraud Unit	468,000	0	0
AGENCY TOTAL	85,335,600	103,760,600	88,260,600 ^{8/}
FUND SOURCES			
General Fund	27,169,700	27,749,200	27,749,200
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	120,100	160,900	160,900
Attorney General Legal Services Cost Allocation Fund	1,903,600	2,314,900	2,314,900
Collection Enforcement Revolving Fund – Operations	6,937,300	7,232,100	7,232,100
Consumer Protection - Consumer Fraud Revolving Fund	17,170,500	18,364,900	14,864,900
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund	5,000,000	12,000,000	0
Interagency Service Agreements Fund	14,154,400	18,078,100	18,078,100 ^{9/}
Internet Crimes Against Children Enforcement Fund	0	900,000	900,000
Risk Management Revolving Fund	10,934,800	13,147,700	13,147,700
Victims' Rights Fund	1,945,200	3,812,800	3,812,800
SUBTOTAL - Other Appropriated Funds	58,165,900	76,011,400	60,511,400
SUBTOTAL - Appropriated Funds	85,335,600	103,760,600	88,260,600
Other Non-Appropriated Funds	69,233,900	64,033,100	64,033,100
Federal Funds	7,845,500	13,218,400	13,218,400
TOTAL - ALL SOURCES	162,415,000	181,012,100	165,512,100

AGENCY DESCRIPTION — The Attorney General is an elected constitutional officer. The office provides legal counsel to state agencies, represents the state in juvenile dependency matters, enforces civil rights, environmental, consumer protection and anti-trust laws, and investigates and prosecutes criminal cases, handles criminal appeals, and assists county attorneys.

FOOTNOTES

- 1/ Includes 24.2 GF and 134 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Within ten days after receiving a complaint alleging a violation of section 15-511, Arizona Revised Statutes, the attorney general shall forward a copy of the complaint to the governor, the president of the senate and the speaker of the house of representatives. (General Appropriation Act footnote)
- 3/ Of the amount appropriated for the child and family advocacy centers line item in fiscal year 2023-2024, \$500,000 shall be used to support an entity that provides child victim advocacy and mental health services through a child advocacy center that is based in a county with a population of more than three million persons. (FY 2024 General Appropriation Act footnote)
- 4 The amount appropriated for the child and family advocacy centers line item is allocated to the child and family advocacy center fund established by section 41-191.11, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ The \$900,000 appropriation from the internet crimes against children enforcement fund established by section 41-199, Arizona Revised Statutes, and the \$371,500 appropriation from the state general fund for the internet crimes against children enforcement line item are continuing appropriations and are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriation Act footnote)
- 6/ A.R.S. § 26-263 annually appropriates \$85,000 from the General Fund for Military Airport Planning. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 7/ The \$1,570,700 appropriation for the organized retail theft task force line item shall be used for operational expenses of the organized retail task force and for hiring one attorney, one paralegal, two investigators and one support staff person within the office of the attorney general and four peace officers who are assigned to the task force to focus specifically on investigating and prosecuting organized retail crime. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ All monies appropriated to the attorney general legal services line item in the department of child safety budget do not count toward the attorney general's interagency service agreements fund appropriation in fiscal year 2024-2025. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$64,477,900 and 513.5 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	<u>FY 2025</u>
General Fund	\$24,487,600
Antitrust Enforcement Revolving Fund	160,900
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,314,900
Collection Enforcement Revolving Fund (CERF)	7,232,100
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	9,711,900
Interagency Service Agreements (ISA) Fund	18,078,100
Risk Management Revolving Fund	2,492,400

Adjustments are as follows:

Remove One-Time Operating Cost Funding

The Baseline includes a decrease of \$(3,000,000) from the CPCF Revolving Fund in FY 2025 to remove one-time funding for increased operating costs. A General

Appropriation Act footnote made the FY 2024 appropriation non-lapsing.

Capital Postconviction Prosecution

The Baseline includes \$876,400 and 6 FTE Positions from the General Fund in FY 2025 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2024.

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

Child and Family Advocacy Centers

The Baseline includes \$100,000 from the General Fund in FY 2025 for the Child and Family Advocacy Centers line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the CPCF Revolving Fund in FY 2025 to remove a one-time distribution to child and family advocacy centers.

These monies are deposited into the Child and Family

Advocacy Centers Fund. Monies in the fund are for distribution to child and family advocacy centers. Child and family advocacy centers provide victim advocacy, case management, and counseling services to primary and secondary victims of child abuse, domestic violence, sexual assault, elder abuse and homicide.

Criminal Division Major Fraud Unit

The Baseline includes \$1,187,300 and 7 FTE Positions from the CPCF Revolving Fund in FY 2025 for the Criminal Division Major Fraud Unit. This amount is unchanged from FY 2024.

This line item provides funding for increased caseload demand for the Major Fraud Unit. The Criminal Division Major Fraud Unit investigates complaints submitted by Arizona citizens and referred by other law enforcement agencies.

Internet Crimes Against Children Enforcement

The Baseline includes \$1,271,500 in FY 2025 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	371,500
ICAC Enforcement Fund	900,000

These amounts are unchanged from FY 2024.

A.R.S. § 41-199 requires the Attorney General to enter into 1 or more intergovernmental agreements to operate the Arizona Internet Crimes Against Children Task Force (AZICAC), led by the Phoenix Police Department. AZICAC is a joint federal/local law enforcement task force that investigates child pornography.

An ongoing General Appropriation Act footnote makes the amount non-lapsing through the following fiscal year.

Government Accountability and Special Litigation

The Baseline includes \$1,287,500 and 10 FTE Positions from the CPCF Revolving Fund in FY 2025 for the Government Accountability and Special Litigation (GASL) line item. This amount is unchanged from FY 2024.

A.R.S. § 41-194.01 requires that, at the request of a member of the Legislature, the AG investigate local government ordinances that potentially violate state law. The statute also requires the AG to make a written report of its findings within 30 days of receiving the request. If the local ordinance is found to violate state law, the local

governing body has 30 days to resolve the violation. After 30 days, the State Treasurer is instructed to withhold state shared monies from the locality.

Military Airport Planning

The Baseline includes \$85,000 and 1 FTE Position from the General Fund in FY 2025 for Military Airport Planning. These amounts are unchanged from FY 2024.

A.R.S. § 26-263 appropriates \$85,000 annually from the General Fund to the Attorney General's Office. Therefore, funding for this line item does not appear in the General Appropriation Act although the 1 FTE Position authority does appear there. Monies in this line item pay for the review and determination of compliance with land use plans.

Opioid Abatement

The Baseline includes no funding in FY 2025 for the Opioid Abatement line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(12,000,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2025 to remove one-time funding for opioid abatement programs.

Monies in this line item come from a portion of monies deposited into the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund pursuant to a settlement with opioid distributors.

These settlement monies may only be used for opioid treatment and prevention programs and in accordance with approved, nationally recognized strategies to address the opioid epidemic as outlined in the One Arizona Opioid Settlement Memorandum of Understanding. These include treatment of opioid addiction, support for individuals in treatment or at risk of addiction, prevention, education, prison and jail opioid use and opioid interdiction and abatement on the southern border.

In accordance with the settlement agreement, a General Appropriation Act footnote requires monies in this line item to be used to treat opioid use disorders and support persons in treatment and recovery. The Attorney General is required to submit an expenditure plan to the JLBC for review prior to the expenditure of any monies in this line item. In October 2023, the JLBC gave a favorable review of a plan to spend \$11,500,000 of the \$12,000,000 appropriation for a competitive grant for rural county reentry programs for counties that already operate a

reentry program as defined in A.R.S. § 11-392. The plan allocated the remaining \$500,000 to governmental entities that received monies from the Child and Family Advocacy Centers Fund in FY 2023. A.R.S. § 44-1531.02C also requires the Attorney General to submit an expenditure plan to the JLBC for review prior to spending any monies from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund.

(Please see the Other Issues – Opioid Settlements section for more information.)

Organized Retail Theft Task Force

The Baseline includes \$1,570,700 and 9 FTE Positions from the CPCF Revolving Fund in FY 2025 for the Organized Retail Theft Task Force line item. These amounts are unchanged from FY 2024.

The Organized Retail Theft Task Force combats crimes that relate to the stealing, embezzling, or obtaining of retail merchandise by illegal means for the purpose of reselling the items. The task force ends on July 1, 2029. A General Appropriation Act footnote also requires this funding be used for 9 FTE Positions, including 1 attorney, 1 paralegal, 2 investigators, 1 support person, and 4 peace officers assigned to the task force. *(Please see the FY 2022 Appropriations Report for a more detailed history.)*

Risk Management Interagency Service Agreement

The Baseline includes \$10,655,300 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2025 for the Risk Management Interagency Service Agreement. These amounts are unchanged from FY 2024.

This line item provides funding for the Attorney General's contract with the Risk Management Division of the Arizona Department of Administration. Attorneys from the Attorney General's Office defend the state in most risk management cases regarding agency liability.

State Grand Jury

The Baseline includes \$193,000 and 1.6 FTE Positions from the General Fund in FY 2025 for the State Grand Jury. These amounts are unchanged from FY 2024.

This line item funds expenses incurred by the Attorney General to investigate and try matters that are under the jurisdiction of the State Grand Jury.

Southern Arizona Law Enforcement

The Baseline includes \$1,656,600 and 16 FTE Positions in FY 2025 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,331,800
CPCF Revolving Fund	324,800

These amounts are unchanged from FY 2024.

This line item provides funding for the Criminal Division's investigations and prosecutions of fraud, corruption, criminal enterprise, drug trafficking, and money laundering cases in Southern Arizona.

Tobacco Enforcement

The Baseline includes \$875,900 and 6.6 FTE Positions in FY 2025 for Tobacco Enforcement. These amounts consist of:

General Fund	93,200
CPCF Revolving Fund	782,700

These amounts are unchanged from FY 2024.

This line item funds the Attorney General's enforcement of the Master Settlement Agreement (MSA). The MSA is a settlement reached by major tobacco companies and 46 states in 1998 that requires these companies to compensate states annually for Medicaid costs associated with tobacco use. In exchange for annual payments from the tobacco companies, states agree to diligently enforce tobacco tax laws. The AG has stated that it also plans to spend these monies on consumer fraud investigations into tobacco products, including e-cigarettes and alternative nicotine products.

In addition to the monies provided in this line item, the Baseline continues to require AHCCCS to transfer up to \$1,200,000 to the Attorney General for MSA and e-cigarette enforcement. As a result, the Baseline includes a total of up to \$2,077,600 for the Attorney General to enforce the MSA in FY 2025.

Victims' Rights

The Baseline includes \$4,023,500 and 8 FTE Positions in FY 2025 for Victims' Rights. These amounts consist of:

General Fund	210,700
Victims' Rights Fund	3,812,800

These amounts are unchanged from FY 2024.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program is funded by a \$9 penalty on civil and criminal violations.

Other Issues

Opioid Settlements

The Attorney General has reported that they estimate the following \$501.9 million would be distributed to the state over the lifetime of the settlements listed below. These figures do not include the total settlement amounts which would include distributions to counties/cities.

- \$198.5 million from Distributors' Settlement (Cardinal Health, McKesson, and Amerisource Bergen) distributed through FY 2039
- \$54.3 million from Walgreens distributed through FY 2037
- \$49.9 million from CVS Health Corporation distributed through FY 2032
- \$45.4 from Janssen/Johnson & Johnson distributed through FY 2032
- \$44.7 million from the Purdue Pharma bankruptcy distributed through FY 2033 (final amount to be determined as case is on appeal)
- \$40.9 million from Teva Pharmaceutical Industries distributed through FY 2035
- \$28.2 million from Walmart distributed through FY 2028
- \$22.5 million from Allergan plc distributed through FY 2029
- \$11.3 million from the Mallinckrodt Pharmaceuticals bankruptcy distributed through FY 2031 (final amount to be determined as Mallinckrodt recently filed for bankruptcy a second time)
- \$6.2 million from Endo Pharmaceuticals distributed through FY 2033 (awaiting plan confirmation)

Attorney General Legal Services Cost Allocation Fund

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel as specified by the General Appropriation Act each year. See *Table 1* for a list of agencies and their corresponding FY 2025 Attorney General Legal Services charge. These amounts are unchanged from FY 2024.

(Please see the FY 2022 and FY 2015 Appropriations Reports for a more detailed history on legal services charges and the FY 2018 Appropriations Report for changes that occurred after FY 2015.)

Table 1

FY 2025 Attorney General Legal Services Charges

<u>Agency</u>	<u>Charge</u>
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Arizona Commission on the Arts	3,100
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona State Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Arizona Early Childhood Development and Health Board	47,100
Department of Education	132,000
Department of Emergency and Military Affairs	30,000
Department of Environmental Quality	135,600
Arizona Exposition and State Fair Board	20,900
Arizona Department of Forestry and Fire Management	13,400
Department of Gaming	37,300
Department of Health Services	173,800
Arizona Historical Society	700
Arizona Department of Housing	19,300
Department of Insurance and Financial Institutions	13,800
Department of Juvenile Corrections	9,400
State Land Department	2,100
Department of Liquor Licenses and Control	11,400
Arizona State Lottery Commission	24,800
Arizona State Parks Board	45,800
State Personnel Board	600
Arizona Pioneers' Home	12,100
Department of Public Safety	677,400
Arizona Board of Regents	1,800
Arizona State Retirement System	69,100
Department of Revenue	4,900
Department of State - Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Total Legal Services Charges	\$ 1,798,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Anti-Racketeering Revolving Fund – Cases (AGA2132/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes, to fund gang prevention, substance abuse prevention/education, and witness protection programs. This sub-fund consists of seized cash held in trust until litigation is resolved and the monies are either returned to the defendant, forfeited to the applicable law enforcement agency, or paid to victims as restitution. Expenditures from the sub-fund represent victim restitution payments and various fees associated with the seized assets.		
Funds Expended	155,800	72,400
Year-End Fund Balance	48,800	24,400
Anti-Racketeering Revolving Fund – Operations (AGA2130/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes, to fund gang prevention, substance abuse prevention/education, and witness protection programs. This sub-fund consists of monies forfeited directly to the Attorney General's office.		
Funds Expended	2,304,800	2,540,700
Year-End Fund Balance	7,741,800	7,551,900
Anti-Racketeering Revolving Fund – Pass Through (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeiture of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes, to fund gang prevention, substance abuse prevention/education, and witness protection programs. This sub-fund consists of monies forfeited to law enforcement agencies other than the Attorney General. These monies are held in trust until the agency requests access to the funds. The Attorney General has no authority to expend monies in this sub-fund except to transfer to other agencies.		
Funds Expended	3,880,800	4,019,200
Year-End Fund Balance	22,083,300	22,354,100
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	120,100	160,900
Year-End Fund Balance	1,171,400	702,700
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	7,300	6,600
Year-End Fund Balance	42,200	42,800
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
Source of Revenue: Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	1,903,600	2,314,900
Year-End Fund Balance	705,100	186,900
Child and Family Advocacy Center Fund (AGA2540/A.R.S. § 41-191.11)		Non-Appropriated
Source of Revenue: Appropriated funds as well as other monies such as private gifts and grants.		
Purpose of Fund: Funds shall be distributed to child and family advocacy centers that apply for funding and meet certain eligibility requirements. The Attorney General may use up to 5% of the monies in the fund for administrative costs.		
Funds Expended	600,000	650,000
Year-End Fund Balance	100,000	50,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: 12.38% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	2,771,100	3,243,400
Year-End Fund Balance	827,700	413,900
Collection Enforcement Revolving Fund – Operations (AGA3211/A.R.S. § 41-191.03)		Appropriated
Source of Revenue: 35% of monies recovered by the Attorney General from debts owed to the state, or to any agency, board, commission, or department of the state from proceedings initiated by the Attorney General.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration. Monies in the Collection Enforcement Revolving Fund up to \$1,000,000 are non-lapsing. Reflects 3 sub-funds: Operations, Pass-Through, and Suspense. The fund balance excludes monies held in the Suspense sub-fund prior to being properly recorded.		
Funds Expended	6,937,300	7,232,100
Year-End Fund Balance	1,658,800	982,400
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	17,170,500	18,364,900
Year-End Fund Balance	23,553,500	10,186,600
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. All monies from opioid claims-related litigation or settlements are subject to legislative appropriation. All other monies in the Consumer Remediation Subaccount up to \$4,000,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	5,000,000	12,000,000
Year-End Fund Balance	44,818,700	67,507,200
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. All monies from opioid claims-related litigation or settlements are subject to legislative appropriation. All other monies in the Consumer Remediation Subaccount up to \$4,000,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	6,441,000	4,000,000
Year-End Fund Balance	44,818,700	67,507,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws.		
Funds Expended	3,556,200	5,023,800
Year-End Fund Balance	10,274,300	5,374,900
Coronavirus State and Local Fiscal Recovery Fund (AGA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	3,000,000
Year-End Fund Balance	0	0
Court-Ordered Trust Fund (AGA3181/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan services. Arizona residents received a total of \$1.6 billion from the settlement, of which \$33.9 million was allocated to the Attorney General.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
Funds Expended	3,089,900	0
Year-End Fund Balance	2,462,400	1,337,400
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	86,900	122,900
Year-End Fund Balance	145,900	77,000
Federal Grants (AGA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	7,845,500	10,218,400
Year-End Fund Balance	675,900	845,600
Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.		
Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	13,210,600	14,825,900
Year-End Fund Balance	5,425,100	3,862,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	14,154,400	18,078,100
Year-End Fund Balance	2,081,800	0
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	32,005,800	28,499,700
Year-End Fund Balance	979,900	1,009,000
Internet Crimes Against Children Enforcement Fund (AGA3217/A.R.S. § 41-199)		Appropriated
Source of Revenue: Pursuant to A.R.S. § 5-554, the fund receives \$900,000 from the proceeds of lottery games that are sold from a vending machine in age-restricted areas. If the lottery games do not produce sufficient funds for the \$900,000 allocation, then unclaimed lottery prize monies will be used to backfill the difference. A.R.S. § 5-554 also directs \$100,000 from the same lottery game revenue to the Victims' Rights Enforcement Fund administered by the Department of Public Safety. (Please see the Department of Public Safety for more detail on the Victims' Rights Enforcement Fund.)		
Purpose of Fund: For the Attorney General to enter into 1 or more intergovernmental agreements to continue the operation of the federally recognized Internet Crimes Against Children Task Force program that coordinates a national network of coordinated task forces that assist federal, state, local, and tribal law enforcement agencies in investigations, forensic examinations, and prosecutions related to technology-facilitated sexual exploitation of children and internet crimes against children.		
Funds Expended	0	900,000
Year-End Fund Balance	1,982,800	1,082,800
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	46,300	46,300
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 5.18% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,123,700	1,028,500
Year-End Fund Balance	110,600	55,300
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
Funds Expended	10,934,800	13,147,700
Year-End Fund Balance	2,458,700	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Smart and Safe Arizona Fund (AGA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After select agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	0	0
Year-End Fund Balance	667,600	1,001,200
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: A \$9 penalty on civil and criminal violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	1,945,200	3,812,800
Year-End Fund Balance	3,183,900	1,382,000

Barbering and Cosmetology Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.5	29.5	29.5
Personal Services	1,227,500	1,170,600	1,170,600
Employee Related Expenditures	557,500	605,300	605,300
Professional and Outside Services	182,000	148,300	148,300
Travel - In State	35,600	38,700	38,700
Travel - Out of State	1,000	8,800	8,800
Other Operating Expenditures	805,900	354,000	354,000
Equipment	31,700	561,200	361,200
AGENCY TOTAL	2,841,200	2,886,900	2,686,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Barbering and Cosmetology Fund	2,841,200	2,886,900	2,686,900
SUBTOTAL - Other Appropriated Funds	2,841,200	2,886,900	2,686,900
SUBTOTAL - Appropriated Funds	2,841,200	2,886,900	2,686,900
TOTAL - ALL SOURCES	2,841,200	2,886,900	2,686,900

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons, barber establishments and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate. Prior to January 1, 2022, these regulatory activities were conducted by 2 separate agencies, the Board of Barbers and the Board of Cosmetology.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,686,900 and 29.5 FTE Positions from the Barbering and Cosmetology Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time IT Project Funding

The Baseline includes a decrease of \$(200,000) from the Barbering and Cosmetology Fund in FY 2025 for the removal of one-time IT Project funding.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Barbering and Cosmetology Fund (BCB2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists and barbers, salons, cosmetology schools, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, barbers, salons, cosmetology schools, barber schools, and barbering establishments, and for board administration.		
Funds Expended	2,841,200	2,886,900
Year-End Fund Balance	15,413,700	16,411,200

Board of Behavioral Health Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	20.0	20.0	20.0
Personal Services	1,194,300	1,164,400	1,164,400
Employee Related Expenditures	481,800	487,400	487,400
Professional and Outside Services	89,700	190,000	190,000
Travel - In State	5,400	20,000	20,000
Travel - Out of State	4,100	15,000	15,000
Other Operating Expenditures	299,300	160,200	160,200
Equipment	49,000	75,700	75,700
AGENCY TOTAL	2,123,600	2,112,700	2,112,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Behavioral Health Examiners Fund	2,123,600	2,112,700	2,112,700
SUBTOTAL - Other Appropriated Funds	2,123,600	2,112,700	2,112,700
SUBTOTAL - Appropriated Funds	2,123,600	2,112,700	2,112,700
TOTAL - ALL SOURCES	2,123,600	2,112,700	2,112,700

AGENCY DESCRIPTION — The board certifies and regulates behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board also licenses and regulates professionals engaged in the practice of psychotherapy.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,112,700 and 20 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	2,123,600	2,112,700
Year-End Fund Balance	5,354,600	6,083,200

State Board for Charter Schools

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,241,600	1,480,500	1,480,500
Employee Related Expenditures	499,000	386,900	386,900
Professional and Outside Services	893,900	82,100	82,100
Travel - In State	7,800	10,000	10,000
Travel - Out of State	16,400	5,500	5,500
Other Operating Expenditures	351,900	345,200	345,200
Equipment	17,600	524,900	524,900
AGENCY TOTAL	3,028,200	2,835,100	2,835,100 ^{1/}
FUND SOURCES			
General Fund	3,028,200	2,835,100	2,835,100
SUBTOTAL - Appropriated Funds	3,028,200	2,835,100	2,835,100
Other Non-Appropriated Funds	143,800	37,500	37,500
TOTAL - ALL SOURCES	3,172,000	2,872,600	2,872,600

AGENCY DESCRIPTION — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees over 560 charter schools.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,835,100 and 25 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Other Issues

Auditor General Report

In September 2023, the Auditor General published a State Board of Charter Schools audit that included recommendations for improvements to the board's policies and procedures for revising its financial framework, reviewing the appropriateness of its fees, clarifying conflict-of-interest issues, and complaint-handling.

The State Board of Charter Schools collects revenue via the assessment of 2 fees. These fees include the new

charter application fee, which is \$6,500 for each application package submitted, and the online instruction fee, which is \$3,000 for each grade category involved in the charter amendment request. The funds collected from these fees compose the State Board for Charter Schools' New Charter Application Processing Fund and Charter Arizona Online Instruction Processing Fund.

The Auditor General's report concluded that the board had not developed policies and procedures for evaluating the appropriateness of these 2 fees. The audit recommended the development and implementation of these processes so that the fees are commensurate with the costs of processing new charter applications and charter amendment requests for participation in online instruction. The State Board for Charter Schools has agreed to the findings of the Auditor General and will implement new policies and procedures for periodic review of its fees.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	15,000	3,000
Year-End Fund Balance	19,700	19,700
New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of applications submitted for new charters.		
Funds Expended	128,800	34,500
Year-End Fund Balance	32,200	32,200

Department of Child Safety

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,203.1	3,283.1	3,283.1 ^{1/}
Personal Services	69,410,500	71,357,400	71,357,400
Employee Related Expenditures	30,127,400	28,908,100	28,908,100
Professional and Outside Services	15,189,500	11,470,400	11,470,400
Travel - In State	304,300	332,300	332,300
Travel - Out of State	79,200	81,600	81,600
Other Operating Expenditures	37,964,300	36,090,400	33,840,400
Equipment	1,135,600	953,900	953,900
OPERATING SUBTOTAL	154,210,800	149,194,100	146,944,100 ^{2/-9/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	27,617,300	27,894,900	27,894,900 ^{10/}
Caseworkers	127,672,200	124,285,400	124,285,400
General Counsel	118,600	0	0
Inspections Bureau	2,589,300	0	0
New Case Aides	3,232,600	0	0
Office of Child Welfare Investigations	10,411,300	11,235,900	11,235,900
Records Retention Staff	590,600	0	0
Training Resources	6,157,500	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	105,124,000	114,918,700	100,709,000
Extended Foster Care	16,793,000	26,553,900	19,887,200
Extended Foster Care Service Model Fund Deposit	0	19,243,300	0
Foster Home Placement	38,312,200	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	27,254,400	32,753,600	32,753,600
Kinship Care	19,862,000	24,811,200	24,811,200 ^{11/12/}
Permanent Placements			
Positive Parenting Program for Post Permanency Placements Pilot	0	4,000,000	0
Permanent Guardianship Subsidy	13,266,900	12,516,900	12,516,900
Adoption Services	274,724,500	294,923,500	292,923,500
Support Services			
DCS Child Care Subsidy	54,206,600	61,675,400	61,675,400
In-Home Mitigation	27,406,600	28,988,100	28,988,100
Out-of-Home Support Services	111,939,000	122,710,800	122,710,800
Preventive Services	19,400,800	29,648,300	32,148,300
Comprehensive Health Plan			
Comprehensive Health Plan Administration	26,356,400	27,461,200	28,642,700
Comprehensive Health Plan Premium Tax	4,008,600	3,857,300	3,196,600
Comprehensive Health Plan Services	173,502,600	161,546,700	127,989,800
AGENCY TOTAL	1,244,757,800	1,339,298,700	1,260,392,900 ^{4/13/14/}
FUND SOURCES			
General Fund	445,953,900	497,994,700	464,544,100
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	586,200	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	643,600	1,021,700	1,021,700
Children and Family Services Training Program Fund	0	208,000	208,000

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Federal Child Care and Development Fund Block Grant	40,516,000	40,516,000	40,516,000
Federal Temporary Assistance for Needy Families Block Grant	161,082,300	161,082,200	161,082,200
SUBTOTAL - Other Appropriated Funds	202,828,100	204,287,200	204,287,200
SUBTOTAL - Appropriated Funds	648,782,000	702,281,900	668,831,300
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	392,108,200	444,151,600	431,732,500
Comprehensive Health Plan Fund	203,867,600	192,865,200	159,829,100
SUBTOTAL - Expenditure Authority Funds	595,975,800	637,016,800	591,561,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,244,757,800	1,339,298,700	1,260,392,900
Other Non-Appropriated Funds	25,000	0	0
TOTAL - ALL SOURCES	1,244,782,800	1,339,298,700	1,260,392,900

AGENCY DESCRIPTION — The department investigates reports of child abuse and neglect, promotes the safety of a child in a stable family or other out-of-home placement in response to allegations of abuse or neglect, works with law enforcement regarding reports that include criminal conduct allegations, and coordinates services to achieve and maintain permanency on behalf of children in the child welfare system.

FOOTNOTES

- 1/ Includes 866.5 GF, 420.6 OF, and 523.1 EA FTE Positions funded from Special Line Items in FY 2025.
- 2/ The department of child safety shall provide training to any new child safety FTE positions before assigning any client caseload duties to any of these employees. (General Appropriation Act footnote)
- 3/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriation Act footnote)
- 4/ The amount appropriated for any line item may not be transferred to another line item or to the operating budget unless the transfer is reviewed by the joint legislative budget committee, except that transfers between any two line items relating to the comprehensive health plan are not subject to review. (General Appropriation Act footnote)
- 5/ The department of child safety may transfer up to ten percent of the total amount of federal temporary assistance for needy families block grant monies appropriated to the department of economic security and the department of child safety to the social services block grant. Before transferring federal temporary assistance for needy families block grant monies to the social services block grant, the department of child safety shall report the proposed amount of the transfer to the director of the joint legislative budget committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)
- 6/ For the purposes of this section, "backlog case":
 1. Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least sixty days and for which services have not been authorized for at least sixty days and any case that has had an investigation, has been referred to another unit and has had no contact for at least sixty days.
 2. Includes any case for which the investigation has been open without any documentation or contact for at least sixty days, any case involving in-home services for which there has been no contact or services authorized for at least sixty days and any case involving foster care in which there has been no contact or any documentation entered in the child welfare automated system for at least sixty days. (General Appropriation Act footnote)
- 7/ For the purposes of this section:
 1. "Long-term case" means any case in which the child has been in an out-of-home placement for at least eighteen months.
 2. "Open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 8/ On or before February 28, 2025 and August 31, 2025, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2024 through December 2024 and January 2025 through June 2025, respectively, in meeting the caseload standard and reducing the number of backlog and long-term cases. Each report shall include the number of backlog cases, the number of open reports, the number of long-term cases and the

caseworker workload in comparison to the previous six months. Each report shall provide the number of backlog cases by disposition, including the number of backlog cases in the investigation phase, the number of backlog cases associated with out-of-home placements and the number of backlog cases associated with in-home cases.

To determine the caseworker workload, the department shall report the number of case-carrying caseworkers at each field office and the number of investigations, in-home cases and long-term cases assigned to each field office.

For backlog cases, the department's benchmark is 1,000 cases.

For open reports, the department's benchmark is fewer than 8,000 open reports.

For long-term cases, the department's benchmark is 3,323.

If the department of child safety has not submitted a required report within thirty days after the report is due, the director of the joint legislative budget committee shall inform the general accounting office of the department of administration, which shall withhold two percent of the department of child safety's operating lump sum semiannual budget allocation until the department of child safety submits the required report. (General Appropriation Act footnote)

- 9/ On or before December 1, 2024, the department of child safety shall submit a report to the joint legislative budget committee on the department's efforts to implement the family first prevention services act of 2018. The report shall quantify the department's efforts in at least the following areas, including any associated fiscal impacts: (1) Reducing the number of children placed for more than two weeks in congregate care settings, excluding qualified residential treatment programs, facilities for pregnant and parenting youth, supervised independent living and specialized programs for victims of sex trafficking. (2) Assisting congregate care providers in attaining status as qualified residential treatment programs. (3) Identifying alternative placements, including therapeutic foster homes, for children who would otherwise be placed in congregate care. (4) Expanding evidence-based, in-home parent skill-based programs and mental health and substance abuse prevention and treatment services. (General Appropriation Act footnote)
- 10/ All expenditures made by the department of child safety for attorney general legal services shall be funded only from the attorney general legal services line item. Monies in department of child safety line items intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)
- 11/ The amount appropriated for kinship care shall be used for a stipend of \$300 per month for a relative caretaker, including a grandparent, any level of great-grandparent or any nongrandparent relative, or a caretaker of fictive kinship, if a dependent child is placed in the care of a relative caretaker or caretaker of fictive kinship pursuant to department guidelines. The department shall provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent. The unlicensed kinship foster care parent is not required to file an application to receive the stipend. Before changing the eligibility for the program or the amount of the stipend, the department shall submit a report for review by the joint legislative budget committee detailing the proposed changes. (General Appropriation Act footnote)
- 12/ On or before March 31, 2025, the department of child safety shall report to the joint legislative budget committee the number of children who are part of the kinship stipend program and reside with a nonrelative caretaker of fictive kinship. (General Appropriation Act footnote)
- 13/ Child safety expenditure authority includes all department funding sources excluding the state general fund, the federal child care and development fund block grant, the federal temporary assistance for needy families block grant, the child abuse prevention fund, the children and family services training program fund and the comprehensive health plan expenditure authority fund. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$146,944,100 and 1,472.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$71,747,800
Child Safety Expenditure Authority	48,743,900
Federal TANF Block Grant	25,430,700
Child Welfare Licensing Fee Fund	1,021,700

Adjustments are as follows:

Remove Fleet Vehicle Replacement Funding

The Baseline includes a decrease of \$(2,250,000) from the General Fund in FY 2025 to remove one-time funding to replace 50 vehicles within the DCS fleet.

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$27,894,900 and 276.2 FTE Positions in FY 2025 for Attorney General Legal Services. These amounts consist of:

General Fund	21,663,300
Child Safety Expenditure Authority	6,231,600

These amounts are unchanged from FY 2024.

This line item funds the attorneys and support staff in the Attorney General's Protective Services Section (PSS). Attorney General staff represents DCS in dependency, guardianship, severance, and adoption proceedings throughout the state. This line item does not include funding for the Attorney General's defense of DCS in ongoing class action litigation.

Caseworkers

The Baseline includes \$124,285,400 and 1,406 FTE Positions in FY 2025 for caseworkers. These amounts consist of:

General Fund	53,677,900
Children and Family Services Training Program Fund	208,000
Federal TANF Block Grant	33,615,900
Child Safety Expenditure Authority	36,783,600

These amounts are unchanged from FY 2024.

Background – This line item funds caseworker positions I, II, III and IV, including salary, benefits, other operating expenses, and in-state travel. Funding for field office staff, including case aides, caseworker supervisors, program managers, and other support staff, are included in the DCS operating budget.

The Legislature has funded 1,406 caseworkers (direct line staff). As of the latest available data from November 2023, DCS had 1,335 filled case specialist positions.

Office of Child Welfare Investigations

The Baseline includes \$11,235,900 and 127 FTE Positions in FY 2025 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	10,382,300
Child Safety Expenditure Authority	853,600

These amounts are unchanged from FY 2024.

Background – A.R.S. § 8-471 establishes the Office of Child Welfare Investigations (OCWI) within the Department of Child Safety to investigate criminal conduct allegations, coordinate with law enforcement, and establish task forces for the investigation of criminal conduct in cases of child abuse and neglect.

Training Resources

The Baseline includes \$9,150,000 in FY 2025 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2024.

Background – DCS has agreements with Arizona State University (ASU) and Northern Arizona University (NAU) to educate potential caseworkers. As part of that agreement, the federal government provides Title IV-E funding for the universities' social work programs while the universities provide the state match. The federal match rate is 75%.

In FY 2022, the latest data available from the agency, DCS reports that 105 ASU/NAU social work students received scholarships, including 41 Bachelors of Social Work (BSW) students and 64 Masters of Social Work (MSW) students.

Out-of-Home Placements

DCS places children in out-of-home care when the department determines in conjunction with the Juvenile Court that, after investigating a report of child abuse or neglect, no services or interventions can adequately ensure the child's health and safety in the home. *Table 1* shows out-of-home placements by setting each year.

Table 1

	Out-of-Home Placements ^{1/}		
	Dec 2021	July 2022	August 2023
Kinship Care ^{2/}	4,294	5,617	4,875
Foster Home	4,148	3,640	2,954
Congregate Care	2,443	1,984	1,878
Group Home	1,355	1,355	1,295
Emergency Shelter	64	38	31
Behavioral Health Placement	1,024	591	552
Independent Living	727	612	589
Other ^{3/}	1,751	577	485
Total	13,363	12,430	10,781 ^{4/}

^{1/} Includes out-of-home children up through age 17 as well as children 18-21 in Extended Foster Care.

^{2/} Includes unlicensed relative and non-relative placements.

^{3/} Includes runaways, missing children, children with no identified placement, and trial home visits.

^{4/} Latest available data for placement types is from August 2023 and includes "preliminary data" reported by DCS.

Congregate Group Care

The Baseline includes \$100,709,000 in FY 2025 for Congregate Group Care. This amount consists of:

General Fund	39,384,500
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	39,901,500

Adjustments are as follows:

Remove Congregate Care Federal Funding Backfill

The Baseline includes a decrease of \$(10,876,400) from the General Fund in FY 2025 to remove prior year one-time funding to address an expected loss in federal funding and new placement requirements for those placed in foster care associated with the Family First Prevention Services Act.

(Please see the Family First Prevention Services Act section in Other Issues for more details.)

Remove Emergency Shelter Group Homes and Transition Living Funding

The Baseline includes a decrease of \$(3,333,300) from the General Fund in FY 2025 to remove prior year one-time funding to provide additional support for out-of-home placements through emergency shelters and extended foster care.

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$749,200 from the General Fund and a corresponding decrease of \$(749,200) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

The FY 2023 budget's 3-year spending plan included a total General Fund increase of \$7,500,000 in FY 2024 and an additional \$2,500,000 in FY 2025 for the estimated decrease in the base Title IV-E FMAP rate for the 6 line items. Because the federal Omnibus spending bill passed in December 2022 included an enhanced match rate through December 2023, the General Fund increase of \$7,500,000 in FY 2024 was offset on a one-time basis by \$(3,225,800). Across the 6 line items, the net General Fund FY 2024 increase was \$4,274,200. The FY 2025 Baseline includes the remaining \$5,725,800 to bring the FY 2025 appropriation to the \$10,000,000 level established in the 3-year spending plan associated with the FY 2023 budget. The Baseline incorporates these changes in the affected line items and reduces Child Safety Expenditure Authority by an equivalent amount.

Caseload – According to the latest available data from DCS, in FY 2023, an estimated monthly average of 1,860 clients received congregate care placements. At an average monthly cost of \$5,073 per placement and the assumed federal reimbursement level, the total appropriation has the authority to support 1,654 congregate care placements in FY 2025.

Background – This line item funds congregate care placements for foster children up through age 17, including shelter facilities for up to 21 days or less; group home placements; and placements at behavioral health facilities licensed by the Department of Health Services, such as behavioral health group homes and residential treatment centers. DCS pays the cost of behavioral health facility placements for non-Medicaid CMDP children and pays for the room and board expenditures for Medicaid-eligible children. All other behavioral health facility costs are funded by the RBHAs within the AHCCCS budget.

Extended Foster Care

The Baseline includes \$19,887,200 in FY 2025 for Extended Foster Care. This amount consists of:

General Fund	11,350,000
Child Safety Expenditure Authority	8,537,200

Adjustments are as follows:

Remove One-Time Emergency Shelter Group Homes and Transition Living Funding

The Baseline includes a decrease of \$(6,666,700) from the General Fund in FY 2025 to remove prior year one-time funding to provide additional support for out-of-home placements through emergency shelters and extended foster care.

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$267,200 from the General Fund and a corresponding decrease of \$(267,200) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, 601 individuals aged 17-21 remained voluntarily in DCS foster care as of September 2023.

Background – A.R.S. § 8-521.02 authorizes DCS to establish an Extended Foster Care program for young adults aged 18-21 who turned age 18 while in DCS custody. Participating youth may continue to receive services and supports from the department on condition of enrolling in an education program, employment,

participation in a program that promotes employment, or be unable to be a full-time student or work due to a documented medical condition.

Extended Foster Care Service Model Fund Deposit

The Baseline includes no funding in FY 2025 for the Extended Foster Care Service Model Fund Deposit. Adjustments are as follows:

Remove One-Time Fund Deposit

The Baseline includes a decrease of \$(19,243,300) in FY 2025 to remove a one-time deposit into the non-appropriated Extended Foster Care Comprehensive Service Model Fund. This amount consists of:

General Fund	(12,550,000)
Child Safety Expenditure Authority	(6,693,300)

The FY 2024 Human Services Budget Reconciliation Bill (BRB) established this fund as session law.

Background – This line item funds an extended foster care comprehensive service model that provides support services and case management from contracted community providers to young adults 17.5-20 years of age in the Extended Foster Care program. The scope of work for the Extended Foster Care Comprehensive Service Model includes weekly engagements between "success coaches" and individuals in the program, life skills training, and mental and physical health and well-being, among other components.

An FY 2024 General Appropriation Act footnote makes this appropriation non-lapsing.

Foster Home Placement

The Baseline includes \$51,929,500 in FY 2025 for Foster Home Placement. This amount consists of:

General Fund	23,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	21,130,900

Adjustments are as follows:

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$572,600 from the General Fund and a corresponding decrease of \$(572,600) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, in FY 2023, an estimated monthly average of 3,610 clients received licensed foster home placements. At an average monthly cost of \$914 per placement and the current appropriated General Fund, TANF, and federal reimbursement levels, DCS can support an average monthly caseload of 4,735 foster home placements in FY 2025.

Background – The Foster Home Placement line item provides funding for the placement of out-of-home children up through age 17 into foster homes. This line item includes the cost of the maintenance payments for licensed foster homes. Unlicensed foster homes are funded in the Kinship Care line item.

Foster Home Recruitment, Study and Supervision

The Baseline includes \$32,753,600 in FY 2025 for Foster Home Recruitment, Study and Supervision. This amount consists of:

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

These amounts are unchanged from FY 2024.

Background – This line item funds contracts with child welfare licensing agencies that recruit foster families, complete home studies to ensure that foster homes comply with requirements for licensure and provide ongoing monitoring and oversight of foster homes.

Kinship Care

The Baseline includes \$24,811,200 in FY 2025 for Kinship Care. This amount consists of:

General Fund	24,311,200
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2024.

Caseload – In FY 2023, on average 5,703 children resided in unlicensed kinship care monthly. Based on a monthly stipend of \$300 and the current General Fund, and TANF funding level, DCS can support 6,892 kinship placements in FY 2025. DCS reports 4,752 children were placed in unlicensed kinship care in September 2023.

Background – This line item funds the Kinship Stipend, which provides a \$300 monthly stipend per child to unlicensed kinship caregivers. Unlicensed kinship caregivers may include relatives as well as non-relative caregivers of fictive kinship. "Fictive kin" are caregivers

that have a meaningful relationship with the child but are not related by blood or by marriage.

A General Appropriation Act footnote requires DCS to provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent and permits such caregivers to receive the stipend without filing an application. Another General Appropriation Act footnote requires DCS to report to the Joint Legislative Budget Committee by March 31, 2025 on the number of children in the kinship care stipend program residing with non-relative caretaker of fictive kinship.

Permanent Placements

DCS subsidizes the care of children who exit out-of-home care for placements in adoptive homes or for custody with permanent guardians. *Table 2* shows the total caseload for permanent placements.

Table 2

Permanent Placements

	June 2021	June 2022	June 2023
Adoption	32,735	33,224	33,337
Permanent Guardianship	<u>2,716</u>	<u>2,719</u>	<u>2,835</u>
Total	35,451	35,943	36,172

Positive Parenting Program for Post Permanency Placements Pilot

The Baseline includes no funding in FY 2025 for the Positive Parenting Program for Post Permanency Placements Pilot. Adjustments are as follows:

Remove Pilot Program Funding

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2025 to remove one-time funding for the Positive Parenting Program for Post Permanency Placements Pilot program.

Background – This program provides management strategies for parents to address behavior issues and support to families to prevent reentry of post permanency children into out-of-home care.

This funding addresses a requirement from the federal Fostering Connections to Success and Increasing Adoption Act of 2008 (P.L. 110-351) that state agencies receiving Title IV-E federal funding are to spend at least 30% of adoption savings on post-adoption services, post-guardianship services, and services to support positive permanent outcomes for children at risk of entering foster care.

An FY 2024 General Appropriation Act footnote makes this appropriation non-lapsing.

Permanent Guardianship Subsidy

The Baseline includes \$12,516,900 in FY 2025 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	10,573,900
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2024.

Caseload – According to the latest available data from DCS, in FY 2023, an estimated monthly average of 2,840 clients received permanent guardianship subsidies. At an average monthly cost of \$391 and the current General Fund and TANF funding level, DCS can support 2,668 total placements in FY 2025.

Background – A.R.S. § 8-871 establishes the criteria for the Juvenile Court to establish a permanent guardianship for children in out-of-home care.

Adoption Services

The Baseline includes \$292,923,500 in FY 2025 for Adoption Services. This amount consists of:

General Fund	91,523,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	178,954,000

Adjustments are as follows:

Remove Federal Adoption Incentive Backfill

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding for an anticipated loss in the federal adoption incentive award.

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$3,755,000 from the General Fund and a corresponding decrease of \$(3,755,000) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, in FY 2023, an estimated monthly average of 33,332 clients received adoption subsidies. The line item also funds non-maintenance-related adoption services of about \$6,500,000 annually, such as non-recurring adoption legal expenses, special services related to pre-

existing special needs conditions of the adopted child, and recruitment and placement supports for adoptive families. At an average monthly cost of \$671 and the assumed federal reimbursement level, the total appropriation has the authority to support 36,379 adoption placement subsidies in FY 2025.

Background – DCS is required to administer an ongoing program of subsidized adoption pursuant to A.R.S. § 8-142 for children with physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. Medical expenses are covered through AHCCCS.

Support Services

DCS provides services to families involved in the child welfare system that are intended to facilitate the reunification of out-of-home children with their biological families and reduce the probability that high-risk families have children enter out-of-home care. *Table 3* displays combined spending from FY 2023 for in-home mitigation and out-of-home support services by category, in addition to spending for child care subsidies and comprehensive health plan services.

DCS Child Care Subsidy

The Baseline includes \$61,675,400 in FY 2025 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,400,100
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	13,759,300

Adjustments are as follows:

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$229,100 from the General Fund and a corresponding decrease of \$(229,100) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, through March of FY 2023, an estimated monthly average of 5,296 children received DCS childcare. At \$958 monthly, and the assumed federal reimbursement level, the appropriation has the authority to support an average monthly caseload of 5,365 children in FY 2025.

Table 3

Support Services FY 2023 Estimated Expenditures by Service Category ^{1/}

Services	Amount
Child Care Subsidies	\$ 56,559,400
Comprehensive Health Plan Services	201,703,700
Nurturing Parenting Program	15,395,000
Supervised Visitation	28,210,000
Transportation	34,300,000
Family Connections	8,470,500
Preventive Services	15,148,300
Allowances	13,295,100
Counseling and Psychological Services	1,874,600
Substance Use Disorder Treatment	7,495,200
Independent Living Support	6,410,000
Lab Services	7,202,000
Other	14,748,600
Total	\$410,812,400 ^{2/}

^{1/} Does not include substance use disorder services spending for Arizona Families F.I.R.S.T. (AFF) recipients who are eligible for AHCCCS.

^{2/} Latest available data is from July 2023 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

Background – This line item funds child care for children in the DCS system. DES continues to administer the state's child care program, so this funding is passed through to DES. Children who qualify for the DCS child care subsidy are not subject to a time limit, copay, or waiting list. DCS child care is provided for children in both licensed and unlicensed foster care. *(Please see the DES Child Care Subsidy line item for other child care funding.)*

In-Home Mitigation

The Baseline includes \$28,988,100 and 1 FTE Position in FY 2025 for In-Home Mitigation. These amounts consist of:

General Fund	6,971,700
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	14,611,200
Child Safety Expenditure Authority	5,945,900

These amounts are unchanged from FY 2024.

Background – This line item funds DCS' in-home services program for families with a child at risk of out-of-home placement. Contracted in-home services provide a wide range of voluntary services for up to 120 days intended to ensure that children remain safely at home, including parent education, counseling, domestic violence intervention, behavioral management, home

management, and linkages to community resources. According to the latest available data from DCS, there were an estimated 4,577 new referrals to the in-home services program in FY 2023.

Out-of-Home Support Services

The Baseline includes \$122,710,800 in FY 2025 for Out-of-Home Support Services. This amount consists of:

General Fund	52,929,900
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	35,641,300

Adjustments are as follows:

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$152,700 from the General Fund and a corresponding decrease of \$(152,700) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Background – This line item funds services for children in out-of-home care and their families, including supervised visitation, parent aide, health care services, allowances, transportation, substance abuse treatment, and independent living services.

Preventive Services

The Baseline includes \$32,148,300 in FY 2025 for Preventive Services. This amount consists of:

General Fund	19,000,000
Child Safety Expenditure Authority	13,148,300

Adjustments are as follows:

Healthy Families Expansion

The Baseline includes an increase of \$2,500,000 from the General Fund in FY 2025 to expand the Healthy Families Arizona Program and replace expiring federal grant monies.

The \$2,500,000 FY 2025 increase is part of the FY 2023 3-year budget plan, which provided the same increase in FY 2024. The FY 2025 amount is the final increase outlined in the 3-year plan.

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families. The programs include Healthy Families, which is an in-home visiting program, and the Building Resilient Families program, which

provides follow-up services to families that were previously the subject of a DCS report.

Comprehensive Health Plan

The Comprehensive Health Plan (CHP) includes both physical health and behavioral health services for foster care children. The program is funded by capitation payments from the Arizona Health Care Cost Containment System (AHCCCS) for Medicaid-eligible children in foster care. AHCCCS covers the cost of such payments with its General Fund appropriation and federal Medicaid matching funds. This combination of these AHCCCS General Fund and federal funds is deposited into the DCS Comprehensive Health Plan Fund and then appropriated to DCS. *(Please see the FY 2022 Appropriations Report for more detail.)*

The Baseline includes a total decrease of \$(27,761,600) from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of 0.5% enrollment growth in FY 2024, 4.0% capitation growth, and prior year base adjustments as reflected in the AHCCCS budget.

Comprehensive Health Plan Administration

The Baseline includes \$28,642,700 from the Comprehensive Health Plan Fund in FY 2025 for Comprehensive Health Plan Administration. Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$1,181,500 from the Comprehensive Health Plan Fund in FY 2025 for CHP formula adjustments, including a 28.6% increase in the administration capitation rate.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's administrative expenses associated with the Comprehensive Health Plan.

Comprehensive Health Plan Premium Tax

The Baseline includes \$3,196,600 from the Comprehensive Health Plan Fund in FY 2025 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(660,700) from the Comprehensive Health Plan Fund in FY 2025 for CHP formula adjustments.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for premium tax payments. DCS pays a 2% tax on capitation and reinsurance monies associated with the Comprehensive Health Plan.

Comprehensive Health Plan Services

The Baseline includes \$127,989,800 from the Comprehensive Health Plan Fund in FY 2025 for Comprehensive Health Plan Services. Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(33,556,900) from the Comprehensive Health Plan Fund in FY 2024 for CHP formula adjustments. This adjustment is primarily attributable to prior year base adjustments for lower-than-budgeted caseloads and inflation - projected FY 2025 caseloads are approximately (19.4)% lower than budgeted. Similarly, the cost of medical services declined (2.3)% in the latest capitation rate adjustment as a result of lower utilization.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's physical and behavioral health services expenses associated with the Comprehensive Health Plan.

Other Issues

This section includes information on the following topics:

- Auditor General Report
- Families First Prevention Services Act

Auditor General Report

Performance Audit

In September 2023, the Auditor General published an audit of DCS, which examined DCS's investigation of licensing complaints against child welfare agencies and foster homes as well as monitoring of these entities. In terms of budget implications, the Auditor General identified 2:

- The Auditor General observed that DCS said it intends to hire additional staff for licensing complaint investigations, which are currently the responsibility

of contracted licensing agencies. DCS plans for this change to go into effect in February 2024.

- Of the Auditor General's various recommendations, 3 were related to DCS's IT systems. DCS stated it is exploring various IT systems that could enhance its handling of licensing complaints.

Family First Prevention Services Act

The federal Bipartisan Budget Act of 2018 (P.L. 115-123) enacted in February 2018 incorporated provisions from previously introduced legislation called the Family First Prevention Services Act, which makes changes to federal IV-E financing of state and local child welfare services.

The major changes include:

- Availability of uncapped IV-E federal reimbursement for in-home preventive services for families of children at risk of being placed in foster care, including mental health and substance abuse prevention and treatment services as well as in-home parent skill-based programs. The federal match rate will be 50% and will only be applied to state expenditures above a state maintenance-of-effort requirement.
- Limitation of federal IV-E reimbursement for congregate care placements to 2 weeks, except for children with serious behavioral or emotional disorders that are placed in "Qualified Residential Treatment Programs" meeting certain criteria.
- Delays the full phase-out of income eligibility standards for children age 2 or under (previously, adoptive subsidies were only available to children demonstrating "special needs" as defined in federal law and that came from families with incomes at or below the TANF income eligibility level) in the IV-E adoption program until July 1, 2024.

An FY 2024 General Appropriation Act footnote required DCS to report on its implementation of the legislation by December 1, 2023, including quantification of any fiscal impacts. The FY 2025 Baseline would continue this footnote and require DCS to provide an update by December 1, 2024. DCS reported it has taken the following actions related to implementing the legislation:

- The department implemented a variety of measures to retain and recruit foster families and accredit Qualified Residential Treatment Programs (Q RTP), which are congregate care settings that will continue to be eligible for federal reimbursement.
- DCS hired 2 Foster Recruitment and Retention Specialists, launched a website to support foster families, and created a campaign to raise awareness

- to further support and recruit foster families. The video/media campaign debuted in April 2023.
- The department has 16 contracted Q RTP providers as of November 2023.
- DCS announced they would cover accreditation fees for congregate care homes to provide trauma informed care, qualifying them as Q RTP facilities.
- DCS standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost
- Containment System (AHCCCS), including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity. The department reports that it created a policy and established procedures in FY 2022 to utilize therapeutic foster care services for youth for non-medically necessary placement.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	586,200	1,459,300
Year-End Fund Balance	890,300	395,400
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	0	0
Year-End Fund Balance	32,100	20,000
Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)		Expenditure Authority
Source of Revenue: All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
Purpose of Fund: To fund the Department of Child Safety.		
Funds Expended	392,108,200	444,151,600
Year-End Fund Balance	0	(4,735,300)
Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)		Appropriated
Source of Revenue: License fees and legislative appropriations.		
Purpose of Fund: To issue licenses to licensees who do not contract with DCS for care and supervision of DCS children and for the inspection, examination, suspension, denial, revocation and change of licenses.		
Funds Expended	643,600	1,021,700
Year-End Fund Balance	953,500	920,700
Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
Funds Expended	0	208,000
Year-End Fund Balance	11,700	(196,300)

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	13,509,400	14,084,900
Comprehensive Health Plan Fund (CHA2121/A.R.S. § 8-512, 41-2501)		Expenditure Authority
Source of Revenue: Monies paid by the Arizona Health Care Cost Containment System Administration pursuant to the contract, amounts paid by third-party payors, gifts, donations and grants from any source, and interest on monies deposited in the Comprehensive Health Plan Expenditure Authority fund.		
Purpose of Fund: To fund the administration of foster children's physical, dental, and behavioral health care.		
Funds Expended	203,867,600	192,865,200
Year-End Fund Balance	1,241,300	(12,133,400)
Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	25,000	0
Year-End Fund Balance	34,200	48,600
Extended Foster Care Comprehensive Service Model Fund (CHA2728/Laws 2023, Chapter 141)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For supportive services and case management provided by contracted community providers for young adults participating in the extended foster care program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
Funds Expended	40,516,000	40,516,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
Funds Expended	161,082,300	161,082,200
Year-End Fund Balance	0	0

State Board of Chiropractic Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	238,400	285,200	285,200
Employee Related Expenditures	106,900	116,000	116,000
Professional and Outside Services	33,900	35,000	35,000
Travel - In State	100	2,500	2,500
Travel - Out of State	7,600	15,000	15,000
Other Operating Expenditures	88,000	67,700	67,700
Equipment	8,900	21,000	21,000
AGENCY TOTAL	483,800	542,400	542,400 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	483,800	542,400	542,400
SUBTOTAL - Other Appropriated Funds	483,800	542,400	542,400
SUBTOTAL - Appropriated Funds	483,800	542,400	542,400
TOTAL - ALL SOURCES	483,800	542,400	542,400

AGENCY DESCRIPTION — The board licenses, investigates, and regulates chiropractors who practice a system of therapy in which disease is considered the result of neural malfunction. Manipulation of the spinal column and other structures is the preferred method of treatment.

FOOTNOTES

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

Operating Budget

The Baseline includes \$542,400 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	483,800	542,400
Year-End Fund Balance	765,800	1,233,900

Citizens Clean Elections Commission

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	9,019,100	5,185,100	5,185,100
TOTAL - ALL SOURCES	9,019,100	5,185,100	5,185,100

AGENCY DESCRIPTION — As authorized by a 1998 ballot initiative, the Citizens Clean Elections Commission provides full public funding to qualified candidates who agree to abide by the commission's guidelines. To qualify for funding, participating candidates must adhere to spending and contribution limits and gather \$5 qualifying contributions from district constituents who are registered voters. Participating candidates also agree to attend required debates. The commission is not subject to legislative appropriation.

Other Issues

Clean Elections Fund Balance

Proposition 200 was approved in the 1998 General Election, creating the Clean Elections Fund. The fund, which helps finance participating candidate campaigns, receives revenue from a 10% surcharge on civil and criminal fines, qualifying contributions from participating candidates, and penalties paid by candidates. A maximum of 10% of the fund's revenues may be used to enforce the Citizens Clean Elections Act, and another 10% may be spent on voter education.

In FY 2023, the fund had revenues of \$6,022,900, which combined with the fund's beginning balance results in total available funds of \$35,996,900. This compared to spending of \$9,019,100 in FY 2023. For FY 2024, the commission estimates annual fund revenue will be \$5,011,000, compared to \$5,185,100 in spending. Along with surpluses from prior years, the commission forecasted the fund will have a balance of \$26,803,700 at the end of FY 2024.

For additional background and a history of Clean Elections Fund transfers to the General Fund, please see the [FY 2022 Appropriations Report](#).

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		Non-Appropriated
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; "qualifying contributions" on behalf of candidates who seek public campaign funding. Prior to FY 2013, the commission also generated revenues from a check-off box on state income tax forms and tax credits. Laws 2012, Chapter 257 repealed those provisions.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Elections Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
Funds Expended	9,019,100	5,185,100
Year-End Fund Balance	26,977,800	26,803,700

Arizona Commerce Authority

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Personal Services	5,581,000	6,212,200	6,212,200
Employee Related Expenditures	1,288,800	1,482,000	1,482,000
Professional and Outside Services	774,700	433,400	433,400
Travel - In State	86,800	121,500	121,500
Travel - Out of State	105,600	107,500	107,500
Other Operating Expenditures	1,947,300	5,038,600	1,538,600
Equipment	215,800	104,800	104,800
OPERATING SUBTOTAL	10,000,000	13,500,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	5,500,000	500,000	500,000 ^{1/}
Blockchain/Wearable Research	5,000,000	0	0
Wearable Technology Research	0	2,500,000	0
Economic Development Marketing and Attraction	1,000,000	1,000,000	1,000,000
Economic Transition Resources	0	9,000,000	0
Major Events Fund Deposit	7,500,000	0	0
Rural Broadband Accelerated Match Fund Deposit	0	23,600,000	0
Water Infrastructure and Commerce Grant Fund Deposit	15,000,000	7,000,000	0
Trade Offices			
Asia-Pacific Trade Office	0	750,000	0
Asia Trade Offices	750,000	750,000	750,000
Canada Trade Office	0	750,000	0
Frankfurt, Germany Trade Office	500,000	500,000	500,000
Israel Trade Office	300,000	300,000	300,000
Mexico Trade Offices	500,000	500,000	500,000
Trade Office Funding	0	2,000,000	0
AGENCY TOTAL	46,050,000	62,650,000	13,550,000 ^{2/}
FUND SOURCES			
General Fund	41,050,000	62,650,000	13,550,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	5,000,000	0	0
SUBTOTAL - Other Appropriated Funds	5,000,000	0	0
SUBTOTAL - Appropriated Funds	46,050,000	62,650,000	13,550,000
Other Non-Appropriated Funds	10,109,700	14,149,900	14,149,900
Federal Funds	8,095,200	63,088,400	63,088,400
TOTAL - ALL SOURCES	64,254,900	139,888,300	90,788,300

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

FOOTNOTES

- ^{1/} Pursuant to section 43-409, Arizona Revised Statutes, of the amounts listed above, \$10,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2023-2024 to the Arizona commerce authority, of which \$10,000,000 is credited to the Arizona commerce authority fund established by section 41-1506, Arizona Revised Statutes, and \$500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget Deposit

The Baseline includes \$10,000,000 from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove State Rural Development Council

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a federally-recognized state rural development council in the national rural development partnership in this state to partner with businesses, community leaders, service organizations, economic development organizations and rural municipalities to work directly in rural communities across this state.

Remove Small Business Program for Inmates

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of one-time funding to establish and administer a small business incubator program to assist current and former inmates who are participating in a state program in which the State Department of Corrections and the Department of Economic Security collaborate and bring comprehensive services to inmates who are nearing release. On or before September 1, 2024, ACA shall submit a report to the Directors of the JLBC and the Governor's Office of Strategic Planning and Budgeting on the program implementation, the number of participants, the industry of employment or entrepreneurship and program results, including the recidivism rates of program participants.

Remove Economic Development Study

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a nonpartisan public foundation in this state that is qualified under section 501(c)(3) of the Internal Revenue Code and that is associated with a statewide business trade organization that is qualified under section 501(c)(6) of the Internal Revenue Code and that represents multiple industries to develop a strategic framework for policymakers to continue job growth, economic diversification and private sector investments that will make this state a top state economy and international trading partner by 2030.

Remove Commercial Truck Driver Shortage Grant

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a membership organization in this state that is qualified under section 501(c)(6) of the Internal Revenue Code and that serves as a resource hub for all small businesses in this state to establish a program to recruit and retain truck drivers.

Remove Small Business Export Assistance

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 for removal of one-time augmented funding for the Arizona State Trade Expansion Program, which helps small businesses enter foreign markets.

The FY 2024 one-time appropriations are non-lapsing.

Arizona Competes Fund Deposit

The Baseline includes \$500,000 from the General Fund in FY 2025 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2024.

Each year, in addition to this deposit pursuant to A.R.S. § 43-409, the Arizona Competes Fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 5-572. In total, the fund receives \$4,000,000 annually.

Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona.

At least 30% of monies appropriated to the Arizona Competes Fund are to be used for rural and small business grants. Of this amount, 30%, up to \$1,000,000, is reserved for microenterprise development.

A further 25% of the monies are reserved for businesses not located in Maricopa County with preference given to a county located on the Arizona-Mexico border, a county in which a military facility is located, or projects on tribal lands.

Wearable Technology Research

The Baseline includes no funding in FY 2025 for the Wearable Technology Research line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2025 for one-time funding for research into wearable technology.

Monies in this line item are for distribution to applied research centers which work with Arizona businesses or public institutions to develop wearable technologies. Pursuant to an FY 2024 General Appropriation Act footnote, the authority shall, within 30 days of receiving a valid written submission, distribute up to \$250,000 of the monies in this line item to each qualifying applied research center that has received equal or greater funding

from sources other than the State of Arizona. The FY 2024 appropriation is non-lapsing through June 30, 2027.

Economic Development Marketing and Attraction

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for the Economic Development Marketing and Attraction line item. This amount is unchanged from FY 2024.

Monies in this line item fund marketing campaigns designed to attract industries such as advanced manufacturing to Arizona.

Economic Transition Resources

The Baseline includes no funding in FY 2025 for the Economic Transition Resources line item. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(9,000,000) from the General Fund in FY 2025 for removal of a one-time distribution to a non-profit to provide funding for various capital projects in areas within 20 miles of a coal mine which closed in the past 5 years.

Rural Broadband Accelerated Match Fund Deposit

The Baseline includes no funding in FY 2025 for the Rural Broadband Accelerated Match Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(23,600,000) from the General Fund in FY 2025 for removal of a one-time deposit to the Rural Broadband Accelerated Match Fund to provide matching funding for federally funded broadband infrastructure projects in Arizona.

Water Infrastructure and Commerce Grant Fund Deposit

The Baseline includes no funding in FY 2025 for the Water Infrastructure and Commerce Grant Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(7,000,000) from the General Fund in FY 2025 for the removal of a deposit for the distribution of water infrastructure grants via the Water Infrastructure and Commerce Grant Fund. The FY 2023 budget included \$15,000,000 in one-time funding in addition to the \$7,000,000 FY 2024 appropriation.

This fund provides water infrastructure grants to public service corporations acting on behalf of an employer with

at least 250 employees and that are located in a county with a population of between 400,000 and 1,000,000.

Trade Offices

Asia-Pacific Trade Office

The Baseline includes no funding in FY 2025 for the Asia-Pacific Trade Office line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2025 for removal of one-time funding for a trade office in the Asia-Pacific region. The FY 2024 appropriation to this line item is non-lapsing.

Asia Trade Offices

The Baseline includes \$750,000 from the General Fund in FY 2025 for the Asia Trade Offices line item. This amount is unchanged from FY 2024.

Currently, the ACA funds one trade office each in South Korea and Taiwan.

Canada Trade Office

The Baseline includes no funding in FY 2025 for the Canada Trade Office line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2025 for removal of one-time funding for a trade office in Canada. The FY 2024 appropriation to this line item is non-lapsing.

Frankfurt, Germany Trade Office

The Baseline includes \$500,000 from the General Fund in FY 2025 for the Frankfurt, Germany Trade Office. This amount is unchanged from FY 2024.

Israel Trade Office

The Baseline includes \$300,000 from the General Fund in FY 2025 for the Israel Trade Office. This amount is unchanged from FY 2024.

Mexico Trade Offices

The Baseline includes \$500,000 from the General Fund in FY 2025 to operate trade offices in Mexico. This amount is unchanged from FY 2024.

Currently, the ACA funds trade offices in Mexico City, Guanajuato, and Chihuahua.

Trade Office Funding

The Baseline includes no funding in FY 2025 for the Trade Office Funding line item. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for removal of one-time augmented funding for the authority's trade offices.

An FY 2024 General Appropriation Act footnote requires ACA, on or before December 1, 2023, to submit a report to the Senate President, the Speaker of the House of Representatives and the Director of the JLBC detailing the authority's implementation plan for the monies in the Trade Office Funding line item, including proposed trade office locations.

ACA submitted this report on December 1, 2023, stating their intent to open new trade offices in the United

Kingdom, India, and Brazil at a cost of \$500,000 each. ACA intends the remaining \$500,000 to cover services at existing trade offices, including setting up trade fairs and sending delegations abroad.

Other Issues

Auditor General Report

In September 2023, the Auditor General published a sunset review for the Arizona Commerce Authority covering its tax credit documentation, grant administration, and other general functions. The Auditor General made the following key recommendation:

- The authority should ensure tax credit and grant recipients meet all requirements by developing procedures for verifying recipient-reported information and documenting this verification prior to approving tax credits or distributing grant monies.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
ADOA Business One-Stop Fund (CAA1027/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To establish and maintain ADOA's Business One-Stop system.		
Funds Expended	243,000	0
Year-End Fund Balance	(120,100)	0
Application Fees Fund (CAA3005/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
Purpose of Fund: To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax funds.		
Funds Expended	3,391,000	1,962,500
Year-End Fund Balance	2,051,700	1,222,800
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Leftover funds and residual revenue transferred from various funds belonging to the Arizona Department of Commerce.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	216,400	569,900
Year-End Fund Balance	532,400	408,300
Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)		Non-Appropriated
Source of Revenue: An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations.		
Purpose of Fund: To fund the operating costs of the Authority. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	294,200	294,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)		Non-Appropriated
Source of Revenue: Receives an annual deposit of \$5,500,000 in income tax withholding revenues, \$3,500,000 in lottery ticket sales revenues, gifts, grants, and other donations.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	(4,531,600)	(18,875,100)
Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Funds in the form of loans from the U.S. Department of Treasury under the State Small Business Credit Initiative Act of 2010.		
Purpose of Fund: To provide loans to small businesses and foster business expansion, capital investment, and job creation in Arizona.		
Funds Expended	1,357,800	3,592,100
Year-End Fund Balance	2,190,400	(1,313,700)
Arizona Job Training Fund (CAA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and interest earned on investments. The FY 2015 Revenue Budget Reconciliation Bill repealed the job training tax that had been previously deposited in the fund effective December 31, 2015. Laws 2017, Chapter 307 allowed ACA to continue to make grants from the fund until December 31, 2020, and grantees were required to expend all funds by June 20, 2022, when the fund expired. All monies in the fund as of the repeal date were transferred to the General Fund.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private post-secondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for rural and small businesses.		
Funds Expended	0	0
Year-End Fund Balance	37,800	37,800
Asian Trade Offices Fund (CAA1024/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support foreign trade offices in Asia and assist Arizona companies in entering the Asian market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Asia-Pacific Trade Office Fund (CAA1242/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support a foreign trade office in the Asia-Pacific region and assist Arizona companies in entering the Asia-Pacific market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	30,600
Blockchain/Wearables Fund (CAA1016/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Monies in the fund are for distribution to applied research centers and institutes located in this state that specialize in blockchain or wearable technology. Expenditures are not displayed to avoid double counting the original General Fund appropriations to this fund.		
Funds Expended	0	0
Year-End Fund Balance	7,250,000	7,250,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Canada Trade Office Fund (CAA1241/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support a foreign trade office in Canada and assist Arizona companies in entering the Canadian market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (CAA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	61,000	51,194,000
Year-End Fund Balance	(61,000)	(61,100)
Donations Fund (CAA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	26,900	21,100
Year-End Fund Balance	103,200	102,100
Economic Development Fund (CAA1026/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: State and local government grants.		
Purpose of Fund: To assist the agency in its operations.		
Funds Expended	4,463,100	8,714,100
Year-End Fund Balance	(582,500)	(416,300)
Economic Development Marketing and Attraction Fund (CAA1003/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund a special line item marketing program to attract businesses to the state, particularly advanced manufacturers.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Economic Transition Resources Fund (CAA1031/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute to nonprofit organizations for capital projects, economic sustainability developments, renewable energy projects, and broadband projects located within 20 miles of a coal mine which closed within the past 5 years. The FY 2024 General Appropriation Act appropriated \$9,000,000 from the General Fund for this purpose, which lapses at the end of FY 2024. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (CAA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing federal grants.		
Funds Expended	6,676,400	8,302,300
Year-End Fund Balance	25,297,500	106,251,600

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Frankfurt Germany Fund (CAA1023/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support a foreign trade office in Frankfurt, Germany and assist Arizona companies in entering the German market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	(47,300)	(47,400)
Institute for Automated Mobility Fund (CAA4080/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Private donations, grant proceeds, and support from other ACA funds.		
Purpose of Fund: To account for the activities related to the Institute for Automated Mobility established by Executive Order 2018-09 to support the advancement of autonomous vehicles in Arizona.		
Funds Expended	219,500	31,700
Year-End Fund Balance	31,800	100
Israel Trade Office Fund (CAA1021/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: General Fund as well as donations from public and private entities.		
Purpose of Fund: To support a trade office in Tel Aviv, Israel and assist the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Major Events Fund (CAA9999/A.R.S. § 41-1506.02)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support the planning and operation of the competitive bid process for major events in coordination with the office of tourism, destination marketing organizations and local organizing committees. To negotiate and make grants to local organizing committees or equivalent organizations for the operating costs of major events and for other economic development activities associated with major event operations.		
Funds Expended	0	0
Year-End Fund Balance	3,042,800	0
Mexico Trade Office Fund (CAA1020/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: General Fund, the City of Phoenix, the City of Tucson, Maricopa Association of Governments, and other public and private entities.		
Purpose of Fund: To support trade offices in Mexico City, Guanajuato, and Chihuahua, Mexico and assist Arizona companies in entering the Mexican market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	422,300	422,200
Non-Federal Grant Fund (CAA3010/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Unrestricted donations.		
Purpose of Fund: To be expended as stipulated by state statutes authorizing grants.		
Funds Expended	0	0
Year-End Fund Balance	0	0
RevAZ Fund (CAA9971/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
Purpose of Fund: To assist in manufacturing sector business development and management.		
Funds Expended	1,549,800	2,850,000
Year-End Fund Balance	631,000	631,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Rural Broadband Accelerated Match Fund (CAA1032/A.R.S. § 41-1504)	Non-Appropriated	
Source of Revenue: Legislative appropriations from the FY 2024 General Appropriation Act.		
Purpose of Fund: To provide matching funds for federal programs aimed at expanding Internet access to rural households, schools, and libraries. The FY 2024 General Appropriation Act appropriated \$23,600,000 from the General Fund for this purpose, which lapses at the end of FY 2024. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	18,600,000
Rural Broadband Grants Fund (CAA1006/A.R.S. § 41-1504)	Non-Appropriated	
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To expand Internet access to rural households, schools, and libraries. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	600
Year-End Fund Balance	600	0
State Web Portal Fund (CAA2531/A.R.S. § 18-421)	Appropriated	
Source of Revenue: Legislative appropriations, web portal usage fees, private grants or donations, or federal government funding.		
Purpose of Fund: To distribute to applied research centers and the Institute of Automated Mobility who specialize in blockchain, wearable technology or automated mobility research.		
Funds Expended	5,000,000	0
Year-End Fund Balance	0	0
State Workforce Programs (CAA1025/A.R.S. § 41-1504)	Non-Appropriated	
Source of Revenue: Intrastate agreements between the ACA and the Governor's Office. Funding also comes from a portion of the state's allocation from the federal Workforce Innovation and Opportunity Act.		
Purpose of Fund: To carry out workforce-related projects on behalf of the Governor's Office.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Trade Office Fund (CAA1220/A.R.S. § 41-1504)	Non-Appropriated	
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To supplement funding for foreign trade offices and assist Arizona companies in entering foreign markets. It will also expand the state's international trade and foreign direct investment opportunities. The FY 2024 General Appropriation Act appropriated \$2,000,000 from the General Fund for this purpose, which lapses at the end of FY 2024. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	89,600
Water Infrastructure and Commerce Grant Fund (CAA1090/A.R.S. § 41-1510)	Non-Appropriated	
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund water infrastructure and commerce grant disbursements. The FY 2023 and FY 2024 General Appropriation Acts appropriated \$15,000,000 and \$7,000,000 respectively from the General Fund for this purpose. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	15,000,000	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Wearable Technology Research Fund (CAA1033/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Monies in the fund are for distribution to applied research centers and institutes located in this state that specialize in wearable technology. The FY 2024 General Appropriation Act appropriated \$2,500,000 from the General Fund for this purpose, which lapses at the end of FY 2027. Expenditures are not displayed to avoid double counting the original General Fund appropriations to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	2,000,000

Arizona Community Colleges

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Equalization Aid			
Equalization Aid - Cochise	8,771,400	9,759,600	10,575,800
Equalization Aid - Graham	19,114,000	19,912,000	21,132,400
Equalization Aid - Navajo	9,912,900	11,189,600	12,016,200
Equalization Aid - Yuma/La Paz	530,200	716,100	896,400
<i>Subtotal - Equalization Aid</i>	38,328,500	41,577,300	44,620,800
Operating State Aid			
Operating Aid - Cochise	4,230,000	4,423,700	4,000,800
Operating Aid - Coconino	1,369,600	1,415,900	1,392,500
Operating Aid - Gila	155,300	151,400	149,700
Operating Aid - Graham	1,532,300	1,661,900	1,758,900
Operating Aid - Mohave	903,000	924,400	961,500
Operating Aid - Navajo	1,393,400	1,346,100	1,375,600
Operating Aid - Pima	0	2,000,000	0
Operating Aid - Pinal	818,200	1,090,900	1,032,900
Operating Aid - Yavapai	300,400	373,000	371,300
Operating Aid - Yuma/La Paz	1,898,200	2,260,700	2,262,400
<i>Subtotal - Operating Aid</i>	12,600,400	15,648,000	13,305,600
STEM Aid			
STEM Aid - Cochise	895,200	954,700	833,400
STEM Aid - Coconino	293,800	309,500	300,700
STEM Aid - Gila	91,900	88,700	88,100
STEM Aid - Graham	361,500	409,700	446,300
STEM Aid - Maricopa	8,584,900	7,927,600	8,073,700
STEM Aid - Mohave	373,800	378,600	392,600
STEM Aid - Navajo	283,600	262,500	273,600
STEM Aid - Pima	1,776,600	1,769,000	1,768,900
STEM Aid - Pinal	551,100	656,700	634,800
STEM Aid - Santa Cruz	21,800	21,200	41,800
STEM Aid - Yavapai	611,100	637,200	636,600
STEM Aid - Yuma/La Paz	877,500	777,700	778,200
<i>Subtotal - STEM Aid</i>	14,722,800	14,193,100	14,268,700
Rural Aid			
Rural Aid - Cochise	5,267,500	5,769,700	2,999,100
Rural Aid - Coconino	1,343,400	1,520,600	892,800
Rural Aid - Gila	421,800	439,500	258,000
Rural Aid - Graham	1,633,200	1,917,800	1,239,300
Rural Aid - Mohave	1,714,400	1,866,800	1,149,000
Rural Aid - Navajo	1,305,600	1,322,400	815,000
Rural Aid - Pinal	2,476,600	3,110,400	1,794,100
Rural Aid - Santa Cruz	97,800	97,000	113,800
Rural Aid - Yavapai	2,782,200	3,084,400	1,833,600
Rural Aid - Yuma/La Paz	3,957,500	4,871,400	2,905,300
<i>Subtotal - Rural Aid</i>	21,000,000	24,000,000	14,000,000
Additional Rural Aid			
Rural County Allocation	4,582,000	5,722,300	5,722,300 ^{1/}
Rural County Reimbursement Subsidy	1,082,900	1,082,900	1,082,900 ^{2/}
<i>Subtotal - Additional Rural Aid</i>	5,664,900	6,805,200	6,805,200
Tribal Aid			
Tribal Community Colleges	1,372,200	1,372,200	1,372,200 ^{3/}
Dine College Capital Improvements	0	10,000,000	0
Dine College Remedial Education	1,000,000	1,000,000	1,000,000 ^{4/}
Dine College Student Center	8,000,000	0	0

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Navajo Technical University Laboratory	4,000,000	0	0
San Carlos Apache College Remedial Education	0	2,000,000	0
Tohono O'odham Community College Remedial Education	0	2,000,000	0
<i>Subtotal – Tribal Aid</i>	14,372,200	16,372,200	2,372,200
Workforce Development Aid			
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Arizona Western College CTE Workforce	0	15,000,000	0
Santa Cruz Provisional Community College Funding	0	200,000	0
<i>Subtotal – Workforce Development Aid</i>	200,000	15,400,000	200,000
Capital Aid			
Cochise First Responders Academy	6,250,000	0	0
AGENCY TOTAL	113,138,800	133,995,800	95,572,500 ^{5/}
FUND SOURCES			
General Fund	113,138,800	133,995,800	95,572,500
SUBTOTAL - Appropriated Funds	113,138,800	133,995,800	95,572,500
Other Non-Appropriated Funds	84,489,700	89,692,200	89,692,200
TOTAL - ALL SOURCES	197,628,500	223,688,000	185,264,700

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 2 provisional districts. Arizona's community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, Baccalaureate degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

FOOTNOTES

- 1/ A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost of students attending community colleges who are from counties that are not part of an established community college district, and then the state will withhold these counties' sales tax revenues to offset that cost. In FY 2025, that amount is estimated to be \$5,722,300. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 2/ Of the \$1,082,900 appropriated to the rural county reimbursement subsidy line item, Apache county receives \$699,300 and Greenlee county receives \$383,600. (General Appropriation Act footnote)
- 3/ A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax (TPT) revenues collected from sources located on the reservation, or \$1,750,000, whichever is less, as well as 5% of TPT revenues collected on the reservation, or \$875,000, whichever is less, to a technical college on the same reservation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 4/ On or before October 15, 2025, the Diné college board of regents shall submit to the governor, the speaker of the house of representatives, the president of the senate, the secretary of state and the joint legislative budget committee a report that details the course completion rate for students who received remedial education during the 2024-2025 academic year. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Equalization Aid

The Baseline includes \$44,620,800 from the General Fund in FY 2025 for Equalization Aid. Adjustments are as follows:

Property Value Changes

The Baseline includes an increase of \$3,043,500 from the General Fund in FY 2025 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 1*.

Table 1

FY 2025 Equalization Funding Changes

District	FY 2024	Year-over- Year Change	FY 2025
Cochise	\$ 9,759,600	\$816,200	10,575,800
Graham	19,912,000	1,220,400	21,132,400
Navajo	11,189,600	826,600	12,016,200
Yuma/La Paz	716,100	180,300	896,400
Total	\$41,577,300	\$3,043,500	\$44,620,800

Background – The Equalization Aid line items provide additional state aid to community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation is revised by the average change in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons, according to the most recent decennial census data. Actual assessed valuation for rural districts was 6.4% higher in TY 2023 than in the preceding year. Therefore, for the FY 2025 Equalization Aid formula calculation, the minimum assessed valuation increased 6.4% to approximately \$1.85 billion. (See Table 2 for the calculation of the growth rate.)

Equalization Aid is paid based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.85 billion in FY 2025), 2) whether

the district's dollar change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

Operating State Aid

The Baseline includes \$13,305,600 from the General Fund in FY 2025 for Operating State Aid. Adjustments are as follows:

Enrollment Changes

The Baseline includes a decrease of \$(342,400) from the General Fund in FY 2025 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (475), or (1.9)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 3). The (475) net FTSE decrease consists of a (557) FTSE decrease in non-dual enrollment students and an 82 FTSE increase in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

Remove One-Time Pima Operating Aid

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for the elimination of one-time Pima Community College District operating aid. This appropriation was not based on the statutory formula.

Background – With the exception of Maricopa and Pima, the Operating State Aid line items provide each community college district with funds for continuing

Table 2

Equalization Growth Factor
for Tax Years (TY) 2022-2023

District	TY 2022 Primary AV	TY 2023 Primary AV	TY 2022- 2023 % Growth
Cochise*	\$ 1,023,219,900	\$ 1,074,552,900	5.0 %
Graham*	282,173,500	303,998,800	7.7 %
Navajo*	918,845,900	969,413,100	5.5 %
Yuma/La Paz*	1,683,333,600	1,781,073,400	5.8 %
Coconino	2,077,032,200	2,171,931,000	4.6 %
Mohave	2,298,472,300	2,427,679,000	5.6 %
Pinal	3,118,901,200	3,390,905,700	8.7 %
Yavapai	3,333,228,500	3,556,683,100	6.7 %
Total ^{1/}	\$14,735,207,100	\$15,676,236,900	6.4 %
Minimum AV	\$1,735,602,600	\$1,846,507,600	6.4 %

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

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2025 since they fall below the minimum assessed value threshold of \$1.85 billion.

Table 3

Community College Enrollment

	FY 2022 FTSE	FY 2023 FTSE	Percentage Change
Rural Districts			
Cochise	5,999	5,244	(12.6)%
Coconino	1,581	1,561	(1.3)%
Gila	457	451	(1.3)%
Graham	1,994	2,167	8.7%
Mohave	1,941	2,009	3.5%
Navajo	1,375	1,425	3.6%
Pinal	3,234	3,137	(3.0)%
Santa Cruz	101	199	97%
Yavapai	3,207	3,206	0.0%
Yuma/La Paz	5,065	5,080	0.3%
Subtotal	24,954	24,479	(1.9)%
Urban Districts			
Maricopa	52,588	53,964	2.6%
Pima	11,462	11,568	0.9 %
Total	89,004	90,011	1.1%

operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating State Aid formula adjusts state aid in an amount that reflects changes in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change in the most recent year's actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. *(For FY 2025, the last actual FTSE data was from FY 2023.)*

Maricopa and Pima Counties are also statutory recipients of Operating State Aid. However, a session law provision suspends the formula.

The full formula funding for Maricopa and Pima County cannot be calculated. The Operating State Aid formula adjusts the prior year's appropriation based on the changes in FTSE enrollment count. Maricopa and Pima County have not received Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The Baseline includes \$14,268,700 from the General Fund in FY 2025 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. Adjustments are as follows:

Enrollment Changes

The Baseline includes an increase of \$75,600 from the General Fund in FY 2025 to fund increased formula costs for STEM and Workforce Programs State Aid. This increase is the result of a net growth in enrollment in FY 2023.

Background – The STEM and Workforce Programs State Aid line items provide the community college districts with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs pursuant to A.R.S. § 15-1464.

The STEM and Workforce Programs State Aid formula provides per capita funding to districts based on the district's size and the most recent year's actual audited FTSE. The FY 2025 Baseline continues to suspend the inflation adjustment required by statute and provides \$210 per FTSE for districts with 5,000 or less FTSE and \$160 per FTSE for districts with greater than 5,000 FTSE.

Rural Aid

The Baseline includes \$14,000,000 from the General Fund in FY 2025 for Rural Aid. Adjustments are as follows:

Remove One-Time Rural Aid

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 for the elimination of one-time aid to the 10 rural community college districts.

This funding is allocated to the 10 rural community college districts based on each district's share of actual FY 2023 enrollment.

Additional Rural Aid

Rural County Allocation

The Baseline includes \$5,722,300 from the General Fund in FY 2025 for Rural County Allocation. These amounts are unchanged from FY 2024.

Background – The Rural County Allocation line item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. In practice, this provision affects Apache and Greenlee Counties. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and that the state will then withhold these counties' Transaction Privilege Tax (TPT) revenues to offset a portion of that cost.

A.R.S. § 15-1469C prescribes the formula that calculates the amount that is owed by Apache and Greenlee Counties to the out of county community college districts. The formula is based on the number Apache and Greenlee students who attended school in an established community college district, as well as the average operating cost per student of that district. In calculating the TPT withholding for Apache and Greenlee Counties, however, the state only counts the average operating aid per student generated by the primary property tax levy. The difference between the average per student operating cost generated by primary property taxes and the average overall operating cost is effectively absorbed by the state General Fund.

The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy. *(See next line item.)*

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 15-1469D to report the county withholdings to the Treasurer by May 15 for the upcoming

fiscal year. In May 2023, the JLBC Staff reported that the General Fund would pay a total \$5,722,300 in FY 2024, of which \$2,351,500 would be withheld from the two unestablished counties (\$1,794,100 for Apache and \$557,400 for Greenlee). After TPT revenue withholdings, the General Fund net cost was \$3,370,800.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The Baseline includes \$1,082,900 from the General Fund in FY 2025 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2024.

This line item partially offsets the remaining cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee. The Baseline continues a General Appropriation Act footnote allocating these monies. Of the \$1,082,900 subsidy, \$699,300 is distributed to Apache and \$383,600 to Greenlee.

After the reimbursement subsidy, FY 2024 net costs were \$1,094,300 to Apache and \$173,800 to Greenlee.

Tribal Aid

Tribal Community Colleges

The Baseline includes \$1,372,200 from the General Fund in FY 2025 for Tribal Community Colleges. This amount is unchanged from FY 2024.

The FY 2024 budget assumed tribal community colleges would receive \$1,220,900 from the General Fund in FY 2023 and FY 2024 based on prior year TPT distributions. This included \$890,700 to the Navajo Nation and \$330,200 for Tohono O'odham Community College.

Based on FY 2023 actual distributions, the Baseline adjusts the assumption upward to \$1,372,200 in FY 2024 and FY 2025. This includes a distribution of \$923,700 to the Navajo Nation, comprised of \$615,800 for Diné College and \$307,900 for Navajo Technical College. The Baseline also assumes \$448,500 will be distributed to Tohono O'odham Community College.

As described below, each of these amounts will depend on actual FY 2025 TPT revenue collections and the FY 2025 appropriation will adjust automatically.

Background – This funding is limited to qualified tribes that instituted a compact with the state before September 1, 2017, to receive a portion of Transaction Privilege Tax (TPT) revenues for support of tribe's postsecondary institution(s). A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the TPT revenues collected from all sources located on the reservation, whichever is less. A.R.S. § 42-5031.01 also allows any additional technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less. Actual amounts for FY 2025 will depend on FY 2025 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act. (Please see the FY 2020 Appropriations Report for more information.)

The monies received are used to support maintenance, renewal, and capital expenses on each college campus.

Diné College Capital Improvements

The Baseline includes no funding in FY 2025 for Diné College Capital Improvements. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 for the elimination of one-time Diné College Capital Improvement funding.

Diné College Remedial Education

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for Diné College Remedial Education. This amount is unchanged from FY 2024.

This line item provides additional funding to Diné College to provide remedial education to help students prepare for college-level courses such as reading, writing and mathematics. In addition, the Baseline continues a General Appropriation Act footnote that requires the Diné College Board of Regents to submit a report that details the course completion rate for students who received remedial education during the 2024-2025 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2025.

Tohono O'odham Community College Remedial Education

The Baseline includes no funding in FY 2025 for Tohono O'odham Community College Remedial Education. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for the elimination of one-time Tohono O'odham Community College Remedial Education funding.

The FY 2024 budget included a General Appropriation Act footnote that requires the Tohono O'odham Community College Board of Trustees to submit a report that details the course completion rate for students who received remedial education during the 2023-2024 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2024.

San Carlos Apache College Remedial Education

The Baseline includes no funding in FY 2025 for San Carlos Apache Community College Remedial Education. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for the elimination of one-time San Carlos Apache College Remedial Education funding.

The FY 2024 budget included a General Appropriation Act footnote that requires the San Carlos Apache College Board of Regents to submit a report that details the course completion rate for students who received remedial education during the 2023-2024 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2024.

Workforce Development Aid

Arizona Western College CTE Workforce

The Baseline includes no funding in FY 2025 for Arizona Western College CTE Workforce. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2025 for the elimination of one-time Career Technical Education (CTE) Workforce program funding at Arizona Western College.

Additional Gila Workforce Development Aid

The Baseline includes \$200,000 from the General Fund in FY 2025 for Additional Gila Workforce Development Aid. This amount is unchanged from FY 2024.

Background – As a provisional community college district, Gila County is not eligible for a \$200,000 annual Workforce Development allocation from Proposition 301 monies (see A.R.S. § 42-5029).

Santa Cruz Provisional Community College Funding

The Baseline includes no funding in FY 2025 for Santa Cruz Provisional Community College Funding. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(200,000) from the General Fund in FY 2025 for the elimination of one-time Santa Cruz Provisional Community College funding.

Other Issues

Statutory Changes

The Baseline would:

- 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 2025 for only Maricopa and Pima Counties.
- 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 2025 for all community college districts.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, Community College General Fund costs are projected to increase by \$3,022,700 in FY 2026 above FY 2025 and increase by \$3,311,600 in FY 2027 above FY 2026. These estimates are based on:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2026 and FY 2027).

Table 4

Total Estimated Community College Revenues – FY 2024 ^{1/}

District	State Aid ^{2/}	Tuition/Fees	Property Taxes	Grants	Other ^{3/}	FY 2024 Total ^{4/}	FY 2023 Total ^{5/}	% Change from FY 2022
Cochise	\$19,953,000	\$9,482,700	\$25,920,400	\$34,594,200	\$1,601,400	\$91,551,700	\$76,580,200	19.6%
Coconino	2,936,500	6,918,700	13,153,200	8,963,700	1,096,300	33,068,400	28,988,500	14.1%
Gila ^{6/}	590,900	0	5,843,200	615,400	355,000	7,404,500	6,840,200	8.2%
Graham	23,491,700	8,121,000	7,918,300	12,948,100	5,756,000	58,235,100	66,376,900	(12.3)%
Maricopa	0	209,884,300	623,177,700	208,529,100	24,686,200	1,066,277,300	1,084,103,100	(1.6)%
Mohave	2,791,200	9,591,900	28,030,000	17,721,200	445,400	58,579,700	50,546,900	15.9%
Navajo	13,858,100	3,800,000	16,999,600	6,457,800	3,879,500	44,995,000	47,146,600	(4.6)%
Pima	2,000,000	43,260,000	136,301,500	78,455,000	11,471,500	271,488,000	260,006,800	4.4%
Pinal	4,201,300	8,351,000	65,105,400	19,292,900	4,110,000	101,060,600	97,222,900	3.9%
Santa Cruz ^{6/}	97,000	800	1,778,100	274,800	25,900	2,176,600	2,104,200	3.4%
Yavapai	3,457,400	12,896,000	53,649,000	17,542,800	6,290,200	93,835,400	84,568,900	11.0%
Yuma/La Paz	<u>7,848,200</u>	<u>13,695,000</u>	<u>42,286,200</u>	<u>50,520,000</u>	<u>4,120,200</u>	<u>118,469,600</u>	<u>97,228,700</u>	<u>21.8%</u>
Total	\$81,225,300	\$326,001,400	\$1,020,162,600	\$455,915,000	\$63,837,600	\$1,947,141,900	\$1,901,713,900	2.4%

^{1/} The data in this table was provided by the Arizona Community College Coordinating Council.

^{2/} State Aid revenue includes Operating State Aid and Equalization Aid.

^{3/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{4/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are estimated to be \$2,175,730,400 for FY 2024.

^{5/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are \$1,901,713,800 for FY 2023.

^{6/} Gila Provisional Community College contracts with Graham County's Eastern Arizona College in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement. Santa Cruz Provisional Community College contracts with Pima County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Pima according to their contract agreement.

- An increase of \$3,022,700 for Equalization Aid in FY 2026 above FY 2025 and \$3,311,600 in FY 2027 above FY 2026. These estimates assume total Net Assessed Value (NAV) growth of 6.0% in FY 2025 and 6.2% FY 2026.

determines its primary and secondary property tax rates. (See Table 5 for a summary of TY 2023 property tax rates.)

Community College Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 4.2% of their revenues (excluding bond proceeds) from state aid.

For FY 2024, base operating revenues from all sources are estimated to be \$1,947,141,900 (See Table 4 for a summary of FY 2024 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 52.4% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Both taxes are levied on limited property values. Each community college district

Table 5

Community College Tax Rates – TY 2023

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from TY 2022
Cochise	\$2.43	\$0.00	\$2.43	0.0%
Coconino	0.61	0.00	0.61	17.3%
Gila	0.92	0.00	0.92	(2.1)%
Graham	2.60	0.00	2.60	(4.1)%
Maricopa	1.08	0.06	1.14	(4.2)%
Mohave	1.15	0.00	1.15	(3.4)%
Navajo	1.75	0.00	1.75	0.0%
Pima	1.28	0.00	1.28	(0.8)%
Pinal	1.78	0.14	1.92	(6.8)%
Santa Cruz	0.43	0.00	0.43	(4.4)%
Yavapai	1.51	0.00	1.51	0.7%
Yuma/La Paz	2.07	0.30	2.37	(2.1)%

Under A.R.S. § 42-17051, community colleges are allowed to collect 2% more in property tax revenues annually, not including revenue from new construction. Any increase over 2% requires voter approval, unless the district has foregone increases in prior years and consolidates those increases into a single year.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 16.7% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2024 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$ 2,708 if a full-time student attends for 30 hours a year. The FY 2024 amount represents an increase of 6.5% from FY 2023. (See Table 6 for FY 2024 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 26.7% of community college revenues.

Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Table 6

Community College Resident Tuition and Fees – FY 2024

District	Average Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2023
Cochise	\$93	\$2,790	17.7%
Coconino	136	4,068	0.0%
Gila	98	2,940	5.4%
Graham	98	2,940	5.4%
Maricopa	97	2,910	14.1%
Mohave	81	2,430	0.0%
Navajo	91	2,730	7.1%
Pima	92	2,760	3.4%
Pinal	75	2,250	50.0%
Santa Cruz	46	1,380	5.7%
Yavapai	83	2,472	5.1%
Yuma/La Paz	94	2,820	2.2%
Average	\$90	\$2,708	9.7%

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

Total Community College Expenditures

Table 7 shows total budgeted FY 2024 community college expenditures. In FY 2024, total budgeted expenditures are \$2,283,941,800. As mentioned previously, base operating revenues for FY 2024 are \$1,947,141,900, however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,175,730,400. Of the total \$2,283,941,800 in budgeted expenditures, \$1,816,810,400, or 79.5%, of these expenditures are from the community colleges' General and Restricted Funds. This includes \$556,591,500, or 24.4%, for instruction and \$305,939,200, or 13.4%, for institutional support.

Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking

Table 7

Community Colleges - FY 2023 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
Instruction	\$ 556,591,500	24.4%
Public Service	117,147,000	5.1%
Academic Support	187,631,500	8.2%
Student Services	351,407,100	15.4%
Institutional Support	305,939,200	13.4%
Operation & Maintenance	73,875,200	3.2%
Scholarships & Grants	156,107,400	6.8%
Contingency	68,111,400	3.0%
Subtotal ^{1/}	\$1,816,810,400	79.5%
Auxiliary Enterprises Fund	\$ 78,918,900	3.5%
Plant Fund	307,262,500	13.5%
Debt Service	80,950,000	3.5%
Total ^{1/}	\$2,283,941,800	100%

^{1/} May not add to subtotal and total due to rounding.

lots, bookstores, and food service, are \$78,918,900 or 3.5% of the total. Plant Fund expenditures, which generally include capital costs, are \$307,262,500, or 13.5% of the total. The remaining \$80,950,000, or 3.5%, is for debt service.

Community College Expenditure Limitations

The Arizona Constitution requires the Economic Estimates Commission to calculate the expenditure limitation for community college districts based on FY 1980 expenditures. The base limit is adjusted each year for enrollment and inflation.

The expenditure limitation does not apply to certain monies received by community college districts, such as tuition and fees or federal grants. A.R.S. § 15-1444 also excludes from the expenditure limitation auxiliary fees, entrepreneurial and commercial activities, research and development agreements, and grants from the state, political subdivisions, tribal governments, or special taxing districts.

As part of the annual budget submission process, the community college districts calculate their expenditures for the current year. These figures are then audited by the Auditor General after the end of each fiscal year. Table 8 includes the FY 2024 expenditure limits and the estimated expenditures reported by the districts. Of the 12 districts, 8 currently estimate that they will be at the limit in FY 2024.

A.R.S. § 41-1279.07 stipulates that a community college district that exceeds its expenditure limitation without authorization will have the following amount of operating state aid withheld, based on the percentage of the excess expenditure:

Table 8

Community College Expenditure Limits – FY 2024

District	Expenditure Limit	Estimated Expenditures
Cochise	\$73,550,812	\$67,378,021
Coconino	17,110,159	17,110,159
Gila*	5,076,198	32,295,239
Graham	33,994,988	33,994,988
Maricopa	476,167,690	476,167,690
Mohave	26,196,489	26,196,489
Navajo	15,470,441	15,470,441
Pima	140,472,699	140,472,699
Pinal	44,910,384	44,910,384
Santa Cruz*	1,812,166	1,810,749
Yavapai	51,167,433	51,167,433
Yuma/La Paz	60,908,539	53,111,277

* Indicates provisional community college district

- If the excess expenditures are less than 5% of the limitation, the amount withheld is equal to the excess expenditures.
- If the excess expenditures are between 5% and 10% of the limitation or are less than 5% of the limitation and it is at least the second consecutive instance of excess expenditures, the amount withheld is equal to 3 times the excess expenditures.
- If the excess expenditures are equal to 10% or more of the limitation, the amount withheld is equal to 5 times the excess expenditures or one-third of the district's allocation of state aid, whichever is less.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Smart and Safe Arizona Fund (varies by account/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	50,808,700	55,031,900
Year-End Fund Balance	0	0
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	1,274,600	1,292,700
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts.		
Funds Expended	32,406,400	33,367,600
Year-End Fund Balance	0	0

Constable Ethics Standards and Training Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	262,600	665,000	665,000
TOTAL - ALL SOURCES	262,600	665,000	665,000

AGENCY DESCRIPTION - The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board's administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-138)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	262,600	665,000
Year-End Fund Balance	498,800	171,600

Registrar of Contractors

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	6,277,600	6,775,400	6,775,400
Employee Related Expenditures	2,436,500	2,759,300	2,759,300
Professional and Outside Services	144,500	395,300	395,300
Travel - In State	258,600	625,000	625,000
Travel - Out of State	4,400	16,800	16,800
Other Operating Expenditures	1,414,500	2,178,400	2,178,400
Equipment	219,000	300,000	300,000
OPERATING SUBTOTAL	10,755,100	13,050,200	13,050,200
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	435,800	1,017,600	1,017,600
AGENCY TOTAL	11,190,900	14,067,800	14,067,800 ^{1/}

FUND SOURCES

Other Appropriated Funds

Registrar of Contractors Fund	11,190,900	14,067,800	14,067,800
SUBTOTAL - Other Appropriated Funds	11,190,900	14,067,800	14,067,800
SUBTOTAL - Appropriated Funds	11,190,900	14,067,800	14,067,800
Other Non-Appropriated Funds	5,851,800	4,666,800	4,666,800
TOTAL - ALL SOURCES	17,042,700	18,734,600	18,734,600

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$13,050,200 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Office of Administrative Hearings Costs

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2025 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2024.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Registrar of Contractors Cash Bond Fund (RGA3721/A.R.S. § 32-1152)		Non-Appropriated
Source of Revenue: Cash deposits from contractors filed with the Registrar as an alternative to the filing of surety bonds.		
Purpose of Fund: To pay for legitimate claims of damages caused by a duly licensed contractor.		
Funds Expended	0	0
Year-End Fund Balance	2,056,400	2,056,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	11,190,900	14,067,800
Year-End Fund Balance	2,698,900	(1,011,100)
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Up to 14% of prior fiscal year revenue may be used to administer the fund.		
Funds Expended	5,851,800	4,666,800
Year-End Fund Balance	25,370,700	27,315,200

Corporation Commission

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	301.9	301.9	301.9 ^{1/}
Personal Services	16,722,300	21,857,400	21,857,400
Employee Related Expenditures	6,568,500	8,646,300	8,646,300
Professional and Outside Services	923,400	1,024,500	1,024,500
Travel - In State	170,300	282,900	282,900
Travel - Out of State	109,700	318,500	318,500
Other Operating Expenditures	2,731,900	3,920,100	2,720,100
Equipment	227,900	181,600	181,600
OPERATING SUBTOTAL	27,454,000	36,231,300	35,031,300
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	186,700	416,500	416,500
Utilities Audits, Studies, Investigations & Hearings	16,000	380,000	380,000 ^{2/}
AGENCY TOTAL	27,656,700	37,027,800	35,827,800 ^{3/}
FUND SOURCES			
General Fund	756,500	798,900	798,900
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	55,400	57,700	57,700
Investment Management Regulatory and Enforcement Fund	755,100	1,305,700	1,305,700
Public Access Fund	6,227,700	8,420,800	8,020,800
Securities Regulatory and Enforcement Fund	5,293,600	7,672,500	7,272,500
Utility Regulation Revolving Fund	14,568,400	18,772,200	18,372,200
SUBTOTAL - Other Appropriated Funds	26,900,200	36,228,900	35,028,900
SUBTOTAL - Appropriated Funds	27,656,700	37,027,800	35,827,800
Other Non-Appropriated Funds	889,000	985,000	985,000
Federal Funds	1,565,800	3,531,000	3,531,000
TOTAL - ALL SOURCES	30,111,500	41,543,800	40,343,800

AGENCY DESCRIPTION — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

FOOTNOTES

- ^{1/} Includes 2 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$35,031,300 and 299.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$798,900
Arizona Arts Trust Fund	57,700
Investment Management Regulatory and Enforcement Fund	1,305,700
Public Access Fund	7,604,300

Securities Regulatory and Enforcement Fund 7,272,500
 Utility Regulation Revolving Fund 17,992,200

Adjustments are as follows:

Remove One-Time Hiring Costs

The Baseline includes a decrease of \$(1,200,000) in FY 2025 for removal of one-time monies associated with hiring 25 new staff. This amount consists of:

Public Access Fund (400,000)
 Securities Regulatory and Enforcement Fund (400,000)
 Utility Regulation Revolving Fund (400,000)

Corporation Filings, Same-Day Service

The Baseline includes \$416,500 and 2 FTE Positions from the Public Access Fund in FY 2025 for Corporation Filings, Same-Day Service. These amounts are unchanged from FY 2024.

Monies in this line item are used to staff the 2-hour, same-day, and next-day corporation filing services provided by the Corporation Commission. The commission charges a fee to use this program, which is then deposited into the Public Access Fund.

Utilities Audits, Studies, Investigations & Hearings

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2025 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2024.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)		Appropriated
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations.		
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	55,400	57,700
Year-End Fund Balance	43,000	100
Federal Funds (CCA2000/A.R.S. § 40-441)		Federal Funds
Source of Revenue: U.S. Department of Transportation grants.		
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	1,565,800	3,531,000
Year-End Fund Balance	6,149,100	4,618,100
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	840,800	935,500
Year-End Fund Balance	52,700	54,200
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	755,100	1,305,700
Year-End Fund Balance	2,198,000	2,042,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Public Access - Money on Deposit Account (CCA2334/A.R.S. § 10-122.01)		Non-Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To segregate unearned revenues received from customers from the overall Public Access Fund. Customers deposit funds pending their use for filing documents or for obtaining specialized listings from the public database. Once earned, the funds are then transferred to the Public Access Fund.		
Funds Expended	0	0
Year-End Fund Balance	977,000	977,000
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, online access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	6,227,700	8,420,800
Year-End Fund Balance	3,752,400	3,273,600
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	5,293,600	7,672,500
Year-End Fund Balance	37,108,300	36,419,100
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
Funds Expended	14,568,400	18,772,200
Year-End Fund Balance	22,648,400	22,408,100
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
Funds Expended	48,200	49,500
Year-End Fund Balance	3,200	0

Arizona Department of Corrections

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	9,569.0	9,569.0	9,569.0 ^{1/}
Personal Services	433,172,000	495,853,200	495,853,200
Employee Related Expenditures	207,401,600	226,257,000	226,257,000
Professional and Outside Services	14,155,400	10,616,700	10,616,700
Travel - In State	509,100	480,900	480,900
Travel - Out of State	93,000	74,900	74,900
Food	37,436,300	47,646,900	38,588,800
Other Operating Expenditures	96,937,400	91,787,500	88,137,300
Equipment	12,449,300	1,035,600	1,035,600
OPERATING SUBTOTAL	802,154,100	873,752,700	861,044,400 ^{2/3/}
SPECIAL LINE ITEMS			
Overtime and Compensatory Time	96,990,900	15,540,500	15,540,500 ^{4/}
Community Corrections	23,969,100	27,452,300	27,452,300
Private Prison Per Diem	231,096,700	289,858,400	244,655,500 ^{5/}
Inmate Health Care Contracted Services	265,507,600	321,620,200	269,681,300 ^{6/}
Medical Staffing Augmentation	11,227,900	0	0
Substance Abuse Treatment	759,200	5,445,400	5,445,400
One-Time Vehicle Purchase	3,804,800	0	0
Transitional and Reentry Housing	0	5,000,000	0
Transitional Housing Grants	0	2,000,000	0
Inmate Dog Training	0	650,000	0
AGENCY TOTAL	1,435,510,300	1,541,319,500	1,423,819,400 ^{7/-15/}
FUND SOURCES			
General Fund	1,385,450,900	1,483,523,900	1,370,630,500
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	21,300	555,800	555,800
Corrections Fund	30,663,100	31,312,500	30,312,500
Inmate Store Proceeds Fund	4,639,800	1,287,800	1,287,800
Penitentiary Land Fund	2,764,500	2,743,600	2,743,600 ^{16/}
Prison Construction and Operations Fund	8,459,800	14,106,800	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	2,665,100	2,665,600	2,665,600 ^{17/}
State Education Fund for Correctional Education	420,200	723,200	723,200 ^{18/}
Transition Program Fund	425,600	4,400,300	2,400,300
SUBTOTAL - Other Appropriated Funds	50,059,400	57,795,600	53,188,900
SUBTOTAL - Appropriated Funds	1,435,510,300	1,541,319,500	1,423,819,400
Other Non-Appropriated Funds	91,161,900	84,373,600	78,943,600
Federal Funds	20,074,400	16,762,100	8,684,400
TOTAL - ALL SOURCES	1,546,746,600	1,642,455,200	1,511,447,400

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

FOOTNOTES

^{1/} Includes 187 GF FTE Positions funded from Special Line Items in FY 2025.

^{2/} Of the amount appropriated in the operating lump sum, \$495,853,200 is designated for personal services, \$226,257,000 is designated for employee-related expenditures. The department shall submit an expenditure plan for review by the

joint legislative budget committee before spending these monies other than for personal services or employee-related expenditures. (General Appropriation Act footnote)

- 3/ After the department submits an expenditure plan to the joint legislative budget committee, the department may transfer personal services and employee-related expenditures savings from the operating budget to the private prison per diem line item for private prison staff stipends. The amount of any private prison staff stipend may not exceed the amount given to department staff. The expenditure plan is not subject to review by the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ **NEW** The department shall submit an expenditure plan for review by the joint legislative budget committee before spending monies appropriated for overtime and compensatory time other than for personal services or employee-related expenditures. (General Appropriation Act footnote)
- 5/ Private prison vendors who contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriation Act footnote)
- 6/ Before implementing any changes in contracted rates for inmate health care contracted services, the state department of corrections shall submit its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 7/ On or before August 1, 2024 and February 1, 2025, the state department of corrections shall submit a report to the joint legislative budget committee on the status of all inmate health care performance measures that are tracked by the department for contract monitoring purposes. Each report must include:
 1. The total number of performance measures, by facility, for which the department is not in substantial compliance.
 2. An explanation for each instance of noncompliance.
 3. The department's plan to comply with the performance measures. (General Appropriation Act footnote)
- 8/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 9/ The state department of corrections shall forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing department expenditures for the month and year-to-date as compared to prior-year expenditures on or before the thirtieth of the following month. The report shall be in the same format as the prior fiscal year and include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. The report shall include the number of filled and vacant correctional officer and medical staff positions departmentwide and by prison complex. (General Appropriation Act footnote)
- 10/ On or before November 1, 2024, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee. The report shall reflect the bed capacity for each security classification by gender at each state-run and private institution, divided by rated and total beds. The report shall include bed capacity data for June 30, 2023 and June 30, 2024 and the projected capacity for June 30, 2025, as well as the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. The report shall also address the department's rationale for eliminating any permanent beds rather than reducing the level of temporary beds. The report shall also include any plans to vacate beds but not permanently remove the beds from the bed count. (General Appropriation Act footnote)
- 11/ If the department develops a plan after its November 1, 2024 report to open or close 100 or more state-operated or private prison rated beds, the department shall submit a plan detailing the proposed bed changes for review by the joint legislative budget committee before implementing these changes. (General Appropriation Act footnote)
- 12/ On or before August 1, 2024, the state department of corrections shall transfer to the public safety personnel retirement system via the department of administration its estimated required annual contribution to the corrections officer retirement plan for fiscal year 2024-2025. (General Appropriation Act footnote)
- 13/ On or before December 15, 2024 and July 15, 2025, the state department of corrections shall submit a report to the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. Each report shall include the number of filled correctional officer positions, the number of vacant correctional officer positions, the number of people in training, the number of separations and the number of hours of overtime worked year-to-date. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)
- 14/ The department shall report actual fiscal year 2023-2024, estimated fiscal year 2024-2025, and requested fiscal year 2025-2026 expenditures as delineated in the prior year when the department submits its fiscal year 2025-2026 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

- 16/ One hundred percent of land earnings and interest from the penitentiary land fund shall be distributed to the state department of corrections in compliance with the enabling act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 17/ Twenty-five percent of land earnings and interest from the state charitable, penal and reformatory institutions land fund shall be distributed to the state department of corrections in compliance with the enabling act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 18/ Before spending any state education fund for correctional education monies in excess of \$723,200, the state department of corrections shall report the intended use of the monies to the director of the joint legislative budget committee. (General Appropriation Act footnote)

Summary

The Baseline decreases the Arizona Department of Corrections (ADC)'s General Fund spending by \$(112,893,400) in FY 2025 for the following:

- \$(51,200,000) to remove one-time increased inmate health funding.
- \$(36,481,800) to remove one-time Florence closure funding.
- \$(9,058,100) to remove one-time increased food funding.
- \$(8,503,500) to remove one-time private prison funding for the Florence West and Phoenix West contract increases.
- \$(5,000,000) to remove one-time transitional and reentry housing grants (plus \$2,000,000 from the Transition Program Fund for Transitional Housing Grants).
- \$(2,000,000) to remove one-time corrections system assessment funding.
- \$(650,000) to remove one-time inmate dog training program funding.

Operating Budget

The Baseline includes \$861,044,400 and 9,382 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$851,435,300
Alcohol Abuse Treatment Fund	250,300
Corrections Fund	3,001,000
Inmate Store Proceeds Fund	1,287,800
Penitentiary Land Fund	681,100
Prison Construction and Operations Fund	2,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,165,600
State Education Fund for Correctional Education	723,200

Adjustments are as follows:

Remove One-Time Florence Closure Costs

The Baseline includes a decrease of \$(1,463,500) in FY 2025 to remove one-time higher food funding associated with the Florence closure. This amount consists of:

General Fund	(463,500)
Corrections Fund	(1,000,000)

Remove One-Time Food Funding

The Baseline includes a decrease of \$(9,058,100) from the General Fund in FY 2025 to remove one-time increased food funding.

Remove One-Time Corrections System Assessment

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding to conduct a systemwide assessment of contracts, staffing, and retention issues in the department.

Remove One-Time Leap Year Funding

The Baseline includes a decrease of \$(186,700) from the Prison Construction and Operations Fund in FY 2025 to remove one-time funding for contract costs associated with one additional day in FY 2024.

The Baseline also shifts the funding allocated for Overtime and Compensation Time from the operating budget to a dedicated special line item.

Overtime and Compensation Time

The Baseline includes \$15,540,000 from the General Fund in FY 2025 for Overtime and Compensation Time. This amount is unchanged from FY 2024.

The Baseline shifts the funding allocated for Overtime and Compensation Time from the operating budget to a dedicated special line item. FY 2023 actual expenditures and FY 2024 estimates are displayed in this line item instead of the operating budget.

Background – This line item funds overtime and compensation time primarily for correctional officers to make up for vacant positions.

Community Corrections

The Baseline includes \$27,452,300 and 184 FTE Positions in FY 2025 for Community Corrections. These amounts consist of:

General Fund	24,746,500
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

These amounts are unchanged from FY 2024.

Background – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$27,452,300 in FY 2025 appropriated funds, ADC projects that they will utilize an additional \$8,889,000 in non-appropriated funds for these activities in FY 2025.

As of December 6, 2023, ADC has responsibility for 5,291 offenders overseen by community correctional officers. The majority of offenders are released after serving 85% of their sentence and serve a period under community supervision. A very small number of offenders sentenced prior to January 1, 1994 are released on parole at the discretion of the Board of Executive Clemency.

The monies in this line item pay for:

- **ADC Staffing:** The line item funds the staffing costs for correctional officers that oversee offenders on community supervision. The department also uses the appropriated monies for contracted drug testing, behavioral needs testing, and other programming.
- **Transition Program:** Offenders that meet statutory considerations and behavioral standards may be released 90 days prior to their community supervision release date and participate in the Transition Program, whose services are provided by a contracted vendor. *(See the Transition Program section in Other Issues.)*
- **Reentry Centers:** If offenders violate the terms of supervision, they may be returned to custody to serve out the remainder of their term. As an alternative, ADC operates the Maricopa and Pima Reentry Centers, which provide beds for inmates and an intensive treatment program. At the Pima facility, ADC also houses homeless offenders that do not have a secure placement.
- **Mental Health Transition Program:** Starting in FY 2022, offenders that have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release may receive 90-days of mental health transition services. Statute requires ADC to place up to 500 inmates in the program each year.

See *Table 1* for detail on the FY 2023 expenditures from the line item.

Table 1

FY 2023 Community Corrections Program Expenditures

	Approp.	Non-Approp.	Total
Comm. Supervision	\$17,206,100	\$8,648,600	\$25,854,700
Transition Program	442,600	0	442,600
Maricopa Reentry	2,327,100	243,700	2,570,800
Pima Reentry	3,739,100	0	3,739,100
Mental Health	0	0	0
Transition Program			
Other/Overhead	254,200	0	254,200
Total	\$23,969,100	\$8,892,300	\$32,861,400

Private Prison Per Diem

The Baseline includes \$244,655,500 in FY 2025 for Private Prison Per Diem. This amount consists of:

General Fund	215,281,500
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

Adjustments are as follows:

Remove One-Time Florence Closure Costs

The Baseline includes a decrease of \$(36,018,300) from the General Fund in FY 2025 to remove one-time funding for private prison beds to replace reduced state operated capacity after the Florence prison closure.

Remove One-Time Private Prison Contract Increase

The Baseline includes a decrease of \$(8,503,500) from the General Fund in FY 2025 to remove one-time funding for increased contract costs for the Florence West and Phoenix West prisons.

Remove One-Time Leap Year Costs

The Baseline includes a decrease of \$(681,100) from the Prison Construction and Operations Fund in FY 2025 to remove funding for increased contract costs associated with one additional day in FY 2024.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,168 beds after the increase in new private prison beds. Administrative expenses related to monitoring private prison contracts are included in the department's operating budget.

ADC will usually own the facilities after a specified amount of time (typically 20 years) because the per diem rate includes a portion of the facilities' purchase cost. Of the 6

existing private prison contracts, 3 (Kingman, Phoenix West and Florence West) are solely for management services as the state owns those facilities.

ADC also owns the Marana prison complex, a 500-bed minimum security prison. Marana was previously managed under a private prison contract. In November 2023, ADC announced it would let the contract expire effective December 31, 2023. While the prison no longer houses inmates, ADC reported it plans to keep the prison beds in its official count until a decision is made for the future of the complex.

Inmate Health Care Contracted Services

The Baseline includes \$269,681,300 in FY 2025 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	258,181,300
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

Adjustments are as follows:

Remove One-Time Health Care Costs

The Baseline includes a decrease of \$(51,200,000) from the General Fund in FY 2025 to remove one-time health care costs funding.

Remove One-Time Leap Year Costs

The Baseline includes a decrease of \$(738,900) from the Prison Construction and Operations Fund in FY 2025 to remove funding for increased contract costs associated with one additional day in FY 2024.

Background – The state contracts with a private company to provide health care to inmates in state-operated prisons. In May 2022 ADC awarded a new inmate health care contract that contract took effect in October 2022 and is for 5 years with a renewal option for an additional 5 years.

(Please see the Inmate Health Care Litigation section in Other Issues.)

Substance Abuse Treatment

The Baseline includes \$5,445,400 and 3 FTE Positions from the General Fund in FY 2025 for Substance Abuse Treatment. These amounts are unchanged from FY 2024.

This line item provides ADC with specified funding for substance abuse treatment. This includes funding for ADC

programs and to contract with private vendors to provide treatment.

Transitional and Reentry Housing

The Baseline includes no funding in FY 2025 for Transitional and Reentry Housing. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove transitional and reentry housing funding.

An FY 2024 General Appropriation Act footnote requires these monies to be used for a competitive grant process to provide substance use treatment, a mental health diagnosis, a chronic health condition and/or have experienced homelessness or are at high risk of becoming homeless. Grant recipients must also provide residential treatment services for up to 90 days and recovery housing up to 24 months after completing treatment, deliver peer and family support services, utilize technology to promote recovery, and deliver treatment for reentry via a campus-based continuum care model. An FY 2024 footnote also exempted the appropriation from lapsing.

Transitional Housing Grants

The Baseline includes no funding in FY 2025 for Transitional Housing Grants. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the Transition Program Fund in FY 2025 to remove transitional housing grants funding.

An FY 2024 General Appropriation Act footnote requires these monies be used to provide grants to nonprofits that meet the following criteria: 1) have mentored at least 3,000 inmates who were in prison for at least 2 years, 2) have mentored inmates receiving resources for at least 3 months while incarcerated, and 3) provide individuals with housing up to 6 months, behavioral health services, assistance with obtaining identification documents, and assistance in securing employment and health insurance. The footnote also requires the department to report on August 31, 2024 on the recipient(s) of grants and specified performance metrics.

Inmate Dog Training

The Baseline includes no funding in FY 2025 for Inmate Dog Training. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(650,000) from the General Fund in FY 2025 to remove inmate dog training funding.

An FY 2024 General Appropriation Act footnote requires these monies be used to contract with a nonprofit organization to train inmates to rehabilitate at-risk dogs. The footnote also makes this appropriation exempt from lapsing through FY 2025.

Other Issues

This section includes information on the following topics:

- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall
- Inmate Health Care Issues

Transition Program

The Transition Program allows inmates meeting the conditions outlined in statute and by the department the opportunity to be released from prison 90 days prior to their release date. Transition Program participants are generally lower risk, sentenced for non-violent crimes, and classified to lower levels than the overall ADC population. Participants reside in homes or halfway houses across the state and receive substance abuse counseling and case management services.

A.R.S. § 31-254 requires that 5% of non-Driving Under the Influence inmate wages be deposited to the Transition Program Fund to operate the program. Additionally, A.R.S. § 31-285 requires that \$17 per bed day saved from an earlier release be transferred to the Transition Program Fund to pay for the vendor costs of the program. Statute does not specify from which fund. ADC has transferred money from the State DOC Revolving Fund to meet this requirement.

In FY 2023, the program saved a total of 304,121 bed days. In that same year, the Transition Program Fund received revenue of \$5,631,900 from all sources. Of this amount, \$5,170,100 came from the statutory \$17 transfer and the remainder came from DUI inmate wages. The vendor is required to seek Medicaid payment for services like substance abuse treatment prior to billing ADC. Because Medicaid pays for much of the costs, the department's vendor costs to run the program in FY 2023

were on average \$1.46 per inmate per day, or \$442,600 total.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2023, the total inmate population was 34,377. This was an increase of 1,006 inmates from the June 30, 2022 population of 33,371. Table 2 shows the year-end populations from FY 2019 to FY 2024.

Table 2

Year-End Population, FY 2019 - FY 2024

<u>Year</u>	<u>Population</u>
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371
FY 2023	34,377
FY 2024 (as of December 6)	34,462

The decline in the ADC population from FY 2020 through FY 2022 was likely related to the pandemic.

Bed Capacity

In measuring ADC's ability to house its inmate population, there are 2 methods of defining bed capacity:

- "Rated" beds are permanent and were originally designed for housing prisoners. This amount was 39,153 public and private beds on June 30, 2023, a decrease of (35) beds since June 30, 2022.
- Operating Capacity represents "rated" beds plus temporary beds. The latter may be located in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single bed cells. During FY 2023, the department decreased its total operating capacity by (104) beds, from 44,473 to 44,369.

In addition, special use beds are employed for investigative detention, disciplinary isolation, maximum behavior control, mental health observation, or medical inpatient care. Due to their short-term usage, these beds are not counted as part of ADC's operational capacity. The number of special use beds in public and private prisons was 1,787 as of June 30, 2023, a decrease of (111) from June 30, 2022.

Bed Surplus/Shortfall

At the end of FY 2023, the department had a total rated bed surplus of 4,776. After adjusting for the 5,216 temporary beds in the overall ADC system, the rated bed surplus became a 9,992-operating bed surplus. Because

beds are divided by gender and security level, this figure may not fully reflect system capacity. (Please see *Table 3 for more information.*)

Inmate Health Care Issues

Health care for inmates in state-operated prisons is provided through a contracted private company. The current inmate health care contract went into effect in October 2022 at an estimated annual cost of \$279.7 million. In April 2023, the U.S. District Court judge overseeing the *Jensen v. Thornell* inmate health care litigation issued a permanent injunction against the Department of Corrections. The Court has ordered the department to make several improvements to its health care in state-operated prisons including adding medical staff, filling vacant security positions, making facility upgrades, improving case management, providing Hepatitis C treatment to infected inmates, and offer medication assisted treatment (MAT) to inmates with substance abuse disorders.

The FY 2024 budget appropriated \$321.6 million for the costs of the contract. This included a one-time increase of \$51.2 million above the FY 2023 appropriation to pay for the expected costs of the injunction. The budget was also premised on an Executive proposal to utilize other savings of approximately \$(27) million within the ADC budget (primarily vacancy savings from unfilled correctional officer positions) to cover this shortfall. Including the redirected savings, the FY 2024 budget agreement provided \$348.6 million for inmate health care. In November 2023, ADC stated that they may not be able to generate their estimated \$(27) million of internal savings.

At the June 2023 JLBC meeting, the Committee gave the department a favorable review to the department's plan to utilize \$38.5 million in FY 2023 vacancy savings for other FY 2023 department budget shortfalls. Of that amount, \$10.8 million was for inmate health care injunction costs. As part of its review, the Committee included a provision requiring the department to work with the health care vendor to amend the existing contract to restore federal Medicaid funding for inmate inpatient services, a requirement in previous contracts that was not included in the new vendor contract.

A longstanding General Appropriation Act footnote requires ADC to seek JLBC review prior to making any changes to the contracted health care rate. ADC increased the daily rate from \$30.65 to \$33.128 in June 2023 without seeking Committee review.

In October 2023 ADC finalized a new contract amendment with the vendor to incorporate the court injunction

requirements and reinstitute Medicaid reimbursement. ADC submitted these additional changes to the Committee for review. ADC proposed to increase the rate in several steps from the new daily rate of \$33.128 to \$40.577 as of March 1, 2024. As a result of these changes, the estimated FY 2024 cost of the contract will be \$348.1 million, within the FY 2024 budget's assumed funding levels as discussed above.

As part of the FY 2024 daily rate increases, ADC proposed a \$1.64 daily rate increase to reinstitute the Medicaid reimbursement requirement. On an annualized basis, this is expected to cost the state approximately \$15 million, while ADC only expects to recoup \$11 million in reimbursements.

ADC also proposed increasing the daily rate to \$42.472 beginning July 1, 2024. That change would increase the FY 2025 contract cost to \$387.6 million. Relative to the FY 2025 Baseline funding, the FY 2025 funding gap would be \$(117.9) million.

At the November 2023 JLBC meeting, the Committee gave a review to most of ADC's proposed changes but gave an unfavorable review to the proposed \$1.64 daily rate increase for Medicaid reimbursement. As part of its review, the Committee included the several reporting requirements:

- A review by the Committee does not constitute endorsement of a General Fund appropriation for an FY 2024 supplemental or a specific FY 2025 appropriation for Inmate Healthcare.
- Starting on December 15th, 2023, and the 15th of every month thereafter through July 2025, ADC shall submit a report to the JLBC Staff on the previous month's vacancy savings and year-to-date vacancy savings relative to the appropriated budget. ADC shall report the monthly actuals for personal services, employee-related expenditures and overtime as compared to their monthly appropriation allocation for those line items based on the FY 2024 and FY 2025 appropriations.
- Any FY 2024 supplemental request submitted by the Executive shall be accompanied by a detailed estimate of the department's fiscal year-end vacancy savings and a description of how those savings would be used for addressing the department's injunction costs beyond the proposed contracted rates.
- On or before January 26, 2024, ADC shall submit a report to the JLBC Staff detailing the healthcare vendor's methodology for determining the contracted administrative costs associated with Medicaid reimbursement.

Table 3

Fiscal Year-End Operating Capacity									
State	FY 2023 Actual			FY 2024 Estimate			FY 2025 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	140	2,045	1,905	140	2,045	1,905	140	2,045
Eyman	4,493	2,211	6,704	4,493	2,211	6,704	4,493	2,211	6,704
Perryville	4,214	129	4,343	4,214	129	4,343	4,214	129	4,343
Phoenix	552	213	765	427	190	617	427	190	617
Lewis ^{1/}	5,104	879	5,983	5,104	879	5,983	5,104	879	5,983
Safford	1,703	160	1,863	1,703	160	1,863	1,703	160	1,863
Tucson	4,600	582	5,182	4,540	582	5,122	4,540	582	5,122
Winslow	1,626	0	1,626	1,626	0	1,626	1,626	0	1,626
Yuma	4,350	340	4,690	4,350	340	4,690	4,350	340	4,690
Subtotal	28,547	4,654	33,201	28,362	4,631	32,993	28,362	4,631	32,993
Private (Per Diem) ^{2/}									
Kingman (\$53.75)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$65.02 – 89.95)	400	-	400	400	-	400	400	-	400
Marana (\$59.35 in FY 2023 and FY 2024) ^{3/}	500	-	500	500	-	500	-	-	-
Florence West (\$59.29 – 74.50)	600	150	750	600	150	750	600	150	750
Florence II (\$84.03)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$80.83)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
La Palma (\$88.62)	2,706	-	2,706	2,706	-	2,706	2,706	-	2,706
Subtotal	10,606	562	11,168	10,606	562	11,168	10,106	562	10,668
Total - All beds ^{4/}	39,153	5,216	44,369	38,968	5,193	44,161	38,468	5,193	43,661
State Prison Population									
Male	21,143		21,143	21,650		21,650	22,325		22,325
Female	3,172		3,172	3,200		3,200	3,250		3,250
Subtotal	24,315		24,315	24,850		24,850	25,575		25,575
Private Prison Population									
Male	10,062		10,062	10,200		10,200	10,350		10,350
Total Population ^{5/6/}	34,377		34,377	35,050		35,050	35,925		35,235
Bed Surplus/(Shortfall)									
	4,776		9,992	3,918		9,111	2,543		7,736
Male	3,623		8,710	2,793		7,857	1,468		6,532
Female	1,153		1,282	1,125		1,254	1,075		1,204
Bed Surplus/(Shortfall) (% of Beds)	12%		23%	10%		21%	7%		18%

- ^{1/} Does not include (150) bed reduction planned by department in FY 2024 associated with space requirements of implementation of additional mental health beds.
- ^{2/} The base rate for the private (per diem) bed rate for each facility is listed. ADC may be charged a lower rate due to amendments or contract provisions that grant lower rates for temporary beds or beds used over an occupancy threshold. Marana, Kingman, Florence West and Phoenix West are management only.
- ^{3/} The Marana contract expired December 31, 2023. While the prison does not currently house inmates, ADC has retained the 500 beds on its count sheet while this chart excludes them.
- ^{4/} Excludes special use beds totaling 1,787 as of June 30, 2023.
- ^{5/} The chart excludes prisoners awaiting transfer from county jail.
- ^{6/} The chart reflects the actual inmate population at the end of FY 2023 and assumes a 2.0% population growth in FY 2024 over FY 2023 and 2.5% growth in FY 2025 over FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)		Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.		
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
Funds Expended	21,300	555,800
Year-End Fund Balance	2,060,200	1,854,900
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. A.R.S. § 41-1624 authorizes an annual \$1,000,000 transfer into the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	53,384,900	52,333,500
Year-End Fund Balance	24,479,000	21,678,100
Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)		Non-Appropriated
Source of Revenue: A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount.		
Purpose of Fund: To pay for costs related to community corrections.		
Funds Expended	1,037,400	810,000
Year-End Fund Balance	524,900	546,400
Coronavirus State and Local Fiscal Recovery Fund (DCA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	3,038,500	0
Year-End Fund Balance	0	0
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products. The fund receives 20% of the monies collected from spirituous liquor and 50% of the monies collected from vinous and malt liquors are deposited in the Corrections Fund. A.R.S. § 42-3104 designates that the fund receive 50% of all general tax rate collections from the tax on tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. A.R.S. § 41-1641 authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	30,663,100	31,312,500
Year-End Fund Balance	1,343,700	1,959,900
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		Appropriated
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), Arizona Correctional Industries Revolving Fund (\$1,000,000), and Corrections Fund (\$2,500,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits. Expenditures from this fund are reported in the Capital section.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
Funds Expended	0	0
Year-End Fund Balance	2,300,900	266,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)		Federal Funds
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	17,035,900	16,762,100
Year-End Fund Balance	482,300	834,000
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	18,300	18,300
Year-End Fund Balance	2,674,300	3,938,900
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: To fund inmate education. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	4,639,800	1,287,800
Year-End Fund Balance	8,578,200	7,313,500
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. A.R.S. § 41-1604.02 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	11,924,900	6,207,900
Year-End Fund Balance	8,578,200	7,313,500
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	4,784,100	2,407,700
Year-End Fund Balance	4,244,400	(1,185,400)
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Funds Expended	2,764,500	2,743,600
Year-End Fund Balance	2,968,700	3,685,400
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	8,459,800	14,106,800
Year-End Fund Balance	19,670,000	8,567,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and to pay the costs of implementing, operating and maintaining technologies and programs for inmate use. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. A.R.S. § 41-1604.03 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund; this transfer is reported as an expenditure. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	8,070,900	10,350,500
Year-End Fund Balance	8,967,300	5,020,800
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Funds Expended	2,665,100	2,665,600
Year-End Fund Balance	3,106,500	3,987,600
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
Funds Expended	11,770,600	12,058,400
Year-End Fund Balance	3,918,200	2,318,100
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	420,200	723,200
Year-End Fund Balance	647,800	132,400
Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	170,800	187,300
Year-End Fund Balance	43,700	43,700
Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		Appropriated
Source of Revenue: Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S. § 31-285. The source of revenue for the cost savings is the State DOC Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
Purpose of Fund: To pay for costs related to the administration of the Transition Program and for transition program services.		
Funds Expended	425,600	4,400,300
Year-End Fund Balance	14,221,000	15,416,400

County Funding

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Services	7,000,000	7,000,000	0
Elected Officials Retirement Plan Offset	3,000,000	3,000,000	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	17,650,700	17,650,700	10,650,700
FUND SOURCES			
General Fund	17,650,700	17,650,700	10,650,700
SUBTOTAL - Appropriated Funds	17,650,700	17,650,700	10,650,700
TOTAL - ALL SOURCES	17,650,700	17,650,700	10,650,700

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of county services and to offset local cost sharing and Elected Officials Retirement Plan liabilities.

Coordinated Reentry Planning Services

The Baseline includes no funding in FY 2025 for Coordinated Reentry Planning Services. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(7,000,000) from the General Fund in FY 2025 to remove the final year of county grant funding for reentry planning programs.

This line item provides funding to ADOA for distribution to counties to establish a coordinated reentry planning services program. The FY 2022 General Appropriation Act allocated a total of \$10,000,000: \$5,000,000 to Mohave County, \$4,000,000 to Pinal County, and \$1,000,000 to Yavapai County. The FY 2022 3-year budget plan included \$7,000,000 in both FY 2023 and FY 2024 for this purpose.

Table 1 shows the actual and planned allocations for reentry planning programs from FY 2022 to FY 2024.

Table 1
Coordinated Reentry Planning Services Allocations
(\$ in Millions)

County	FY 2022 Actual	FY 2023 Actual	FY 2024 Planned	Total ^{1/}
Mohave	\$ 5.0	\$ 2.3	\$ 2.3	\$ 9.7
Pinal	4.0	2.3	2.3	8.7
Yavapai	1.0	2.3	2.3	5.7
Total ^{1/}	\$ 10.0	\$ 7.0	\$ 7.0	\$ 24.0

^{1/} Totals may not add due to rounding.

Elected Officials Retirement Plan Offset

The Baseline includes \$3,000,000 from the General Fund in FY 2025 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2024.

This amount is allocated equally among counties with a population of less than 300,000 according to the 2020 Decennial Census. Each of the 12 smallest counties receives \$250,000. See the FY 2019 Appropriations Report for more information.

Table 2
Distribution and County Population

County	Ongoing Distribution	2020 Census Population
Apache	\$ 550,050	66,021
Cochise	550,050	125,447
Coconino	550,050	145,101
Gila	550,050	53,272
Graham	1,050,050	38,533
Greenlee	550,050	9,563
La Paz	550,050	16,557
Maricopa	-	4,420,568
Mohave	550,050	213,267
Navajo	550,050	106,717
Pima	-	1,043,433
Pinal	550,050	425,264
Santa Cruz	550,050	47,669
Yavapai	550,050	236,209
Yuma	550,050	203,771
Total	\$7,650,650	7,151,392

Small County Assistance

The Baseline includes \$7,650,650 from the General Fund in FY 2025 for Small County Assistance. This amount is unchanged from FY 2024.

This line item provides funding for counties with populations less than 900,000 according to the 2020 Decennial Census. With one exception, each county receives \$550,050 (see Table 2). Graham County receives \$1,050,050.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2025, up to \$1,250,000 of county revenue for each county. The Baseline would continue to require counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2024. (See *County Flexible Revenue Report* section below for more information.)

County Expenditure Limits

Article 9, Section 20 of the Arizona Constitution establishes the process for determining a county's expenditure limits. Section 20 directs the Economic Estimates Commission to determine and publish prior to April 1 of each year the expenditure limitation for the following fiscal year for each county. The expenditure limits are determined by adjusting the amount of actual payments of local revenues for each such political subdivision for FY 1980 to reflect the changes in the population of each political subdivision and the cost of living.

The governing board of any political subdivision may not authorize expenditures of local revenues more than the limit set by the Commission, except in certain circumstances outlined in Section 20 including natural and man-made disasters. Section 20 also permits the expenditure limits to be overridden, subject to voter approval, on either a one-time basis or permanently by raising the spending base. (Please see Article 9, Section 20 of the Arizona Constitution for additional information.)

Table 3 shows county expenditure limits set by the Commission for the most recent year with available data.

Table 3

County Expenditure Limits ^{1/}

County	Fiscal Year	Expenditure Limits	Expenditures Subject to Limit
Apache	2020	\$ 17,658,900	\$ 12,480,300
Cochise	2022	72,697,700	68,521,900
Coconino	2017	58,875,400	58,875,400
Gila	2022	45,897,500	45,507,500
Graham	2022	17,371,800	12,233,200
Greenlee	2021	14,121,500	12,278,100
La Paz	2021	33,322,500	15,822,900
Maricopa	2022	1,527,423,500	1,527,423,500
Mohave	2022	214,534,900	99,969,100
Navajo	2022	52,398,000	35,972,300
Pima	2022	623,628,000	623,627,000
Pinal	2021	294,703,000	160,606,000
Santa Cruz	2021	25,203,200	25,203,200
Yavapai	2021	133,613,100	120,154,400
Yuma	2022	110,387,700	97,698,700

^{1/} Amounts based on individual county Comprehensive Annual Financial Reports (CAFR), which are typically completed after county audits are conducted. The listed Fiscal Year indicates the most recent available data.

County Flexible Revenue Report

The FY 2024 Local Government Budget Reconciliation Bill permits counties with a population of less than 250,000 according to the 2020 Census to use any source of county revenue, up to \$1,250,000, for purposes other than the purpose of the revenue source to meet a county fiscal obligation for FY 2024. Counties using the authority were required to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2023.

Of the 12 eligible counties, 3 reported using the flexibility in FY 2024:

- Apache County: \$1,050,000 from the Library District, Post-Secondary Education District, Community College District, and Flood Control District to the Jail District for Jail District Operations.
- Coconino County: \$1,250,000 from the Jail District to the General Fund to pay down the Public Safety Personnel Retirement System (PSPRS) debt and pay for information technology needs for the Sheriff's Department.
- La Paz County: \$1,250,000 from the Vehicle License Tax to the General Fund to pay down a General Fund shortfall.

The following 8 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, Mohave, Navajo, Yavapai, and Yuma. Santa Cruz County did not report their use of the flexibility provision.

Table 4 shows the utilization of the county flexibility language in FY 2023 and FY 2024.

Table 4		
County Flexibility Language Utilization		
	<u>FY 2023</u>	<u>FY 2024</u>
Apache	\$1,050,000	\$1,050,000
Coconino	1,250,000	1,250,000
La Paz	<u>1,250,000</u>	<u>1,250,000</u>
Total	\$3,550,000	\$3,550,000

Arizona Criminal Justice Commission

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	670,600	563,400	563,400
Employee Related Expenditures	255,200	294,100	294,100
Professional and Outside Services	145,700	256,000	256,000
Travel - In State	9,000	9,600	9,600
Travel - Out of State	19,600	20,800	20,800
Other Operating Expenditures	210,300	248,000	248,000
Equipment	11,400	15,000	15,000
OPERATING SUBTOTAL	1,321,800	1,406,900	1,406,900
SPECIAL LINE ITEMS			
Law Enforcement Crime Victim Notification Fund Deposit	0	10,000,000	0
Major Incident Regional Law Enforcement Task Force	600,000	600,000	600,000
Rural County Diversion Programs	9,288,500	0	0
State Aid to County Attorneys	648,200	973,700	973,700
State Aid to Indigent Defense	700,000	700,000	700,000
State Aid for Juvenile Dependency Proceedings Fund Deposit	2,000,000	2,000,000	2,000,000
Victim Compensation and Assistance	2,621,500	6,223,200	6,223,200
AGENCY TOTAL	17,180,000	21,903,800	11,903,800 ^{1/}
FUND SOURCES			
General Fund	13,888,500	14,600,000	4,600,000
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	708,000	733,700	733,700
Drug and Gang Prevention Resource Center Fund	613,800	647,100	647,100
State Aid to County Attorneys Fund	648,200	973,700	973,700 ^{2/}
State Aid to Indigent Defense Fund	700,000	700,000	700,000
Victim Compensation and Assistance Fund	621,500	4,249,300	4,249,300 ^{3/}
SUBTOTAL - Other Appropriated Funds	3,291,500	7,303,800	7,303,800
SUBTOTAL - Appropriated Funds	17,180,000	21,903,800	11,903,800
Other Non-Appropriated Funds	4,364,200	3,600,200	3,600,200
Federal Funds	11,912,700	18,445,900	18,445,900
TOTAL - ALL SOURCES	33,456,900	43,949,900	33,949,900

AGENCY DESCRIPTION — The commission was created to enhance the effectiveness and coordination of the criminal justice system in Arizona. The commission may identify needed revisions in the system and make reports. It receives 3.52% of Criminal Justice Enhancement Fund (CJEF) monies.

FOOTNOTES

- ^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{2/} All monies received by the Arizona criminal justice commission in excess of \$973,700 in fiscal year 2024-2025 from the state aid to county attorneys fund established by section 11-539, Arizona Revised Statutes, are appropriated to the state aid to county attorneys program. Before spending any state aid to county attorneys fund monies in excess of \$973,700 in fiscal year 2024-2025, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- ^{3/} All victim compensation and assistance fund monies received by the Arizona criminal justice commission in excess of \$4,249,300 in fiscal year 2024-2025 are appropriated to the crime victims program. Before spending any victim compensation and assistance fund monies in excess of \$4,249,300 in fiscal year 2024-2025, the Arizona criminal justice

commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The Baseline includes \$1,406,900 and 11 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
Criminal Justice Enhancement Fund (CJEF)	\$733,700
Drug and Gang Prevention Resource Center Fund	647,100
Victim Compensation and Assistance Fund	26,100

These amounts are unchanged from FY 2024.

Law Enforcement Crime Victim Notification Fund Deposit

The Baseline includes no funding in FY 2025 for the Law Enforcement Crime Victim Notification Fund Deposit line item. Adjustments are as follows:

Remove One-Time General Fund Deposit

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 for removal of a one-time deposit into the Law Enforcement Crime Victim Notification Fund.

Laws 2023, Chapter 154 moves the non-appropriated Law Enforcement Crime Victim Notification Fund from the State Treasurer to the Arizona Criminal Justice Commission (ACJC) and requires ACJC to use monies in the fund to pay for law enforcement agencies that choose to use an automated crime victim notification system that meets certain requirements, such as automatically notifying a crime victim of investigation updates, and interfacing with a law enforcement agency's records.

An FY 2024 General Appropriation Act footnote allows ACJC to use up to \$400,000 of the FY 2024 deposit to evaluate, certify and pay for any costs associated with the law enforcement crime victim notification fund.

Major Incident Regional Law Enforcement Task Force

The Baseline includes \$600,000 from the General Fund in FY 2025 for the Major Incident Regional Law Enforcement Task Force. This amount is unchanged from FY 2024.

Monies in this line item are for distribution to regional law enforcement task forces to investigate instances of critical force incidents pursuant to A.R.S. § 41-1762. The requirements under this section have a delayed effective

date beginning on July 1, 2025. (Please see the Department of Public Safety narrative for more details on the Major Incident Regional Law Enforcement Task Forces.)

Rural County Diversion Programs

The Baseline includes no funding in FY 2025 for Rural County Diversion Programs. This amount is unchanged from FY 2024.

An FY 2023 General Appropriation Act footnote requires this funding to be used as grants to county attorney offices in counties with populations less than 900,000 according to the 2020 Decennial Census to establish and operate alternative prosecution and diversion programs that are based on evidence-based practices pertaining to diversion from prosecution and alternatives to prosecution. The footnote also requires ACJC to adopt criteria for distributing grants to eligible counties and prohibits the monies from being used to supplant existing monies for alternative prosecution and diversion programs.

By September 30, 2023, ACJC is required to submit a report to the JLBC on the use of the monies and the outcomes obtained by the alternative prosecution and diversion programs in FY 2023. As of this writing, ACJC has not submitted the report. The FY 2023 appropriation is non-lapsing.

Diversion is a pre-adjudication authority that county prosecutors can use to divert an individual from being charged with a crime through programs such as rehabilitation and counseling. Upon successful completion of a diversion program, charges are typically dismissed or not filed. Reentry programs differ in that they are for post-adjudication and include services for individuals who have already been charged and/or prosecuted of a crime. Services such as counseling and drug treatment provided through reentry programs are intended to aid an individual as they reenter society to not recidivate.

State Aid to County Attorneys

The Baseline includes \$973,700 from the State Aid to County Attorneys Fund in FY 2025 for State Aid to County Attorneys. This amount is unchanged from FY 2024.

This line item provides funding for the various offices of county attorneys throughout Arizona to improve the processing of criminal cases. The line item receives funds from a 15.44% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

State Aid to Indigent Defense

The Baseline includes \$700,000 from the State Aid to Indigent Defense Fund in FY 2025 for State Aid to Indigent Defense. This amount is unchanged from FY 2024.

This line item provides funding to the various counties in Arizona for processing of criminal cases by the offices of the public defender, legal defender, and/or contract indigent defense counsel in each county.

The line item receives funding from a 14.66% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

State Aid for Juvenile Dependency Proceedings Fund Deposit

The Baseline includes \$2,000,000 from the General Fund in FY 2025 for State Aid for Juvenile Dependency Proceedings Fund Deposit. This amount is unchanged from FY 2024.

The FY 2023 Criminal Justice Budget Reconciliation Bill (BRB) established the State Aid for Juvenile Dependency Proceedings Fund administered by ACJC consisting of legislative appropriations to provide state aid to county public defenders, legal defenders, and contract indigent defense counsel for the processing of juvenile dependency cases. By September 1 of each fiscal year, ACJC is required to distribute monies in the fund to each eligible county in which the 3-year average of juvenile dependency case filings in the county Superior Court exceeds the 3-year average filings for FY 2013 - FY 2015. Allocations are based on the proportional share of the increase in petitions for each county.

Victim Compensation and Assistance

The Baseline includes \$6,223,200 in FY 2025 for Victim Compensation and Assistance. This amount consists of:

General Fund	2,000,000
Victim Compensation and Assistance Fund	4,223,200

These amounts are unchanged from FY 2024.

This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation monies are distributed to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Revenues for victim compensation grant monies come from 3 sources: a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a worker's gross compensation, and unclaimed victim restitution. Victim assistance monies are granted to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

Other Issues

Criminal Justice Enhancement Fund

The Criminal Justice Enhancement Fund receives revenues from penalties on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. CJEF monies are distributed on a percentage basis to various state entities.

Laws 2022, Chapter 311 removed AZPOST as a recipient of CJEF funding and redistributed that funding to the remaining recipients proportionally. *(Please see the Department of Public Safety narrative for more details on the funding for AZPOST.)*

Table 1 shows the FY 2023 amounts transferred, statutory distribution percentages, and the appropriation status of the funds and programs receiving CJEF monies. *(See individual agency pages for detailed information on each recipient.)*

Table 1

Criminal Justice Enhancement Fund (CJEF)

Funds Transferred ^{1/}	FY 2023 Transfers ^{2/}	Statutory % of CJEF	Approp.
<u>Attorney General</u>			
AZ Prosecuting Attorneys Advisory Council (3)	\$ 1,159,500	5.18	no
County Attorneys (6)	3,104,100	12.38	no
<u>Arizona Criminal Justice Commission</u>			
Operation Costs (9)	763,400	3.52	yes
<u>Department of Public Safety</u>			
Forensics Fund (1,10)	5,848,800	25.15	yes
State/Local Grants (5)	2,312,400	10.01	^{3/}
<u>Department of Juvenile Corrections (2)</u>	775,400	3.57	yes
<u>State Treasurer</u>			
County Sheriffs (8)	3,462,600	15.06	no
<u>Supreme Court</u>			
Case Processing (7)	1,973,100	8.59	yes
Juvenile Crime (4)	2,877,900	12.38	yes
Community Punishment Program (10)	<u>916,100</u>	4.16	yes
Total Funds Distributed ^{4/}	\$ 23,193,300		

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.

^{2/} The FY 2023 figures reflect amounts as reported by individual agencies to ACJC and may not correspond directly with agencies' statutory allocation. Financial information provided by agencies reflect when revenues from CJEF were recognized by the agency, not when the Treasurer's Office indicated the revenues were available to those agencies.

^{3/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Coronavirus State and Local Fiscal Recovery Fund (JCA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	1,219,600	5,500,000
Year-End Fund Balance	0	0
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Appropriated
Source of Revenue: A 3.52% allocation of the Criminal Justice Enhancement Fund (CJEF) for operating costs. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Please see the Non-Appropriated portion of the fund for additional information.		
Purpose of Fund: For operating costs of ACJC.		
Funds Expended	708,000	733,700
Year-End Fund Balance	1,216,700	1,209,700
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: A 3.52% allocation of CJEF and a portion of "Fill the Gap" funds pursuant to A.R.S. § 41-2124. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Please see the Appropriated portion of the fund for additional information.		
Purpose of Fund: For operating costs of ACJC.		
Funds Expended	508,900	509,400
Year-End Fund Balance	1,216,700	1,209,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Drug and Gang Enforcement Fund (JCA2516/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%). The fund may also be used to fund the Statistical Analysis Center but not the Arizona Youth Survey.		
Funds Expended	3,855,300	3,090,800
Year-End Fund Balance	3,991,000	3,900,200
Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Statistical Analysis Center and Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.		
Funds Expended	613,800	647,100
Year-End Fund Balance	483,200	349,100
Employee Recognition Fund (JCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	100	100
Federal Grants (JCA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	10,693,100	12,945,900
Year-End Fund Balance	5,751,500	5,367,700
Fingerprint Clearance Card Fund (JCA2433/A.R.S. § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
Funds Expended	0	0
Year-End Fund Balance	837,700	808,800
IGA and ISA Fund (JCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	42,300	42,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
State Aid for Juvenile Dependency Proceedings Fund (JCA2040/A.R.S. § 41-2410)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders and contract indigent defense counsel for the processing of juvenile dependency cases. ACJC administers the fund and distributes the monies to each eligible county in which the 3-year average of the total juvenile dependency case filings in the Superior Court in the county exceeds the 3-year average juvenile dependency case filings in the Superior Court of the county for Fiscal Years 2013, 2014 and 2015 based on the proportional share of the increase in petitions for each county. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, a 15.44% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.		
Funds Expended	648,200	973,700
Year-End Fund Balance	59,600	(295,600)
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders for the processing of criminal cases.		
Funds Expended	700,000	700,000
Year-End Fund Balance	214,400	118,400
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
Source of Revenue: The fund consists of 2 subaccounts. The Victim Compensation subaccount receives revenue from a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance subaccount receives revenue derived from community supervision fees and interstate compact fees.		
Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.		
Funds Expended	621,500	4,249,300
Year-End Fund Balance	7,879,100	7,366,600

Arizona State Schools for the Deaf and the Blind

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
PROGRAM BUDGET			
Administration/Statewide	9,806,600	9,404,000	8,773,300
Phoenix Day School for the Deaf	12,293,100	10,811,200	10,811,200
Preschool/Outreach Programs	6,990,800	7,656,200	7,656,200
Regional Cooperatives	15,417,400	19,915,300	19,621,400
Tucson Campus	12,701,500	13,330,400	13,330,400
AGENCY TOTAL	57,209,400	61,117,100	60,192,500
OPERATING BUDGET			
Full Time Equivalent Positions	562.2	562.2	562.2
Personal Services	21,573,000	20,486,500	20,486,500
Employee Related Expenditures	9,220,800	8,649,600	8,649,600
Professional and Outside Services	3,504,700	4,820,200	4,820,200
Travel - In State	88,900	156,000	156,000
Travel - Out of State	8,400	25,200	25,200
Other Operating Expenditures	6,895,400	6,247,300	5,616,600
Equipment	500,800	448,000	448,000
OPERATING SUBTOTAL	41,792,000	40,832,800	40,202,100
SPECIAL LINE ITEMS			
School Bus/Agency Vehicle Replacement	0	369,000	369,000
Cooperative Services	15,417,400	19,915,300	19,621,400 ^{1/}
AGENCY TOTAL	57,209,400	61,117,100	60,192,500 ^{2/}
FUND SOURCES			
General Fund	27,150,400	25,991,300	25,991,300
<u>Other Appropriated Funds</u>			
Cooperative Services Fund	15,417,400	19,915,300	19,621,400
Schools for the Deaf and the Blind Fund	14,641,600	15,210,500	14,579,800 ^{3/}
SUBTOTAL - Other Appropriated Funds	30,059,000	35,125,800	34,201,200
SUBTOTAL - Appropriated Funds	57,209,400	61,117,100	60,192,500
Other Non-Appropriated Funds	2,386,300	1,982,700	1,982,700
Federal Funds	2,965,800	3,205,000	3,205,000
TOTAL - ALL SOURCES	62,561,500	66,304,800	65,380,200

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for students with sensory impairments from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, satellite preschools in the Tucson and Phoenix Metropolitan areas, and 5 regional offices from which cooperative programs with school districts are operated. ASDB also serves infants and toddlers throughout the state. As of May 2023, ASDB served 2,187 children: 362 students in the K-12 programs (121 in Tucson and 241 in Phoenix), 191 children in preschools, 555 infant/toddlers in regional areas, and 1,079 children through the 3 existing regional cooperatives.

FOOTNOTES

- ^{1/} Before spending any cooperative services and monies in excess of \$19,621,400 in fiscal year 2024-2025, the Arizona state schools for the deaf and the blind shall report to the joint legislative budget committee the intended use of the monies. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program

- 3/ Before spending any schools for the deaf and the blind fund monies in excess of \$14,579,800 in fiscal year 2024-2025, the Arizona state schools for the deaf and the blind shall report to the joint legislative budget committee the intended use of the monies. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$40,571,100 and 562.2 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$25,991,300
Schools for the Deaf and the Blind Fund	14,579,800

Adjustments are as follows:

Base Adjustment

The Baseline includes a decrease of \$(928,100) from the ASDB Fund in FY 2025 for a base adjustment reflecting lower-than-anticipated revenues compared with the enacted budget. The FY 2024 enacted budget assumed the ASDB fund would receive total revenues of \$15,210,500 from special education vouchers and state land trust endowment earnings. We estimate, however, that actual revenues into the ASDB Fund in FY 2024 will be \$14,282,400, or \$(928,100) less than the appropriated amount. The \$14,282,400 estimate assumes that caseloads in ASDB's site-based programs would remain unchanged at 475 between FY 2023 and FY 2024.

Enrollment

The Baseline includes no net funding change from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2025 for enrollment. The Baseline assumes that enrollment in ASDB site-based programs remains at the May 2023 level of 475 and therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2025.

Revenue Increase

The Baseline includes an increase of \$297,400 from the ASDB Fund in FY 2025 for revenue adjustments, including:

- \$267,600 for a 2.0% increase to the Base Level component of the Special Education voucher formula. A.R.S. § 15-901.01 requires annual increases for inflation in the per pupil "base level" in the Basic State Aid (BSA) formula. BSA base level increases for inflation also increase ASDB's voucher funding. The Baseline increases the BSA base level by 2.0% for inflation in FY 2025, which will increase special education voucher funding into the ASDB Fund by an estimated \$267,600 in FY 2025.
- \$29,800 for increased land trust endowment revenues in FY 2025.

These revenue increases total to \$297,400, and when combined with the 2024 base adjustment of \$(928,100), the total ASDB Fund Baseline adjustment is \$(630,700). As a result, the Baseline decreases the ASDB Fund appropriation in FY 2025 by \$(630,700) to match forecasted revenues.

Foundation for Blind Children

The Baseline maintains funding in FY 2025 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula. These monies are deposited into the ASDB Fund. If enrollment is higher than anticipated, ADE will distribute additional funding to ASDB. These monies can be spent without a new appropriation, as ASDB is provided budget flexibility through an ongoing General Appropriation Act footnote.

School Bus/Agency Vehicle Replacement

The Baseline includes \$369,000 from the General Fund in FY 2025 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2024.

Monies in this line item are used for the purchase of new school buses and agency vehicles. According to the Arizona Department of Administration - School Facilities Division rules for ASDB, a gasoline-powered bus should be replaced after 10 years or 150,000 miles. (*Please see the FY 2022 Appropriations Report for more background*).

Cooperative Services

The Baseline includes \$19,621,400 from the Cooperative Services Fund in FY 2025 for Cooperative Services. Adjustments are as follows:

Base Adjustment

The Baseline includes a decrease of \$(242,800) from the Cooperative Services Fund in FY 2025 for a base adjustment reflecting lower-than-anticipated revenues in comparison with the enacted budget. The FY 2024 enacted budget assumed the Cooperative Services Fund would receive total revenues of \$19,915,300 in FY 2024 from special education vouchers, membership fees, and

tuition. We estimate, however, that actual revenues into the Cooperative Services Fund in FY 2024 will be \$19,672,500, or \$(242,800) less than the appropriated amount. Our estimate assumes total enrollment of 584 vouchered students in the ASDB regional cooperatives in FY 2024, which is unchanged from FY 2023.

Enrollment

The Baseline includes no net funding change from the Cooperative Services Fund in FY 2025 for enrollment. The Baseline assumes that enrollment of voucher students in regional cooperatives remains at the May 2023 level of 584, and therefore includes no funding increase or decrease for enrollment changes for ASDB's Cooperative Services Fund for FY 2025.

Revenue Decrease

The Baseline includes a decrease of \$(51,100) from the Cooperative Services Fund in FY 2025 for estimated revenue adjustments, including:

- An increase of \$320,200 for a 2.0% increase to the Base Level component of the Special Education Voucher formula. A.R.S. § 15-901.01 requires annual increases for inflation in the per pupil "base level" in the Basic State Aid (BSA) formula. BSA base level increases for inflation also increase ASDB's voucher funding. The Baseline increases the BSA base level by 2.0% for inflation in FY 2025, which will increase special education voucher funding into the Cooperative Services Fund by an estimated \$320,200 in FY 2025.
- A decrease of \$(371,300) in revenues from district membership fees and tuition receipts based on ASDB estimates of those fund sources.

The Base Level and other revenue adjustments total to \$(51,100), and when combined with the base adjustment of \$(242,800), the total Cooperatives Service Fund Baseline adjustment is \$(293,900). As a result, the Baseline decreases the Cooperative Services Fund appropriation in FY 2025 by \$(293,900) to match forecasted revenues.

Background – Regional Cooperatives provide services for deaf and blind students who are being served in a variety of settings in their home school district instead of an ASDB site-based program. The services offered by cooperative programs include full or partial inclusion in general education classrooms, resource rooms, and self-contained special education classes. Enrollment in ASDB's regional cooperatives as of May 2023 was 1,079.

The regional cooperatives, like ASDB's site-based programs, are funded by Special Education Vouchers paid by the Arizona Department of Education pursuant to A.R.S. § 15-1202. The program is also funded by tuition monies paid by participating districts as well as district membership fees.

The monies in this line item represent the total estimated monies available for the program from vouchers, tuition, and district membership fees deposited in the Cooperative Services Fund. If available revenues exceed the original appropriation, a General Appropriation Act footnote stipulates that ASDB submit a report to JLBC detailing the intended use of the monies.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)		Non-Appropriated
Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.		
Purpose of Fund: To provide additional funding for class size reduction, teacher base pay and performance pay compensation, assessment intervention programs, teacher development, and teacher liability insurance premiums.		
Funds Expended	1,478,100	1,831,100
Year-End Fund Balance	6,629,200	8,266,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Cooperative Services Fund (SDA4221/A.R.S. § 15-1202)		Appropriated
Source of Revenue: Revenues consist of tuition payments made by participating school districts or special education voucher monies claimed on their behalf by the Arizona School for the Deaf and Blind. Funds are used to support educational programs and supplemental services offered at the 3 state regional cooperatives.		
Purpose of Fund: To receive special education voucher monies paid to ASDB by the Department of Education on behalf of students enrolled in one of ASDB's 3 regional cooperatives, tuition payments from school districts, and district membership fees.		
Funds Expended	15,417,400	19,915,300
Year-End Fund Balance	10,706,500	10,991,700
Enterprise Fund (SDA4222/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.		
Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).		
Funds Expended	95,700	70,800
Year-End Fund Balance	383,000	479,600
Federal Grants (SDA2000/A.R.S. § 15-1303)		Federal Funds
Source of Revenue: Federal Grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	2,965,800	3,205,000
Year-End Fund Balance	1,420,400	3,227,600
Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	1,800	1,800
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	14,641,600	15,210,500
Year-End Fund Balance	3,897,600	3,093,800
State Grants (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	727,500	0
Year-End Fund Balance	545,600	627,800
Telecommunication Fund for the Deaf (SDA1700/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To supplement funding to ASDB's Early Childhood and Family Education Program.		
Funds Expended	0	0
Year-End Fund Balance	561,000	561,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Trust Fund (SDA3148/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	85,000	80,800
Year-End Fund Balance	139,500	218,800

Commission for the Deaf and the Hard of Hearing

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	21.0	21.0	21.0
Personal Services	0	1,170,400	1,170,400
Employee Related Expenditures	551,200	1,170,400	1,170,400
Professional and Outside Services	260,900	450,000	450,000
Travel - In State	3,000	5,800	5,800
Travel - Out of State	7,700	12,900	12,900
Other Operating Expenditures	1,085,100	1,506,100	1,506,100
Equipment	188,600	319,000	319,000
OPERATING SUBTOTAL	2,096,500	4,634,600	4,634,600 ^{1/}
SPECIAL LINE ITEMS			
Aging Individuals Research	93,900	0	0
Support Services for the Deaf-Blind	160,600	192,000	192,000
AGENCY TOTAL	2,351,000	4,826,600	4,826,600
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	2,350,900	4,826,600	4,826,600
SUBTOTAL - Other Appropriated Funds	2,350,900	4,826,600	4,826,600
SUBTOTAL - Appropriated Funds	2,350,900	4,826,600	4,826,600
TOTAL - ALL SOURCES	2,350,900	4,826,600	4,826,600

AGENCY DESCRIPTION — The agency acts as an information and referral resource for the deaf and the hard of hearing and provides educational materials to the general public; administers a statewide telephone access program, the Telecommunication Devices for the Deaf (TDD) Relay Program; and licenses interpreters for the deaf and the hard of hearing. The Commission is supported by the Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$4,634,600 and 21 FTE Positions from the Telecommunication Fund for the Deaf in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Support Services for the Deaf-Blind

The Baseline includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2025 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2024.

Monies in this line item fund a support services program (SSP) which provides 5 hours per week of support services to 35 deaf-blind adults at no cost to the individual. Deaf blindness is any combination of visual and auditory loss which requires special strategies and skills. Examples of support services provided include transportation assistance, sighted guides, independent living assistance, and communication facilitators.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Private Grants (DFA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue received from grants and donations from non-governmental agencies such as foundation and private donors.		
Purpose of Fund: Monies used to pay for conferences, program, or other activities that are sponsored by donor organizations.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System; support community outreach and education, purchase; repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired; and operating costs of the commission.		
Funds Expended	2,351,000	4,826,600
Year-End Fund Balance	10,145,400	7,374,700

State Board of Dental Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	13.0	13.0
Personal Services	785,100	898,800	898,800
Employee Related Expenditures	338,900	344,700	344,700
Professional and Outside Services	446,400	512,400	512,400
Travel - In State	2,700	3,200	3,200
Travel - Out of State	8,000	5,500	5,500
Other Operating Expenditures	218,100	262,900	262,900
Equipment	96,000	29,100	29,100
AGENCY TOTAL	1,895,200	2,056,600	2,056,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Dental Board Fund	1,895,200	2,056,600	2,056,600
SUBTOTAL - Other Appropriated Funds	1,895,200	2,056,600	2,056,600
SUBTOTAL - Appropriated Funds	1,895,200	2,056,600	2,056,600
TOTAL - ALL SOURCES	1,895,200	2,056,600	2,056,600

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,056,600 and 13 FTE Positions from the Dental Board Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,895,200	2,056,600
Year-End Fund Balance	2,589,800	2,858,000

Arizona Early Childhood Development and Health Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	137,005,900	139,512,800	139,512,800
Federal Funds	61,987,800	131,898,600	131,898,600
TOTAL - ALL SOURCES	198,993,700	271,411,400	271,411,400

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative (Proposition 203), the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents per pack cigarette tax, plus taxes on other tobacco products. The board funds early childhood development programs and services for children prior to kindergarten and their families. The agency is also commonly known as “First Things First.”

Background

Early Childhood Development and Health Fund

Enacted in 2006, Proposition 203 implemented an additional 80 cents per pack cigarette tax to fund ECDHB, also known as “First Things First.” Revenues from the tobacco tax are deposited into the Early Childhood Development and Health (ECDH) Fund and go into 2 accounts: 90% of funds are allocated to the Program Account and 10% of funds to the Administrative Costs Account.

Of the annual Program Account budget set by the board each year, 10% (or 9% of the statewide total) may be spent on statewide programs with the remaining funds allocated to the Regional Councils (81% of the statewide total). Of the amount made available to regions, 60.8% is allocated to the various regions based on the total population aged 5 and under and the population under 5 living below the poverty line. The board uses its discretion to allocate the other 20.2% to regions.

In FY 2023, ECDHB spent \$64.3 million on **Child Care Scholarships**, as displayed in *Table 1*, serving an average of 5,298 children monthly, down from 6,687 in FY 2022.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB. *(For more information, please see the Child Care Program Summary on the JLBC website.)*

Family Support mainly consists of voluntary in-home services for infants, children and their families, focusing on parenting skills, early physical and social development, literacy, health and nutrition; it also includes classes on parenting, food boxes, parent kits, and other services.

The **Health** category provides mental health consultations to teachers and caregivers, oral health services to families, case management to families, child care health consultations to child care providers, obesity prevention to families, prenatal outreach to women and families, and other services.

The **Administration** category funds about 103.7 filled FTE Positions from the \$15,737,600 program budget.

Professional Development includes training, scholarships, and financial incentives for professionals who provide education and early care to children.

Community Awareness is media and community outreach efforts. **Research and Evaluation** spending is used to evaluate the effectiveness of ECDHB programs. **System Coordination** establishes partnerships and expands services and programs for families with young children.

Table 1

FY 2023 ECDH Fund Expenditures by Category ^{1/} (\$ in Millions)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent</u>
Child Care Scholarships	\$64.3	32%
Family Support	29.9	15%
Health	16.2	8%
Administration	11.7	6%
Professional Development	5.7	3%
Community Awareness	2.6	1%
Research & Evaluation	2.7	1%
System Coordination	1.1	1%
Other Funds (Grants, Gifts, etc.)	67.9	34%
Total	\$202.3 ^{2/}	100%

^{1/} Does not include federal grant expenditures.

^{2/} Total does not sum due to rounding.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative (Proposition 203) in the 2006 election.		
Funds Expended	137,005,900	139,512,800
Year-End Fund Balance	191,725,800	158,163,000
Federal Grants (CDA2000/A.R.S. § 8-1182)		Federal Funds
Source of Revenue: Federal Funds.		
Purpose of Fund: To fund early comprehensive childhood systems.		
Funds Expended	61,987,800	131,898,600
Year-End Fund Balance	(4,560,400)	5,278,400

Office of Economic Opportunity

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	352,000	342,000	342,000
Employee Related Expenditures	129,500	120,200	120,200
Professional and Outside Services	0	16,700	16,700
Travel - In State	0	600	600
Travel - Out of State	2,800	3,100	3,100
Other Operating Expenditures	30,400	38,900	38,900
Equipment	0	1,800	1,800
OPERATING SUBTOTAL	514,700	523,300	523,300 ^{1/}
SPECIAL LINE ITEMS			
Microbusiness Loan Fund Deposit	0	5,000,000	0
AGENCY TOTAL	514,700	5,523,300	523,300
FUND SOURCES			
General Fund	514,700	5,523,300	523,300
SUBTOTAL - Appropriated Funds	514,700	5,523,300	523,300
Other Non-Appropriated Funds	8,530,200	6,626,600	6,626,600
Federal Funds	3,050,500	7,413,900	7,413,900
TOTAL - ALL SOURCES	12,095,400	19,563,800	14,563,800

AGENCY DESCRIPTION — The Office of Economic Opportunity (OEO) is responsible for monitoring the state's tax competitiveness, evaluating the effectiveness of state incentive programs, analyzing state and local regulatory costs to businesses, serving as the state's workforce planning coordinator, and providing economic and demographic research and analysis. Also established within OEO is the Arizona Finance Authority, which oversees the Greater Arizona Development Authority (GADA) in addition to being the state recipient of private activity bonding authority. Additionally, OEO oversees the Arizona Industrial Development Authority which is the sole state issuer of private activity bonds.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$523,300 and 5 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Monies in this line item provides funding to eligible entities that give loans to microbusinesses in Arizona.

Other Issues

Microbusiness Loan Fund Deposit

The Baseline includes no funding from the General Fund in FY 2025 for the Microbusiness Loan Fund Deposit line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove a one-time deposit into the newly formed Microbusiness Loan Fund.

Agency Structure and Funding

Laws 2016, Chapter 372 created 3 new governmental entities: The Office of Economic Opportunity (OEO), the Arizona Finance Authority (AFA), and the Arizona Industrial Development Authority (AIDA). AFA is established in OEO and the AFA board serves as the board of AIDA, thus OEO has statutory supervision over all 3 entities. *(Please see the FY 2020 Appropriations Report for more details.)*

OEO

OEO is the central state agency for economic, population, and unemployment statistical analysis, serves as the administering agency for the Workforce Arizona Council, and oversees the Workforce Data Task Force.

AFA

AFA houses the functions of the Greater Arizona Development Authority (GADA) and administers the state's Private Activity Bond (PAB) authorization.

AIDA

AFA also governs AIDA, which has responsibility for the former activities for the Arizona Housing Finance Authority, Arizona Health Facilities Authority, and the Arizona International Development Authority. In addition, AIDA is authorized to issue PABs for allowable projects not otherwise covered by the other state IDAs.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Finance Authority Operations Fund (FAA5352/A.R.S. § 41-5352)		Non-Appropriated
Source of Revenue: Legislative appropriations, unrestricted and available monies of WIFA and GADA, proceeds from the bond issuances of AIDA, donations, loans, or gifts to the Authority.		
Purpose of Fund: To fund the operations of AFA. Oversees the state's private activity bond authorization and the operations of WIFA and GADA.		
Funds Expended	0	125,000
Year-End Fund Balance	2,513,200	2,830,700
Arizona Industrial Development Authority Fund (FAA9973/A.R.S. § 41-5356)		Non-Appropriated
Source of Revenue: Filing and application fees related to the issuance of private activity bonds and investment income.		
Purpose of Fund: To pay for the operations of the Arizona Industrial Development Authority, including the review and approval of certain corporate bond financing projects. Revenues remaining in the fund at the end of the fiscal year are transferred to the Office of Economic Opportunity's Economic Development Fund and the Department of Housing's Housing Trust Fund. This fund is not held in a state account, so its expenditures and fund balances are not displayed.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Economic Development Fund (EOA3777/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Any unencumbered monies retained by the Arizona Finance Authority at the end of the fiscal year that are in excess of the Authority's operating expenses.		
Purpose of Fund: To fund projects as determined by the director of OEO.		
Funds Expended	4,656,300	5,000,000
Year-End Fund Balance	10,466,700	7,619,500
Federal Grants (EOA2000/A.R.S. § 49-1203)		Federal Funds
Source of Revenue: Federal grants related to water supply management, employment and population statistical analysis, Workforce Innovation and Opportunity Act (WIOA) monies, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	3,050,500	7,413,900
Year-End Fund Balance	300,300	(4,288,200)
Greater Arizona Development Authority Revolving Fund (FAA2311/A.R.S. § 41-2254)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities. The expenditures displayed below represent administrative costs.		
Funds Expended	0	4,000
Year-End Fund Balance	12,873,800	13,203,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
IGA and ISA Fund (EOA2500/A.R.S. § 41-5303)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	2,021,000	76,200
Year-End Fund Balance	223,700	2,134,500
Microbusiness Loan Fund (EOA2073/A.R.S. § 43-409)		Non-Appropriated
Source of Revenue: Loan repayments from microbusinesses that have received loans from the fund. Laws 2023, Chapter 136 appropriated a \$5 million one-time deposit into the fund.		
Purpose of Fund: To establish rules and conditions for distributing grants to community development financial institutions and eligible nonprofits with experience in lending for microbusiness loans.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Office of Economic Opportunity Operations Fund (EOA9903/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Filing fees paid by security issuers and registration fees paid by security dealers to the Corporation Commission. Prior to the creation of this fund, these monies had been deposited into the Arizona Competes Fund.		
Purpose of Fund: To fund the operational costs of the office.		
Funds Expended	1,852,900	1,421,400
Year-End Fund Balance	2,958,500	3,604,700

Department of Economic Security

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,476.8	4,533.8	4,611.8 ^{1/}
Personal Services	126,768,000	124,825,700	127,049,900
Employee Related Expenditures	55,002,300	56,307,300	57,265,700
Professional and Outside Services	50,710,300	25,467,500	25,427,400
Travel - In State	154,900	126,200	123,200
Travel - Out of State	80,300	110,200	110,200
Other Operating Expenditures	188,524,600	122,450,900	113,350,900
Equipment	3,108,800	2,482,800	1,129,800
OPERATING SUBTOTAL	424,349,200	331,770,600	324,457,100 ^{2/3/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	10,057,600	12,755,600	12,755,600
Aging and Adult Services			
Adult Services	12,731,900	15,731,900	10,731,900
Area Agencies on Aging Housing Assistance	0	5,000,000	0
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	3,522,600
Coordinated Hunger Services	2,254,600	2,254,600	2,254,600
Produce Incentive Program	0	5,462,600	0
Globe-Miami Area Food Bank	0	250,000	0
Domestic Violence Prevention	12,436,500	14,004,000	14,004,000 ^{4/5/}
Long-Term Care Ombudsman	1,000,000	1,000,000	1,000,000
Benefits and Medical Eligibility			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Diaper and Incontinence Products Assistance	0	1,000,000	0
Child Support Enforcement			
Child Support - Clerk of the Court and Family Law Services	8,539,700	8,539,700	8,539,700
Developmental Disabilities ^{6/-8/}			
<u>Federal Match Funding</u>			
DDD Premium Tax Payment	56,755,000	61,199,900	64,871,600
Case Management - Medicaid	87,513,700	104,257,900	140,855,600 ^{8/}
Home and Community Based Services - Medicaid	2,171,088,400	2,349,599,400	2,292,850,800
Institutional Services - Medicaid	43,369,800	47,090,000	51,334,400 ^{9/}
Physical and Behavioral Health Services - Medicaid	543,483,000	541,297,400	642,339,700
Medicare Clawback Payments	5,710,300	6,055,500	7,132,700
Targeted Case Management - Medicaid	15,109,000	15,283,000	19,324,900
State Match Transfer from AHCCCS	0	982,330,300	1,122,988,600
<u>State-Only Funding</u>			
Case Management - State-Only	7,354,000	6,335,600	6,335,600 ^{8/}
Cost Effectiveness Study - Client Services	8,420,000	8,420,000	8,420,000 ^{10/}
Home and Community Based Services - State-Only	13,089,000	14,089,000	14,089,000
Arizona Early Intervention Program	9,719,000	14,119,000	18,519,000
State-Funded Long Term Care Services	36,755,100	43,534,700	44,389,800
Group Home Monitoring Program	1,200,000	1,200,000	1,200,000
Graham County Rehabilitation Center	0	830,000	0
Employment and Rehabilitation Services			
Child Care Subsidy	179,380,200	187,080,200	187,080,200 ^{11/12/}
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Innovation and Opportunity Act Services	80,779,800	85,824,200	85,824,200 ^{13/}
AGENCY TOTAL	3,784,303,200	4,919,522,500	5,135,506,400 ^{14/-17/}
FUND SOURCES			
General Fund	898,690,400	1,211,415,700	1,330,944,800
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	23,537,700	17,683,300	17,683,300
Domestic Violence Services Fund	2,432,800	4,000,300	4,000,300
Federal CCDF Block Grant	200,010,100	200,029,300	200,029,300
Federal TANF Block Grant	66,591,200	66,591,200	66,591,200
Long Term Care System Fund (Non-Federal Matched)	27,366,300	33,864,200	34,429,200
Public Assistance Collections Fund	0	441,800	441,800
Special Administration Fund	4,643,200	4,637,900	4,637,900
Spinal and Head Injuries Trust Fund	2,388,400	2,385,500	2,385,500
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	85,778,900	87,116,600	87,116,600 ^{13/}
SUBTOTAL - Other Appropriated Funds	412,748,600	417,750,100	418,315,100
SUBTOTAL - Appropriated Funds	1,311,439,000	1,629,165,800	1,749,259,900
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	59,449,000	44,195,500	44,195,500
Health Care Investment Fund	54,370,500	54,412,300	38,715,900
Long Term Care System Fund (Federal Match)	2,359,044,700	3,191,748,900	3,303,335,100
SUBTOTAL - Expenditure Authority Funds	2,472,864,200	3,290,356,700	3,386,246,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	3,784,303,200	4,919,522,500	5,135,506,400
Other Non-Appropriated Funds	251,246,100	335,510,000	335,510,000
Federal Funds	3,306,648,100	3,125,977,900	3,125,977,900
TOTAL - ALL SOURCES	7,342,197,400	8,381,010,400	8,596,994,300

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Adult Services; and Employment and Rehabilitation Services.

FOOTNOTES

- 1/ Includes 320.2 GF, 144.6 OF, and 1,736.6 EA FTE Positions funded from Special Line Items in FY 2025.
- 2/ The operating lump sum appropriation may be spent on Arizona health care cost containment system eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 3/ All state shares of retained earnings, fees and federal incentives in excess of \$17,683,300 received by the division of child support enforcement are appropriated for operating expenditures. New FTE positions are authorized with the increased funding. Before spending these increased monies, the department of economic security shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ All domestic violence services fund monies in excess of \$4,000,300 received by the department of economic security are appropriated for the domestic violence prevention line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$4,000,300 to the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ On or before December 15, 2024, the department of economic security shall report to the joint legislative budget committee the amount of state and federal monies available statewide for domestic violence prevention funding. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)

- 6/ The department shall report to the joint legislative budget committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates for the long-term care system, the department shall submit a report for review by the joint legislative budget committee. Before the department implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the department shall submit the policy change for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 7/ Before implementing developmental disabilities or long-term care statewide provider rate adjustments that are not already specifically authorized by the legislature, court mandates or changes to federal law, the department shall submit a report for review by the joint legislative budget committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 8/ Before transferring any monies in or out of the case management – medicaid AND case management - state-only and ~~DDD administration~~ line items AND THE DEVELOPMENTAL DISABILITIES OPERATING LUMP SUM, the department shall submit a report for review by the joint legislative budget committee, except that transfers from the state match transfer from AHCCCS line item into those line items OR THE DEVELOPMENTAL DISABILITIES OPERATING LUMP SUM do not require a report for review. (General Appropriation Act footnote)
- 9/ On or before September 1, 2025, the department of economic security shall report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee any new placement into a state-owned ICF-IID or the Arizona training program at the Coolidge campus in fiscal year 2024-2025 and the reason this placement, rather than a placement into a privately run facility for persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. On or before September 1, 2025, the department shall also report to the director of the joint legislative budget committee the total costs associated with the Arizona training program at Coolidge in fiscal year 2024-2025. (General Appropriation Act footnote)
- 10/ On or before November 30, 2024, the department of economic security shall submit a report to the joint legislative budget committee regarding expenditures from the cost effectiveness study - client services line item in the previous fiscal year. The report shall include the number of clients and total amounts spent from the line item in each setting type along with expenditures for those clients in other line items. The report shall also include cost effectiveness spending in other line items. (General Appropriation Act footnote)
- 11/ On or before September 15, 2024 and March 15, 2025, the department of economic security shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the joint legislative budget committee on child care development block grant monies provided from the coronavirus aid, relief, and economic security act, the consolidated appropriations act, 2021 and the American rescue plan act of 2021 (P.L. 117-2). The report must include, at a minimum, the actual expenditures made to date by purpose and, separately, by federal legislation, the expenditure plan for all remaining monies by purpose and, separately, by federal legislation, the number of children served with the monies on average each month, the average child care reimbursement rates for the entire program, including these monies, and the number of child care settings with a quality rating. (General Appropriation Act footnote)
- 12/ The department of economic security shall forward to the joint legislative budget committee a monthly report listing data on the child care population served. The report must include, at a minimum, in each program the number of unduplicated children enrolled in child care within the department of economic security and the department of child safety by program and the average amount paid per child plus quality-related spending. (General Appropriation Act footnote)
- 13/ All workforce investment act grant monies that are received by this state in excess of \$87,116,600 are appropriated to the workforce innovation and opportunity act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$87,116,600 to the joint legislative budget committee. (General Appropriation Act footnote)
- 14/ On or after April 1, 2025, the department of economic security may use up to \$25,000,000 from the budget stabilization fund established by section 35-144, Arizona Revised Statutes, for the purpose of providing funding for reimbursement grants. Before using the monies from the budget stabilization fund, the department shall notify the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. This appropriation must be fully reimbursed on or before September 1, 2025 and must be reimbursed in full as part of the closing process for fiscal year 2024-2025. The department shall notify the joint legislative budget committee of the

reimbursement on or before September 1, 2025. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)

- 15/** The above appropriations are in addition to monies granted to this state by the federal government for the same purposes but are deemed to include the sums deposited in the state treasury to the credit of the department of economic security pursuant to section 42-5029, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/** The department of economic security shall forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the thirtieth of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other monies, such as the statewide assessment for indirect costs, and any projected surplus in state-supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 17/** General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2025 General Fund spending increases by \$119,529,100 or 9.9% above the FY 2024 appropriation. This amount includes:

- \$142,289,900 for DDD formula adjustments.
- \$1,000,000 for homeless youth assistance.
- \$4,400,000 for Arizona Early Intervention Program (AzEIP) provider rate increases.
- \$(28,160,800) to remove one-time funding.

Operating Budget

The Baseline includes \$324,457,100 and 2,410.4 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$157,235,300
Child Support Enforcement Administration Fund	14,055,300
Child Support Enforcement Administration Fund (EA)	28,030,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	21,659,700
Federal Child Care and Development Fund (CCDF) Block Grant	12,928,600
Long Term Care System Fund (EA)	85,121,200
Public Assistance Collections Fund	339,100
Special Administration Fund	2,201,100
Spinal and Head Injuries Trust Fund	605,300
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	1,281,200

Adjustments are as follows:

DDD Formula Adjustments

The Baseline includes an increase of \$3,304,700 in FY 2025 for standard formula adjustments within the DDD program. This amount consists of:

General Fund	4,764,000
Long Term Care System Fund (EA)	(1,459,300)

(Please see the Developmental Disabilities section for more information.)

Remove One-Time IT Security Project Funding

The Baseline includes a decrease of \$(1,518,200) from the General Fund in FY 2025 to remove the one-time portion of funding for an IT security project. The project's purpose is to protect the department from ransomware attacks. The enacted FY 2024 budget appropriated \$1,587,900 from the General Fund for this project, which represents 20% of its total cost, with the remaining 80% covered via Federal Funds.

Remove Adult Protective Services General Fund Backfill

The Baseline includes a decrease of \$(9,100,000) from the General Fund in FY 2025 to remove one-time funding that was used backfill federal funding in the Adult Protective Services (APS) program. As a subrecipient of federal Victims of Crime Act (VOCA) grant funding, DES uses these monies to provide victim services within its APS program. The Department of Public Safety (DPS) is the primary recipient of the state's VOCA grant funding. DPS has notified DES and other subrecipients that it projects significant cuts to the state's award and that subrecipients may not receive their typical allotment in FY 2024.

Administration

Attorney General Legal Services

The Baseline includes \$12,755,600 and 157.9 FTE Positions in FY 2025 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,253,300
Child Support Enforcement Administration Fund	2,573,700
Child Support Enforcement Administration Fund (EA)	8,679,800
Federal TANF Block Grant	106,400
Federal CCDF Block Grant	20,500
Public Assistance Collections Fund	102,700
Special Administration Fund	5,900
Spinal and Head Injuries Trust Fund	2,100
Workforce Investment Act Grant	11,200

These amounts are unchanged from FY 2024.

Aging and Adult Services

Adult Services

The Baseline includes \$10,731,900 from the General Fund in FY 2025 for Adult Services. Adjustments are as follows:

Remove Area Agencies on Aging Increase

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for provider rate increases.

This line item provides an array of support services to elderly persons, as shown in *Table 1*.

Table 1

Services	FY 2024
Adult Protective Contracted Services	\$ 295,100
Independent Living Services	4,559,400
Older Americans Act	2,601,300
State Ombudsman	814,100
Respite Care	462,000
FY 2024 Direct Care Worker Incentives	2,000,000 ^{1/}
FY 2024 One-Time Provider Rate Increase	5,000,000
Total	\$15,731,900

^{1/} This line is funded via \$2,000,000 from the General Fund for ongoing provider rate increases appropriated across both FY 2022 and FY 2023.

Area Agencies on Aging Housing Assistance

The Baseline includes no funding in FY 2025 for Area Agencies on Aging (AAA) Housing Assistance. Adjustments are as follows:

Remove Area Agencies on Aging Housing Assistance

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for AAA housing assistance. The FY 2024 enacted budget included a footnote specifying that the department will distribute the monies to AAAs for housing assistance for individuals who are at least 60 years old. The monies are non-lapsing.

Community and Emergency Services

The Baseline includes \$3,724,000 from the Federal TANF Block Grant in FY 2025 for Community and Emergency Services. This amount is unchanged from FY 2024.

Monies in this line item provide funding to 18 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2023, this line item provided short-term crisis services to 961 households and energy assistance to 267 households.

Coordinated Homeless Services

The Baseline includes \$3,522,600 in FY 2025 for Coordinated Homeless Services programs. This amount consists of:

General Fund	1,873,100
Federal TANF Block Grant	1,649,500

Adjustments are as follows:

Homeless Youth General Fund Backfill

The Baseline includes an increase of \$1,000,000 from the General Fund in FY 2025 for a homeless youth assistance General Fund backfill. In FY 2022 and FY 2023, DES distributed one-time Federal Funds to organizations that provide assistance to unaccompanied youth aged 18-24 experiencing homelessness. The 3-year spending plan associated with the enacted FY 2022 budget originally included an increase of \$1,000,000 from the General Fund in FY 2024 to fund the program with state monies instead of Federal Funds. However, due to slower-than-anticipated expenditure of the Federal Funds, the 3-year spending plan associated with the enacted FY 2024 budget delayed the General Fund increase until FY 2025.

In FY 2023, this line item provided emergency shelter services to 9,832 individuals, rapid re-housing services to 1,030 individuals, and homeless prevention services to 363 individuals.

Coordinated Hunger Services

The Baseline includes \$2,254,600 in FY 2025 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,754,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2024.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2023, this funding assisted in the distribution of 169 million pounds of produce.

Produce Incentive Program

The Baseline includes no funding in FY 2025 for the Produce Incentive Program. Adjustments are as follows:

Remove One-Time Additional Funding

The Baseline includes a decrease of \$(5,462,600) from the General Fund in FY 2025 to remove one-time funding. The Produce Incentive Program, also referred to as "Double Up Food Bucks," is part of Arizona's Supplemental Nutrition Assistance Program (SNAP) and provides a dollar-for-dollar match for SNAP enrollees when they purchase Arizona-grown fruits and vegetables. The additional funding will be for DES to continue to administer the program and provide matching monies. The appropriation is non-lapsing.

Globe-Miami Area Food Bank

The Baseline includes no funding in FY 2025 for the Globe-Miami Area Food Bank. Adjustments are as follows:

Remove One-Time Food Bank Assistance

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 to remove one-time funding for a transfer to a food bank. The enacted FY 2024 budget included a footnote requiring the department to transfer the monies to a food bank headquartered in the Globe-Miami area.

Domestic Violence Prevention

The Baseline includes \$14,004,000 in FY 2025 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,200
Federal TANF Block Grant	6,620,500
Domestic Violence Services Fund	4,000,300
Special Administration Fund	100,000

These amounts are unchanged from FY 2024.

In FY 2023, this line item, along with non-appropriated funds, served approximately 4,246 adults and children in emergency shelters, 304 adults and children in transitional housing, and 13,324 victims with mobile and community-based advocacy.

Long-Term Care Ombudsman

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2024.

A.R.S. § 46-452.02 requires that the Office of the State Long-Term Care Ombudsman visit each long-term care facility at least twice per calendar year to speak with residents of the facility or their representatives, investigate and resolve complaints, refer cases to Adult Protective Services or the appropriate agency, and change complaint communication requirements for DD service providers.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes \$22,736,400 from the Federal TANF Block Grant in FY 2025 for TANF Cash Benefits. This amount is unchanged from FY 2024.

The budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month. As of October 2023, the program serves 11,065 individuals.

Additionally, the TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. The budgeted amount would be able to fund an average of 390 Diversion clients at \$817 per month. In October 2023, the TANF Diversion program served 256 clients.

At October 2023 levels, the total cost would be \$15,787,900, or \$(6,948,500) below the budgeted amount.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4. The current cumulative lifetime limit on regular TANF Cash Benefits is 24 months if the following conditions are met:

- The family includes at least 1 adult required to participate in the JOBS program.
- All adults who are required to participate in the JOBS program are in full compliance in the twelfth month of cash assistance and remain in compliance.
- All children required by state law to attend school maintain at least a 90% attendance record.

If any of these conditions are not met, the limit is 12 months.

The Baseline continues a provision allowing DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs.

(Please see Federal TANF Block Grant in Other Issues for more information on TANF expenditures.)

Tribal Pass-Through Funding

The Baseline includes \$4,680,300 from the General Fund in FY 2025 for Tribal Pass-Through Funding. This amount is unchanged from FY 2024.

Monies in this line item are passed through to Native American tribes operating their own TANF programs.

Diaper and Incontinence Products Assistance

The Baseline includes no funding in FY 2025 for Diaper and Incontinence Products Assistance. Adjustments are as follows:

Remove One-Time Assistance

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding for transfer to an organization that provides diaper and incontinence products assistance within the state.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state. *Table 2* details the sources and uses of the CSEA Fund.

Table 2

CSEA Fund Sources and Uses

Sources	FY 2024
State Share of Retained Earnings	\$ 4,162,100
Federal Incentive Payments	6,702,500
Fees	2,871,000
Excess Appropriation Authority ^{1/}	3,572,700
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,423,900
Uses	
DCSE Administration (DES Operating)	\$13,680,300
Attorney General Legal Services	2,573,700
County Participation	1,054,300
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,423,900

^{1/} This line is the difference between appropriation authority and expected revenues.

Child Support - Clerk of the Court and Family Law Services

The Baseline includes \$8,539,700 in FY 2025 for County Participation. This amount consists of:

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2024.

Arizona counties have the option of either implementing their own child support enforcement program or electing to have DES implement the program on their behalf. If counties decide to run their own programs, these funds are distributed to counties for that purpose. However,

because no counties currently run their own program, DES instead distributes these monies to counties for clerk of the court and family law services that coordinate and mediate between custodial and non-custodial parents.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long-Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The LTC program is primarily funded from 2 sources: the General Fund and the Long Term Care System Fund. The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of June 2023, the Division of Developmental Disabilities served 51,967 clients, which includes 40,642 clients in the LTC program, 6,184 in Targeted Case Management, and 5,141 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 3*.

Table 3

Primary Disability of Clients Served ^{1/}

Disability	Number	Percentage
Intellectual Disability	16,256	31.3%
At Risk	13,270	25.5%
Autism	16,836	32.4%
Cerebral Palsy	3,499	6.7%
Epilepsy	2,047	3.9%
Not Indicated	59	0.1%
Total	51,967	

^{1/} Numbers are based on the department's estimates of primary disabilities of DD clients, proportionally adjusted for the Baseline's overall caseload estimates.

Overall DDD Adjustments

The Baseline includes an increase of \$142,289,900 from the General Fund in FY 2025 for DDD formula changes. These adjustments are based on standard formula assumptions of 4.5% caseload growth and a 4.0% capitation rate increase. Changes are described in further detail below.

Caseload Growth

The Baseline includes an increase of \$41,508,300 from the General Fund in FY 2025 for DD caseload changes. Compared to June 2023, LTC caseloads are expected to grow by 5.2% to 42,750 members in June 2024 (this amount excludes state-only clients). This estimate is based on caseload growth reported by the department in the first several months of FY 2024, as well as the assumption that growth will continue at a 4.5% annual rate for the remainder of the year and in future years. The rate is based on recent growth within the program; average annual growth since January 2022 was 4.5%.

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2023 and the estimated growth in FY 2024 and FY 2025.

Table 4

DDD June Caseloads and Placement Settings ^{1/}

Placement	FY 23	FY 24 Est	FY 25 Est
Home	35,305	37,136	38,809
Group Home	3,594	3,780	3,950
Developmental Home	1,630	1,715	1,791
Institution	113	119	124
Total	40,642	42,750	44,674

^{1/} Numbers are based on the department's estimates of placement settings, proportionally adjusted for the Baseline's overall caseload estimates.

Capitation Rate Adjustments

The Baseline includes an increase of \$17,792,200 from the General Fund in FY 2025 for a 4.0% capitation rate increase beginning October 1, 2024, as well as to annualize the FY 2024 capitation rate adjustment. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. The 4.0% growth assumption is based on several factors, including the medical care consumer price index and the 4.0% growth the LTC program within AHCCCS experienced in the FY 2024 capitation rate adjustment.

Table 5 shows how the capitation adjustment is allocated by service category in FY 2024.

FMAP Adjustment

The Baseline includes an increase of \$81,622,100 to the General Fund in FY 2025 associated with adjustments to the state's FMAP. The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2025, the blended Medicaid FMAP is projected to decrease to 65.24%, down from 67.11% in FY 2024. The FY 2024 figure does not include the enhanced match rates from the 2023 Consolidated Appropriations Act.

Table 5

DDD ALTCS Capitation Growth

	FY 2024 Capitation Rate ^{1/}	Assumed Growth Rate	FY 2025 Capitation Rate Est
Administration ^{2/}	241.1	4.0%	250.7
Premium Tax	119.9	4.0%	124.6
Case Management	260.2	4.0%	270.6
HCBS ^{3/}	4,177.3	4.0%	4,344.4
Institutional Care ^{4/}	94.8	4.0%	98.6
Integrated Care ^{5/}	1,099.0	4.0%	1,143.0
Total	5,992.3	4.0%	6,231.9

^{1/} Rate effective October 1, 2023.

^{2/} The Administration line is allocated to the overall DES operating budget.

^{3/} HCBS line includes PMPM rates for HCBS and Risk Contingency.

^{4/} Institutional Care rate is net of client's share of cost.

^{5/} Integrated care funding is allocated to the Physical and Behavioral Health Services line item.

DDD received a 2.5% enhanced match is July 2023 through September 2023 and a 1.5% enhanced match in October 2023 through December 2023 due to the federal 2023 Consolidated Appropriations Act. This federal legislation phased down an enhanced match rate that was available to states during the COVID-19 pandemic. The enhanced match will be eliminated starting January 2024 and will therefore not be available in FY 2025. The Baseline annualizes the loss of this enhanced match, which increases General Fund costs. *(Please see Overall DDD Adjustments in the FY 2024 Appropriations Report for more information on enhanced match rates during the pandemic.)*

Medicare Clawback

The Baseline includes an increase of \$1,077,200 from the General Fund in FY 2025 for adjustments associated with Medicare Clawback Payments.

Room and Board

The Baseline includes an increase of \$290,100 from the General Fund in FY 2025 for adjustments associated with caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

Developmental Disabilities – Federal Match Funding**DDD Premium Tax Payment**

The Baseline includes \$64,871,600 in FY 2025 for the DDD Premium Tax Payment. This amount consists of:

General Fund	22,549,400
Long Term Care System Fund (EA)	42,322,200

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$3,671,700 in FY 2025 for standard formula adjustments. This amount consists of:

General Fund	3,016,800
Long Term Care System Fund (EA)	654,900

Background – DES pays a 2% premium tax to the Department of Insurance and Financial Institutions on capitation payments received from AHCCCS.

Case Management - Medicaid

The Baseline includes \$140,855,600 and 1,152.9 FTE Positions in FY 2025 for Case Management - Medicaid. These amounts consist of:

General Fund	48,961,400
Long Term Care System Fund (EA)	91,894,200

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$36,597,700 and 72 FTE Positions in FY 2025 for standard formula adjustments. These amounts consist of:

General Fund	15,681,200
Long Term Care System Fund (EA)	20,916,500

Background – This line item provides case managers, case aides, case management unit supervisors, and case management area program managers that serve DDD clients enrolled in the ALTCS program. The ALTCS program requires DES to have at least 1 case manager for every 35 DD clients for each ALTCS client added since 2006.

Home and Community Based Services - Medicaid

The Baseline includes \$2,292,850,800 and 221.2 FTE Positions in FY 2025 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	788,207,000
Long Term Care System Fund (EA)	1,495,855,900
Health Care Investment Fund	8,787,900

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$59,045,300 in FY 2025 for standard formula adjustments. This amount consists of:

General Fund	78,483,800
Long Term Care System Fund (EA)	(17,481,200)
Health Care Investment Fund	(1,957,300)

Remove American Rescue Plan HCBS Funding

The Baseline includes a decrease of \$(115,793,900) from the Long Term Care System Fund Expenditure Authority in FY 2025 to remove one-time funding for home- and community-based services (HCBS). FY 2024 is the final year of funding for the ARPA HCBS program.

On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. The FY 2024 enacted budget included a footnote requiring the department to provide quarterly reports to the JLBC reflecting changes to the HCBS Spending Plan. In its October 2023 report, the department indicated it has primarily allocated the monies to one-time provider payments and to continue to fund parents as paid caregivers of their minor children (AHCCCS reports it intends to make the parents as paid caregivers initiative a permanent feature of the ALTCS program). The FY 2024 budget also specified the appropriation may not be used for marketing purposes, directs the department to include notification that monies are one-time, and exempts the appropriation from lapsing.

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. This line item also funds staff in state-operated group homes.

Institutional Services - Medicaid

The Baseline includes \$51,334,400 and 383 FTE Positions in FY 2025 for Medicaid Institutional Services. These amounts consist of:

General Fund	17,843,800
Long Term Care System Fund (EA)	33,490,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,244,400 in FY 2025 for standard formula adjustments. This amount consists of:

General Fund	2,811,900
Long Term Care System Fund (EA)	1,432,500

Background – This line item funds Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-Coolidge (ATP-C). Including residents of the state-operated group homes (SOGHs), DES reports that ATP-C had an enrollment of 55 in FY 2023, a decrease of (3) from FY 2022.

Physical and Behavioral Health Services - Medicaid

The Baseline includes \$642,339,700 and 77 FTE Positions in FY 2025 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	193,356,900
Long Term Care System Fund (EA)	419,054,800
Health Care Investment Fund	29,928,000

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$101,042,300 in FY 2025 for standard formula adjustments. This amount consists of:

General Fund	34,226,700
Long Term Care System Fund (EA)	80,554,700
Health Care Investment Fund	(13,739,100)

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, Children's Rehabilitative Services, and behavioral health services for DD clients in the ALTCS program.

Medicare Clawback Payments

The Baseline includes \$7,132,700 from the General Fund in FY 2025 for Medicare Clawback Payments. Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$1,077,200 from the General Fund in FY 2025 for standard formula adjustments associated with Medicare Clawback Payments.

Background – The federal government pays for the prescription drug costs of DDD clients enrolled in Medicare. To partly offset those costs, the federal government requires each state to make "Clawback" payments to Medicare based on a certain percentage of the estimated drug costs.

Targeted Case Management - Medicaid

The Baseline includes \$19,324,900 and 146.6 FTE Positions in FY 2025 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	6,717,300
Long Term Care System Fund (EA)	12,607,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,041,900 and 6 FTE Positions in FY 2025 for standard formula adjustments. These amounts consist of:

General Fund	1,938,200
Long Term Care System Fund (EA)	2,103,700

Background – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not meet the functional disability requirements to qualify for ALTCS. In June 2023, 6,184 clients received TCM services.

State Match Transfer from AHCCCS

The Baseline includes \$1,122,988,600 from the Long Term Care System Fund Expenditure Authority in FY 2025 for a state match transfer from the Arizona Health Care Cost Containment System (AHCCCS). Adjustments are as follows:

Administrative Pass-Through Adjustment

The Baseline includes an increase of \$140,658,300 from the Long Term Care System Fund Expenditure Authority in FY 2025 for a state match transfer from AHCCCS. The adjustment is to bring the total amount in line with the department's FY 2025 General Fund appropriation for Medicaid line items within DDD and General Fund monies for DDD in the operating budget.

Because DES needs to send its General Fund match to AHCCCS to fund DDD, this expenditure authority is to clarify the department is not spending beyond its budget load when it spends those monies returned from AHCCCS with Federal Funds.

Developmental Disabilities – State-Only Funding

Case Management - State-Only

The Baseline includes \$6,335,600 and 60.8 FTE Positions from the General Fund in FY 2025 for Case Management - State-Only. These amounts are unchanged from FY 2024.

Background – This line item funds case management services to clients in the state-only DD program who meet the functional disability requirements but are not financially eligible for the Targeted Case Management program. In June 2023, 5,141 DDD state-only clients received case management state-only services.

Cost-Effectiveness Study - Client Services

The Baseline includes \$8,420,000 in FY 2025 for Cost-Effectiveness Study (CES) - Client Services. This amount consists of:

General Fund	7,200,000
Special Administration Fund	1,220,000

These amounts are unchanged from FY 2024.

Background – The CES rate represents DES' estimate of the cost of an ALTCS DD client's care if the client were placed in an appropriate institutional setting. The federal waiver for the DD program requires a client's home and community-based services costs to be at or below the cost of an institutional setting to ensure that HCBS services are cost-neutral to the federal government. This program funds the cost above this CES rate, thereby allowing clients to remain in a home and community-based setting. (See the FY 2020 Appropriations Report for more information.)

In FY 2022, an average of 134 individuals per month had costs of care that exceeded CES thresholds. The aggregate amount above the thresholds covered with state-only funds was \$8,909,000. As of this writing, the department has not yet submitted a report for CES expenditures in FY 2023.

Home and Community Based Services - State-Only

The Baseline includes \$14,089,000 from the General Fund in FY 2025 for State-Only Home and Community Based Services. This amount is unchanged from FY 2024.

Background – This line item funds residential programs, day programs, and support services for DD clients that do not financially qualify for ALTCS.

Arizona Early Intervention Program

The Baseline includes \$18,519,000 from the General Fund in FY 2025 for the Arizona Early Intervention Program (AzEIP). Adjustments are as follows:

Provider Rate Increases

The Baseline includes an increase of \$4,400,000 from the General Fund in FY 2025 for a provider rate increase. This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget. The FY 2023 spending plan assumed some of the provider rate increases would be covered via one-time Federal Funds in FY 2023, and the budget would then add \$4,400,000 from the General Fund in FY 2024 and \$4,400,000 from the General Fund in FY 2025 for a total of \$8,800,000 in ongoing funding.

Background – AzEIP provides screening and intervention services for children age 0 to 3 with developmental delays or disabilities. DES receives a capped allotment of Federal Funds for the program through Part C of the Individuals with Disabilities Education Act (IDEA). IDEA Part C is expected to provide \$8,922,100 for AzEIP services in FY 2025. As a result, the total AzEIP funding available is \$27,441,100 in FY 2025.

The funds in this line item represent costs incurred by DES for "AzEIP-Only" children, which include children that are AzEIP-eligible but do not have a qualifying DD diagnosis. AzEIP children with a DD diagnosis continue to be funded within the HCBS State-Only line item. There were 3,131 DDD-eligible children enrolled in the AzEIP program in FY 2023. DES reports there were 16,642 new referrals to AzEIP in FY 2023 and 12,933 referred children were determined eligible.

State-Funded Long Term Care Services

The Baseline includes \$44,389,800 and 2 FTE Positions in FY 2025 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,960,600
Long Term Care System Fund	34,429,200

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$855,100 in FY 2025 for standard caseload growth in ALTCS-eligible DD clients

receiving residential services with room and board expenses. This amount consists of:

General Fund	290,100
Long Term Care System Fund	565,000

Background – This line item primarily funds room and board expenses (e.g., rent and food) for DDD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

Group Home Monitoring Program

The Baseline includes \$1,200,000 from the General Fund in FY 2025 for the Group Home Monitoring Program. This amount is unchanged from FY 2024.

FY 2025 is the final year of funding for the program.

Background – Laws 2022, Chapter 316 authorizes the pilot program to last for 3 years and be contracted to the entity designated to operate the Protection and Advocacy System for Persons with Developmental Disabilities. The entity will monitor group homes for those with complex needs, determining whether clients' needs from their person-centered service plans are being met, services are reducing negative behaviors, and all physical interventions used by group home staff are appropriate. The entity will also investigate complaints and report on all observations and outcomes each year. The entity will report to the Governor, the President of the Senate, and the Speaker of the House by December 31, 2025, on systemic issues and recommendations.

Graham County Rehabilitation Center

The Baseline includes no funding in FY 2025 for the Graham County Rehabilitation Center. Adjustments are as follows:

Remove One-Time Rehabilitation Center Assistance

The Baseline includes a decrease of \$(830,000) from the General Fund in FY 2025 to remove one-time funding for transfer to a rehabilitation center in Safford, Arizona. The center serves DDD clients as part of its day treatment and training programs. The enacted FY 2024 budget included a footnote specifying that of the \$830,000, \$800,000 is for the remodeling costs of the center's facilities and \$30,000 is for an afterschool program.

Employment and Rehabilitation Services

Child Care Subsidy

The Baseline includes \$187,080,200 from the Federal CCDF Block Grant in FY 2025 for child care subsidies. This amount is unchanged from FY 2024.

Background – This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 85% of the state median income that were below 165% of the FPL at the time of application, and the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment. DES also processes DCS child care payments, but those monies are appropriated in DCS' budget. (For more information on state funded child care, please refer to the Child Care Program Summary on the JLBC website.)

In addition to the \$187,020,200 in this line item, DES was also appropriated \$1,086,612,800 on a one-time basis in FY 2022 to provide the department with spending authority for child care monies provided to Arizona as part of federal COVID legislation. The appropriation was non-lapsing. As of September 2023, the department reports spending approximately \$887,900,000 of the one-time funding. This funding will be available through September 30, 2024.

Subsidy Rates – As of April 2023, the department has established rates that are at the 75th percentile of the department's 2022 market rate survey for children under age 1, and the 75th percentile of the 2018 market rate survey for ages 1 through 12. We estimate that the average monthly reimbursement per child is \$886 at the current rate.

Caseloads – According to the department, the estimated number of children receiving child care services in June 2023 was 19,938 (see Table 6) excluding ECDHB- and DCS-related child care.

Table 6

Child Care June Monthly Caseloads

Category	FY 23	FY 24 est	FY 25 est
TANF	523	610	580
Low-Income Working	18,049	20,410	19,380
Transitional Child Care	1,366	1,460	1,380
Total Served	19,938	22,480	21,340

Independent Living Rehabilitation Services

The Baseline includes \$1,289,400 in FY 2025 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2024.

Background – The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

The Independent Living Rehabilitation Services program is expected to serve up to 510 clients in FY 2025 at an average Total Funds cost per client of \$2,900. In addition to these clients, the division is also expected to serve 190 Independent Living clients at an average annual cost of \$2,230 per client using federal Social Services Block Grant monies.

JOBS

The Baseline includes \$11,005,600 in FY 2025 for JOBS. This amount consists of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2024.

Background – This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well as to former TANF recipients. These services are contracted out to third-party vendors. Table 7 highlights total estimated expenditures for the JOBS line item.

Table 7

Estimated FY 2024 JOBS Expenditures

Expenditures	Amount
Case Management	\$ 9,244,900
Job Training	687,500
Supplemental Payments	2,100
Work-Related Transportation	771,000
Job Search Stipends	300,000
Total	\$11,005,600

Rehabilitation Services

The Baseline includes \$7,249,100 in FY 2025 for Rehabilitation Services. This amount consists of:

General Fund	6,594,400
Spinal and Head Injuries Trust Fund	654,700

These amounts are unchanged from FY 2024.

Background – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 8,175 clients in FY 2024 at an average Total Funds cost of \$6,640 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match.

Workforce Innovation and Opportunity Act Services

The Baseline includes \$85,824,200 from the Workforce Investment Act Grant in FY 2025 for the Workforce Innovation and Opportunity Act Services line item.

This amount is unchanged from FY 2024.

Background – These monies are the state's allotment of the federal WIA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. There is no income eligibility for the program. For eligible adults, priority is given to veterans and their spouses, individuals who are below the poverty line, individuals receiving public assistance, and those who were recently laid off.

Eligible youths must be between the ages of 14 and 24 and have at least one barrier to employment such as homelessness, pregnancy, incarceration, or a disability.

The projected allocation of the WIA Grant for workforce-related programs in FY 2025 is shown in *Table 8*.

Table 8 FY 2025 WIA Grant Allocations	
Category	Amount
WIOA Line Item	\$85,824,200
Operating Budget	1,281,200
AG Legal Services	11,200
Total	\$87,116,600

Other Issues

This section includes information on the following topics:

- FY 2024 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Auditor General Report
- Unemployment Insurance Benefits Replacement
- Federal TANF Block Grant

FY 2024 Adjustments

The Baseline assumes that DES General Fund formula expenses for FY 2024 will be \$(24,790,300) lower than the original FY 2024 General Fund appropriation. The Baseline includes an FY 2024 ex-appropriation of \$(24,790,300) from the General Fund to account for the surplus. The surplus is primarily associated with a lower-than-budgeted capitation rate adjustment within the DDD program. The enacted FY 2024 budget included funding for a 3.1% capitation rate increase. However, the FY 2024 rates instead declined by (0.8)%, largely to account for lower utilization of services among DDD clients in previous years.

The final estimated surplus could be higher or lower than \$(24,790,300) as additional caseload and spending data become available during FY 2024.

(Please note that the summary table has not been updated to reflect the recommended ex-appropriation.)

Statutory Changes

As session law, the Baseline would continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$96,709,300 in FY 2026 above FY 2025 and \$93,151,200 in FY 2027 above FY 2026. The FY 2026 estimate is based on:

- 4.5% DDD caseload growth.
- 3.0% DDD capitation growth.
- An estimated 65.06% FMAP.

- \$(1,200,000) to remove funding for the group home monitoring pilot program.

The FY 2027 estimate is based on:

- 4.5% DDD caseload growth.
- 3.0% DDD capitation growth.
- An estimated 65.13% FMAP.

Auditor General Report

In September 2023, the Auditor General published an audit of DES as part of Laws 2022, Chapter 313. The audit examined DES's current APS system and ways to improve the delivery of services in the state. At the request of the Legislature, the Auditor General addressed developing a strategy direction to ensure the safety of vulnerable adults after an investigation, creating accountability mechanisms to produce accurate and relevant data on performance measures, strategies for community engagement, and determining the need for periodic performance evaluations for future reviews. The audit found that the average length of time to complete an investigation increased from 81 days in FY 2020 to 101 days in FY 2022.

The Auditor General recommends DES establish a working group with the Governor, President of Arizona Senate, and Speaker of the Arizona House of Representatives to develop a strategic direction for APS, develop roles and responsibilities in conjunction with the working group to identify authority and resources needed to ensure ongoing success for strategic direction, implement a

strategic direction for APS and system-wide performance reporting process, and to obtain input from vulnerable adults in APS.

Unemployment Insurance Benefits Replacement

The 3-year spending plan associated with the FY 2023 enacted budget assumed the Executive would spend \$18,600,000 in FY 2024 and \$24,500,000 in FY 2025 from federal American Rescue Plan Act (ARPA) monies for a UI Benefits System Replacement. These monies do not appear in the General Appropriation Act because they are non-appropriated Federal Funds. Including other non-appropriated UI funds committed to the project, the Executive previously estimated the total project cost would be \$73,500,000.

The project is intended to ensure timely benefit delivery and provide more flexibility in adapting to changes in federal standards. The UI legacy system has been in place for over 30 years. The project investment justification (PIJ) received approval from the Information Technology Authorization Committee (ITAC) in November 2022.

Federal TANF Block Grant

The Baseline appropriates \$227,673,400 of the state's Federal TANF Block Grant monies in FY 2025. *Table 9* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 9

TANF Block Grant Spending

	FY 2023 Actual	FY 2024 Estimated	FY 2025 Estimated
Revenues			
Beginning Balance	\$ 21,287,300	\$ 26,317,000	\$ 24,138,600
TANF Base Revenues	<u>225,495,000</u>	<u>225,495,000</u>	<u>225,495,000</u>
Total TANF Available	\$246,782,300	\$251,812,000	\$249,633,600
Expenditures			
Department of Child Safety	\$161,082,200	\$161,082,200	\$161,082,200
Department of Economic Security			
TANF Cash Benefits	\$ 15,528,300	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	<u>43,854,800</u>	<u>43,854,800</u>	<u>43,854,800</u>
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	<u>\$ 59,383,100</u>	<u>\$ 66,591,200</u>	<u>\$ 66,591,200</u>
TOTAL - STATEWIDE	\$220,465,300	\$227,673,400	\$227,673,400
Ending Balance	\$ 26,317,000	\$ 24,138,600	\$ 21,960,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)	Expenditure Authority	
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees. In addition, this fund includes Title IV-D funds received from the U.S. Department of Health and Human Services.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	59,449,000	44,195,500
Year-End Fund Balance	14,942,200	11,007,300
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)	Appropriated	
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	23,537,700	17,683,300
Year-End Fund Balance	0	0
Client Trust Fund (DEA3152/A.R.S. § 41-1954)	Non-Appropriated	
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus Relief Fund (DEA2975/A.R.S. § 35-142)	Federal Funds	
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2021.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)	Federal Funds	
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	41,889,000	164,950,600
Year-End Fund Balance	(351,500)	0
Crisis Contingency and Safety Net Fund (DEA3240/A.R.S. § 41-110)	Non-Appropriated	
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	0	0
Year-End Fund Balance	1,624,000	1,649,800
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	0	0
Year-End Fund Balance	32,000	32,800
Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offenses. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,432,800	4,000,300
Year-End Fund Balance	2,544,800	1,244,500
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	0	0
Year-End Fund Balance	66,700	66,700
Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	0
Year-End Fund Balance	634,100	682,900
Employee Recognition Fund (DEA2449/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	0	0
Year-End Fund Balance	2,200	2,200
Family Caregiver Grant Program Fund (DEA2347/A.R.S. § 46-343)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: Grants provided to individuals who are caring for and supporting a qualifying family member.		
Funds Expended	42,400	787,600
Year-End Fund Balance	787,600	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. The Department of Child Safety has a separate allocation of CCDF funding.		
Funds Expended	200,010,100	200,029,300
Year-End Fund Balance	297,098,500	61,286,500
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Federal Funds
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Supplemental Nutrition Assistance Program (SNAP) administration, the Social Services Block Grant, and DCYF Expenditure Authority.		
Funds Expended	3,264,759,100	2,961,027,300
Year-End Fund Balance	12,625,000	34,618,500
Federal Pandemic Emergency Assistance Fund (DEA2955/A.R.S. § 35-152)		Appropriated
Source of Revenue: Monies received from the federal American Rescue Plan Act of 2021 to states administering a TANF program.		
Purpose of Fund: To be used for administrative costs and non-recurrent short-term benefits.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	66,591,200	66,591,200
Year-End Fund Balance	19,108,900	16,930,500
Health Care Investment Fund (DEA2588/A.R.S. § 36-2999.73)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
Purpose of Fund: To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by DES.		
Funds Expended	54,370,500	54,412,300
Year-End Fund Balance	0	0
IGA and ISA Fund (DEA2500/§ 41-1954)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Expenditure Authority
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	2,359,044,700	3,191,748,900
Year-End Fund Balance	224,595,200	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	27,366,300	33,864,200
Year-End Fund Balance	0	0
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	22,900	28,500
Year-End Fund Balance	120,900	147,400
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	0	441,800
Year-End Fund Balance	158,600	(247,300)
Revenue From State or Local Agency Fund (DEA3193/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Dollars received through the collection efforts of the Department's Office of Accounts Receivable and Collections and dollars without sufficient identifying documentation may be temporarily deposited in this fund.		
Purpose of Fund: When the benefiting program is identified, funds are transferred out of the fund into the benefiting program's fund. Funds are utilized by the benefiting DES programs per state and federal requirements.		
Funds Expended	2,595,500	2,725,300
Year-End Fund Balance	2,261,500	3,367,400
Sexual Violence Service Fund (DEA2190/A.R.S. § 36-3102)		Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions.		
Purpose of Fund: Grants provided to service providers for victims of sexual violence.		
Funds Expended	0	0
Year-End Fund Balance	5,522,500	0
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	4,643,200	4,637,900
Year-End Fund Balance	5,556,700	5,753,700
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	97,400	100,600
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	2,388,400	2,385,500
Year-End Fund Balance	(471,800)	(1,366,800)
Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	248,487,900	331,868,000
Year-End Fund Balance	1,645,771,900	1,747,787,000
Workforce Investment Act Grant (DEA2010/U.S. P.L. 113-128)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	85,778,900	87,116,600
Year-End Fund Balance	99,377,200	92,439,600

State Board of Education

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	23.0	23.0	23.0 ^{1/}
Personal Services	1,541,000	2,001,200	2,001,200
Employee Related Expenditures	619,900	302,700	302,700
Professional and Outside Services	512,200	650,100	650,100
Travel - In State	15,400	35,500	35,500
Travel - Out of State	18,400	25,000	25,000
Other Operating Expenditures	231,500	173,100	173,100
Equipment	99,900	34,500	34,500
OPERATING SUBTOTAL	3,038,300	3,222,100	3,222,100 ^{2/}
SPECIAL LINE ITEMS			
Arizona Empowerment Scholarship Account Appeals	25,200	227,900	227,900
AGENCY TOTAL	3,063,500	3,450,000	3,450,000
FUND SOURCES			
General Fund	3,063,500	3,450,000	3,450,000
SUBTOTAL - Appropriated Funds	3,063,500	3,450,000	3,450,000
TOTAL - ALL SOURCES	3,063,500	3,450,000	3,450,000

AGENCY DESCRIPTION — The State Board of Education establishes programs, initiates policies and enforces laws and regulations relating to schools and the educational development of the individual child as provided in A.R.S. § 15-203. The board is composed of 11 members: the Superintendent of Public Instruction, the president of a state university or college, 4 lay members, a president or chancellor of a community college district, a charter school administrator, a high school district superintendent, a teacher, and a county school superintendent. The board members other than the Superintendent of Public Instruction are appointed by the Governor for 4-year terms.

FOOTNOTES

^{1/} Includes 2 GF FTE Positions funded from Special Line Items in FY 2025.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,222,100 and 21 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Arizona Empowerment Scholarship Account Appeals

The Baseline includes \$227,900 and 2 FTE Positions from the General Fund in FY 2025 for Arizona Empowerment Scholarship Account (ESA) Appeals. These amounts are unchanged from FY 2024.

This line item includes funding to provide administrative support for the rulemaking process and the appeals process, as well as Attorney General legal services for the appeals program.

A.R.S. § 15-2403 allows a parent to appeal to the State Board of Education any administrative decision made by ADE. Administrative decisions may include determinations of allowable expenses, removal from the ESA program, and enrollment eligibility.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Donations Fund (EBA2025/A.R.S § 15-204)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation		
Funds Expended	0	0
Year-End Fund Balance	600	600

Department of Education

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	229.9	232.9	232.9 ^{1/}
Personal Services	4,877,800	7,956,600	7,956,600
Employee Related Expenditures	1,793,500	3,039,400	3,039,400
Professional and Outside Services	401,100	11,201,900	1,456,900
Travel - In State	8,800	17,900	17,900
Travel - Out of State	15,500	25,500	25,500
Other Operating Expenditures	2,506,700	3,385,500	3,130,500
Equipment	43,100	0	0
OPERATING SUBTOTAL	9,646,500	25,626,800	15,626,800 ^{2/3/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	6,710,668,900	7,091,644,500	7,368,194,200 ^{4/-10/}
Onetime State Aid Supplement	0	300,000,000	0
State Aid Supplement	75,000,000	75,000,000	75,000,000 ^{11/}
Results-Based Funding	68,600,000	0	0
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	65,500	983,900	0
Classroom Site Fund	947,936,000	1,018,912,500	1,018,912,500 ^{12/}
Instructional Improvement Fund	41,482,700	80,425,700	80,425,700 ^{13/}
Property Tax Relief			
Additional State Aid	478,210,600	511,613,100	523,866,600
Non-Formula Programs			
Accountability and Achievement Testing	12,604,100	16,442,200	16,442,200 ^{14/-16/}
Adult Education	17,495,000	21,768,900	23,208,900 ^{17/}
Adult Education and Workforce Development Administration	250,100	0	0
Alternative Teacher Development Program	500,000	1,800,000	1,000,000
Arizona Civics Education and Leadership Development Program	0	300,000	0
Arizona Empowerment Scholarship Account Administration	4,390,300	0	0
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Art Consumables	0	10,000,000	0
Broadband Expansion Fund Deposit	0	5,000,000	0
Center for High School Success	0	1,000,000	0
Code Writers Initiative Program	1,000,000	0	0
College Credit by Examination Incentive Program	7,472,100	7,472,100	7,472,100
College Placement Exam Fee Waiver	875,600	1,265,800	1,265,800
Computer Science Professional Development Program	1,000,000	1,000,000	1,000,000
CTED Certification Exam Fee Reimbursement	0	1,000,000	1,000,000
CTED Completion Grants	0	1,000,000	1,000,000 ^{18/-20/}
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{21/}
Dual Enrollment Student Development Fund Deposit	0	15,000,000	0
Dual Enrollment Teacher Development Fund Deposit	0	500,000	0
Early Education and Career Exploration Program	0	5,000,000	0
Early Literacy	12,000,000	18,880,000	18,880,000
Education Learning and Accountability System	5,447,200	5,446,700	5,446,700
English Learner Administration	9,097,200	6,597,000	6,597,000 ^{22/}
Feminine Hygiene Products	0	2,000,000	0
Flagstaff Robotics Program	0	20,000	20,000
Foster Home Youth Transitional Housing	10,000,000	0	0

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Geographic Literacy	100,000	100,000	100,000 ^{23/}
Gifted Assessments	404,000	850,000	850,000
Gila County Jail Education	0	10,000	0
Invest in Postsecondary Success Program Fund Deposit	1,000,000	0	0
Jobs for Arizona Graduates	100,000	500,000	500,000 ^{24/}
Juvenile Detention Centers	0	52,600	0
K-12 Transportation Formula Study	0	250,000	0
Live, Remote Instructional Courses	0	100,000	100,000
Nonprofit Education Initiatives	0	100,000	0
Nonprofit Low-Income Assistance	0	500,000	0
Office of Indian Education	56,100	0	0
Onetime Electronic Incident Prevention Programs	43,200	0	0
Phoenix Science Education Programs	0	2,500,000	0
Public School Campus Community Gardens	0	100,000	0
Public School Campus Trees	0	300,000	0
School Safety Program	34,198,000	81,992,400	81,992,400 ^{25/26/}
State Block Grant for Vocational Education	11,748,800	11,774,300	11,774,300
Student Level Data Access	357,800	359,000	359,000
Teacher Certification	1,756,200	2,544,600	2,544,600
Teacher Professional Development	0	3,000,000	0
SPECIAL LINE ITEMS			
Teacher Professional Development Pilot	37,300	0	0
Tribal College Dual Enrollment Program	110,500	325,000	325,000
Youth Summer Education Program	0	250,000	0
AGENCY TOTAL	8,505,643,300	9,373,296,700	9,305,893,400 ^{27/-30/}
FUND SOURCES			
General Fund	7,002,099,600	7,761,079,000	7,679,442,600
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	357,800	359,000	359,000
Education Sales Tax - Accountability	1,661,700	7,000,000	7,000,000
Permanent State School Fund	328,895,600	342,797,300	357,030,400
Teacher Certification Fund	1,692,300	2,517,700	2,517,700
Tribal College Dual Enrollment Program Fund	110,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	332,717,900	352,999,000	367,232,100
SUBTOTAL - Appropriated Funds	7,334,817,500	8,114,078,000	8,046,674,700
<u>Expenditure Authority Funds</u>			
Classroom Site Fund	947,936,000	1,018,912,500	1,018,912,500
Education Sales Tax - Basic State Aid	165,337,200	150,380,500	150,380,500
Education Sales Tax - Character Education	167,800	200,000	200,000
Education Sales Tax - Failing Schools Tutoring Fund	302,100	1,500,000	1,500,000
Education Sales Tax - School Safety	15,600,000	7,800,000	7,800,000
Instructional Improvement Fund	41,482,700	80,425,700	80,425,700
SUBTOTAL - Expenditure Authority Funds	1,170,825,800	1,259,218,700	1,259,218,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	8,505,643,300	9,373,296,700	9,305,893,400
 Other Non-Appropriated Funds	 28,362,300	 33,540,700	 33,540,700
Federal Funds	2,420,796,800	2,628,730,900	2,628,730,900
TOTAL - ALL SOURCES	10,954,802,400	12,035,568,300	11,968,165,000

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 236 school districts, accommodation districts and Career Technological Education Districts and 435 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

- 1/ Includes 90.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 8, Arizona Revised Statutes, for the failing schools tutoring fund established by section 15-241, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 8, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes, for character education matching grants pursuant to section 15-154.01, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ Laws 2023, Chapter 133 appropriated \$800,727,700 from the General fund for the K-12 rollover.
- 5/ The appropriation for basic state aid provides basic state support to school districts for maintenance and operations funding as provided by section 15-973, Arizona Revised Statutes, and includes an estimated \$357,030,400 in expendable income derived from the permanent state school fund and from state trust lands pursuant to section 37-521, subsection B, Arizona Revised Statutes, for fiscal year 2024-2025. (General Appropriation Act footnote)
- 6/ Monies derived from the permanent state school fund and any other non-state general fund revenue source that is dedicated to fund basic state aid shall be spent, whenever possible, before spending state general fund monies. (General Appropriation Act footnote)
- 7/ Except as required by section 37-521, Arizona Revised Statutes, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, income from investing permanent state school funds as prescribed by the enabling act and the Constitution of Arizona and all monies received by the superintendent of public instruction from whatever source, except monies received pursuant to sections 15-237 and 15-531, Arizona Revised Statutes, when paid into the state treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure may not be made except as specifically authorized above. (General Appropriation Act footnote)
- 8/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 5, Arizona Revised Statutes, for the increased cost of basic state aid under section 15-971, Arizona Revised Statutes, due to added school days in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 5, Arizona Revised Statutes. (General Appropriation Act footnote)
- 9/ Laws 2022, Chapter 313 appropriated \$89,000,000 in FY 2024 and \$118,000,000 in FY 2025 from the General Fund for increases to District Additional Assistance and Charter Additional Assistance.
- 10/ Laws 2022, Chapter 313 appropriated \$63,000,000 in FY 2024 and \$100,000,000 in FY 2025 from the General Fund for increases to the Free and Reduced-Price Lunch (FRPL) weight.
- 11/ Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.
- 12/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, and section 42-5029.02, subsection A, paragraph 10, Arizona Revised Statutes, in excess of expenditure authority amounts are allocated for the purposes of section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, and section 42 5029.02, subsection A, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)
- 13/ Any monies available to the department of education from the instructional improvement fund established by section 15-979, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 15-979, Arizona Revised Statutes. (General Appropriation Act footnote)
- 14/ Before making any changes to the achievement testing program that will increase program costs, the department of education and the state board of education shall submit the estimated fiscal impact of those changes to the joint legislative budget committee for review. (General Appropriation Act footnote)
- 15/ Any monies available to the department of education for accountability purposes pursuant to section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/ The department of education may use the appropriated amount for accountability and achievement testing in fiscal year 2024-2025 for costs of the English language proficiency assessments required by section 15-756.05, Arizona Revised Statutes.

- 17/ The appropriated amount for adult education includes \$6,160,000 for the continuing high school and workforce training program established by section 15-217.01, Arizona Revised Statutes, \$6,000,000 for deposit in the adult workforce diploma program fund established by section 15-217.02, subsection B, Arizona Revised Statutes and \$6,000,000 for deposit in the community college adult education workforce development program fund established by section 15-217.03, subsection C, Arizona Revised Statutes. (General Appropriation Act footnote)
- 18/ Monies appropriated for CTED completion grants are intended to help fund program completion for students who complete at least fifty percent of a career technical education program before graduating from high school and who successfully complete the career technical education district program after graduating from high school. The application procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriation Act footnote)
- 19/ If the appropriated amount for CTED completion grants is insufficient to fund all grant requests from career technical education districts, the department of education shall reduce grant amounts on a proportional basis in order to cap total statewide allocations at \$1,000,000. (General Appropriation Act footnote)
- 20/ The appropriated amount for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriation Act footnote)
- 21/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand average daily membership pupils for soft capital and equipment expenses. The appropriated amount shall be allocated on a pro rata basis based on the average daily membership of eligible career technical education districts. (General Appropriation Act footnote)
- 22/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the department of education to school districts and charter schools for the purposes of title 15, chapter 7, article 3.1, Arizona Revised Statutes. The department may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41-192, Arizona Revised Statutes, the superintendent of public instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)
- 23/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriation Act footnote)
- 24/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a JOBS for Arizona graduates program. (General Appropriation Act footnote)
- 25/ ~~The amount appropriated for the school safety program in fiscal year 2022-2023 pursuant to Laws 2022, chapter 313, section 31 included an increase of \$50,000,000 for additional school safety grants. In allocating the \$50,000,000 increase,~~ AMOUNT APPROPRIATED FOR THE SCHOOL SAFETY PROGRAM, the department of education 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. The awarded grants may not supplant funding provided by local governments for school resource officers. ~~If the total cost of funding grants for school resource officer costs is less than \$50,000,000,~~ The department may allocate the remaining monies to grants to schools for the costs of placing school counselors and social workers on school campuses pursuant to section 15-154, Arizona Revised Statutes. (General Appropriation Act footnote)
- 26/ Any monies available to the department of education for school safety pursuant to section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 27/ After review by the joint legislative budget committee, in fiscal year 2024-2025, the department of education may use a portion of its fiscal year 2024-2025 state general fund appropriations for basic state aid, additional state aid or the special education fund to fund a shortfall in funding for basic state aid, additional state aid or the special education fund, if any, that occurred in fiscal year 2023-2024. (General Appropriation Act footnote)
- 28/ The department shall provide an updated report on its budget status every three months for the first half of each fiscal year and every month thereafter to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for basic state aid and other major formula-based programs and is due thirty days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 29/ Within fifteen days after each apportionment of state aid that occurs pursuant to section 15-973, subsection B, Arizona Revised Statutes, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)

Summary

ADE's FY 2025 General Fund spending decreases by \$(81,636,400), or (1.1)% below the FY 2024 appropriation. The Baseline includes the following funding changes:

- A decrease of \$(36,962,900) for a Basic State Aid prior year rebase.
- An increase of \$15,551,500 for public school enrollment adjustments.
- An increase of \$121,298,300 for additional Empowerment Scholarship Account (ESA) awards.
- An increase of \$161,379,500 for a 2.0% inflator.
- A decrease of \$(51,624,600) for local property tax growth due to new construction
- A decrease of \$(14,233,100) to offset higher available endowment earnings under Proposition 123.
- Increased Homeowner's Rebate expenses of \$12,253,500.
- An increase of \$37,000,000 to increase the Group B weight for students eligible for the federal Free and Reduced-Price Lunch (FRPL) program pursuant to section 128 of the FY 2023 General Appropriation Act.
- An increase of \$29,000,000 to increase the per pupil amounts in the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) formulas pursuant to section 128 of the FY 2023 General Appropriation Act.
- An increase of \$1,440,000 for Adult Education based on the 3-year spending plan associated with the enacted FY 2024 budget.
- A decrease of \$(356,738,600) to remove funding from FY 2024 designated as one-time.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$488,024,000 in FY 2026 compared with FY 2025 and increase by \$175,439,500 in FY 2027 above FY 2026. (See *Other Issues* for more information.)

Operating Budget

The Baseline includes \$15,626,800 and 107.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$13,774,200
Teacher Certification Fund	152,600
Education Sales Tax - Failing Schools	
Tutoring Fund	1,500,000

Education Sales Tax - Character Education 200,000

Adjustments are as follows:

One-Time Funding

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 to remove funding for a one-time increase to ADE's operating budget. A General Appropriation Act footnote stipulates that the \$10,000,000 is non-lapsing until June 30, 2026.

Formula Programs

Basic State Aid

The Baseline includes \$7,368,194,200 in FY 2025 for Basic State Aid. This amount consists of:

General Fund	6,860,783,300
Permanent State School Fund	357,030,400
Education Sales Tax - Basic State Aid	150,380,500

The \$7,368,194,300 total does not include local property taxes that will help fund K-12 formula costs for FY 2025, as they are non-appropriated (see *Table 1*).

Adjustments are as follows:

Prior Year Base Adjustment

The Baseline includes a decrease of \$(36,962,900) from the General Fund in FY 2025 for a prior year base adjustment. The enacted FY 2024 budget assumed that combined General Fund Basic State Aid formula expenses for school districts, charter schools, Empowerment Scholarship Accounts (ESAs), and other K-12 formula programs would reach \$6,598,466,700 in FY 2024.

Table 1
FY 2025 Basic State Aid Formula Summary (estimated)

Sources	
General Fund	\$6,860,783,300
Permanent State School Fund	357,030,400
Education Sales Tax	150,380,500
Local Property Taxes ^{1/}	<u>2,642,147,600</u>
Total	\$10,010,341,800
Uses	
School District Equalization	7,055,883,100
Charter Equalization	2,121,614,600
Empowerment Scholarships	824,530,600
Other Formulas	<u>8,313,500</u>
Total	\$10,010,341,800

^{1/} Non-appropriated, so excluded from appropriated totals.

The \$6,598,466,700 cost assumed total public school Average Daily Membership (ADM) growth would be 0.4% in FY 2024. Through December 2023, ADE reports that actual public school ADM is (1.4)% below December of 2022 and (1.0)% below final FY 2023 ADM. Based on these data, we assume final FY 2024 ADM will be (1.0)% lower than final FY 2023 ADM.

The enacted FY 2024 budget also assumed total ESA program enrollment of 68,380 and awards of \$625,155,700. Through December, ADE reported that 70,012 pupils had received an ESA award disbursement in the second quarter. If all ESA pupils currently receiving an award continue to participate in the third and fourth quarters, their total annual awards would reach \$680,162,200. Based on mid-year program growth rates from FY 2023, we estimate that by the fourth quarter there will be 75,207 enrollees receiving an ESA award, which would result in final FY 2024 ESA awards of \$703,232,300.

With the above forecast adjustments, we estimate the total combined district/charter/ESA enrollment will generate savings of \$(36,962,900) in FY 2024 relative to the enacted budget. The estimated base adjustment is delineated by formula program in *Table 2*.

Public School Enrollment Adjustments

The Baseline includes an increase of \$15,551,500 from the General Fund in FY 2025 for public school enrollment adjustments. Based on year-to-date ADM data through December, we estimate that public school ADM for FY 2024 will be 1,086,074, or (1.0)% below June 2023 ADM. We assume there would be an additional decline of (0.4)% in FY 2025 compared with FY 2024, which would result in public school ADM of 1,082,095 in FY 2025, or a decrease of (3,979) in comparison with our June 2024 estimate. The declining enrollment still results in a net cost due to growth pupils qualifying for additional weighted funding via special education or English Language Learner programs.

The (0.4)% public school enrollment decline estimate is based on the following assumptions:

- We assume there would be a (0.1)% reduction in base public school enrollment due to demographic trends. The (0.1)% decline is consistent with the Arizona Office of Economic Opportunity medium-series population projections, which assume that Arizona's school-age population (ages 5-17) declines by (0.1)% in calendar year (CY) 2024.
- We assume an additional (0.3)% decline would be associated with students shifting their enrollment from public schools to the ESA program. As of this writing, ADE estimates that 40% of new entrants in the ESA program attended a public school in the prior year, but

the department has not published detailed data showing the number of switchers or their district/charter of origin.

Table 2

FY 2024 Basic State Aid Formula Base Adjustment (Estimate)

Sources	FY 2024 Enacted	FY 2024 Revised	Change
General Fund	\$6,598,466,700	\$6,561,503,800	\$(36,962,900)
Permanent State School Fund	342,797,300	342,797,300	0
Education Sales Tax	150,380,500	150,380,500	0
Local Property Taxes	<u>2,590,507,100</u>	<u>2,583,947,400</u>	<u>(6,559,700)</u>
Total	\$9,682,151,600	\$9,638,629,000	\$(43,522,600)
Uses			
School District Equalization	6,951,918,000	6,916,863,800	(35,054,200)
Charter Equalization	2,094,366,100	2,010,143,300	(84,222,800)
Empowerment Scholarships	625,155,700	703,232,300	78,076,600
Other Formulas	<u>10,711,800</u>	<u>8,389,600</u>	<u>(2,322,200)</u>
Total	\$9,682,151,600	\$9,638,629,000	\$(43,522,600)

In FY 2024, however, the estimated public school enrollment decline of (1.0)% is (1.2)% below the 0.2% growth that we would have been anticipated based on OEO demographic projections, which may indicate that ESA switchers are impacting public school enrollment. We assume that public school enrollment changes would only be (0.3)% below broader demographic trends in FY 2025, as the number of switchers may be higher in FY 2024 since it is the first full year of the availability of universal ESAs (ADE opened universal ESA applications in late September of 2022).

Empowerment Scholarship Account Growth

The Baseline includes an increase of \$121,298,300 from the General Fund in FY 2025 for enrollment growth in the ESA program. Total ESA enrollment would increase to 82,452 in FY 2025, or an increase of 7,245 above our June 2024 estimate of 75,207. We estimate the 82,452 ESA enrollees would be eligible for total awards of \$824,530,600 in FY 2025.

Our 7,245 growth estimate assumes that switchers from public school would represent approximately 40% of ESA enrollment growth while the remaining 60% would be current private schoolers and homeschooolers. The 40% switcher assumption is based on ADE's analysis of previous public school attendance among new entrants into the ESA program in FY 2024.

Given that ESA enrollment growth would continue to include pupils who were not previously funded in a public school, we anticipate that the combined growth rate in the ESA program and public schools would exceed OEO's estimates of growth in the school-age population. As a result, our total K-12 enrollment growth estimate (including both ESAs and public schools) for FY 2025 is 0.3%, or 0.4% above OEO's estimate of a (0.1)% decline.

Under our assumptions, total enrollment across ESAs and public schools would reach an estimated 1,162,281 in FY 2024. In FY 2025, we assume a 0.3% increase from FY 2024, which would result in total K-12 enrollment of 1,164,547 in FY 2025 (See *Table 3*).

Fiscal Year	District	Charter	Public Subtotal	ESA	Grand Total	Change
2018	913,665	189,869	1,103,534	5,042	1,108,576	0.9%
2019	906,004	201,757	1,107,761	6,450	1,114,211	0.5%
2020	907,121	208,438	1,115,559	7,781	1,123,340	0.8%
2021	857,139	220,678	1,077,817	9,777	1,087,594	(3.2)%
2022	875,517	220,379	1,095,896	12,049	1,107,945	1.9%
2023	873,827	223,660	1,097,487	53,364	1,150,851	3.9%
2024 est	862,710	223,364	1,086,074	75,207	1,161,281	0.9%
2025 est	852,149	229,946	1,082,095	82,452	1,164,547	0.3%
2026 est	837,191	235,457	1,072,648	89,697	1,162,345	(0.2)%
2027 est	818,804	240,018	1,058,823	96,942	1,155,765	(0.6)%

2.0% Inflation Adjustment

The Baseline includes an increase of \$161,379,500 from the General Fund in FY 2025 for a 2.0% inflation increase in the per pupil base level prescribed in A.R.S. § 15-901B2, the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school Additional Assistance amounts prescribed in A.R.S. § 15-185B.

A.R.S. § 15-901.01 (established by Proposition 301) requires the Legislature to increase the “base level or other components of the Revenue Control Limit” (RCL) by 2% or by the change in the GDP price deflator for the most recent prior calendar year, whichever is less. For calendar year 2023, the current estimated increase in the GDP price deflator is 3.55%. The Baseline therefore includes the minimum required 2.0% adjustment. A.R.S. §15-901.01 prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of \$2,687.32. (See the *FY 2016 Appropriations Report* for more information).

Property Taxes from New Construction

The Baseline includes a decrease of \$(51,624,600) from the General Fund in FY 2025 due to a 2.10% increase in statewide Net Assessed Value (NAV) from new construction. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) by an estimated \$51,624,600 in FY 2025. It also will decrease state costs by \$(51,624,600), since QTR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls (“existing property”) will increase by an estimated 2.94% in FY 2025, resulting in a net 5.04% NAV increase for new construction and existing property combined for FY 2025.

The 2.94% NAV increase for existing property will not affect net QTR collections in FY 2025 because A.R.S. § 41-

1276 (the “Truth in Taxation” or “TNT” law) requires the QTR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to \$3.2152 (from \$3.3098 currently) in FY 2025 to offset the estimated 2.94% NAV increase for existing property (see *Table 4*).

Tax Rate	FY 2024	FY 2025
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.6549	\$1.6076
• Unified districts and elementary districts not located within a high school district	\$3.3098	\$3.2152

Endowment Earnings Growth

The Baseline includes a decrease of \$(14,233,100) from the General Fund and an increase of \$14,233,100 from the Permanent State School Fund in FY 2025 for endowment earnings funding for Basic State Aid. The General Fund savings assumes that K-12 endowment earnings for Basic State Aid from the State Land Department and State Treasurer combined under Proposition 123 will equal \$357,030,400 for FY 2025, which would be \$14,233,100 more than the \$342,797,300 total assumed for FY 2024 (see *Table 5*).

Source	FY 2024	FY 2025	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	<u>270,534,300</u>	<u>284,767,400</u>	<u>14,233,100</u>
Total	\$342,797,300	\$357,030,400	\$14,233,100

^{1/} These earnings also fund the Classroom Site Fund (see *Table 7*).

A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was \$72,263,000. All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws 2015, 1st Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See *Other Issues* section on *Endowment Earnings* and *Proposition 123 Background* on JLBC website for more information).

Rollover

The Baseline includes no net funding change to continue the ongoing \$800,727,700 rollover amount in FY 2025. The FY 2025 General Appropriations Act would advance appropriate \$800,727,700 from the General Fund in FY 2026 to fund the \$800,727,700 deferred obligation

from FY 2025 and would continue to exclude districts with less than 4,000 pupils from the rollover.

Additional Assistance Formula Increase

The Baseline includes an increase of \$29,000,000 from the General Fund in FY 2025 to increase the per pupil formula amounts for District Additional Assistance (DAA) and Charter Additional Assistance (CAA) in FY 2025, including:

- \$23,142,000 for DAA, which will result in an estimated 4.62% increase in the DAA per pupil amounts in FY 2025 above FY 2024.
- \$5,858,000 for CAA. Including the standard 2.0% inflation adjustment for CAA, the total increase in the CAA per pupil amounts is 3.19% in FY 2025.

The above increases were advance-appropriated in Section 128 of the FY 2023 General Appropriations Act and therefore will not appear in the FY 2025 General Appropriations Act.

Free and Reduced-Price Lunch Weight Increase

The Baseline includes an increase of \$37,000,000 from the General Fund in FY 2025 to increase funding for the Group B weight for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program (primarily includes children in families with incomes that are 185% or less of the Federal Poverty Level). The associated per pupil funding increase from the weight is an estimated \$70 in FY 2025. These monies were advanced appropriated in Section 128 of the FY 2023 General Appropriation Act, and therefore will not appear in the FY 2025 General Appropriation Act.

Remove One-Time County Jail Education Increase

The Baseline includes a decrease of \$(76,000) from the General Fund in FY 2025 to remove one-time funds that were used to suspend the 72% formula funding factor for county jail education programs in FY 2024 pursuant to section 19 of the FY 2024 K-12 BRB. Such programs will instead be funded at 100% for FY 2024. The 3-year spending plan associated with the enacted budget designates this increase as one-time.

Funding Shift

The Baseline includes an increase of \$983,900 from the General Fund in FY 2025 to consolidate funding for Other State Aid to Districts to the Basic State Aid line item. This shift would include \$880,200 for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Onetime State Aid Supplement

The Baseline includes no funding in FY 2025 for Onetime State Aid Supplement funding. Adjustments are as follows:

One-Time Funding

The Baseline includes a decrease of \$(300,000,000) from the General Fund in FY 2025 to remove funding for Onetime State Aid Supplement funding. A General Appropriation Act footnote stipulates that these monies shall be distributed to school districts and charter schools on a pro-rata basis using Group A weighted student counts, including nonresident attending students at school districts (same allocation as State Aid Supplement monies appropriated in conjunction with Proposition 123). Districts and charter schools may budget the monies for maintenance and operations or capital purposes. The 3-year spending plan associated with the enacted FY 2024 budget designates these monies as onetime.

State Aid Supplement

The Baseline includes \$75,000,000 from the General Fund in FY 2025 for State Aid Supplement funding. This amount is unchanged from FY 2024.

Laws 2015, 1st Special Session Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. The monies are distributed to districts and charter schools based on weight student counts, adjusted for nonresident pupils attending district schools. The State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools through FY 2025 as part of the state's resolution with plaintiffs in the *Cave Creek Unified School District V. Ducey* litigation (*See the FY 2017 Appropriations Report*).

Special Education Fund

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2025 for the Special Education Fund Line Item. These amounts are unchanged from FY 2024.

Background – The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) programs for the developmentally disabled operated by the Department of Economic Security (DES) (A.R.S. § 15-1202). It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency.

A.R.S. § 15-1184 and A.R.S. § 15-1204 establish funding formulas for vouchered residential special education and vouchered ASDB or other state institutional placements, respectively. Voucher formula costs are primarily driven by the per pupil base level in the Basic State Aid formula.

Other State Aid to Districts

The Baseline includes no funding from the General Fund in FY 2025 for Other State Aid to Districts. Adjustments are as follows:

Funding Shift

The Baseline includes a decrease of \$(983,900) from the General Fund in FY 2025 to shift funding for other state aid to districts to the Basic State Aid line item. This shift would include \$880,200 for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Classroom Site Fund

The Baseline includes \$1,018,912,500 in FY 2025 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. This amount is unchanged from FY 2024.

Background – The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from the education sales tax and K-12 endowment earnings. Schools must spend these monies on class size reduction, teacher compensation including a base pay and performance pay component, assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, or student support services. Funding for this line item will be adjusted after the JLBC Staff calculates the FY 2025 Classroom Site Fund per pupil amount on March 30, 2024 pursuant to A.R.S. § 15-977G1.

Expenditure Authority does not affect the department's access to funding from the education sales tax or land trust endowment earnings, as a General Appropriation

Act footnote allows the department to spend whatever funding is available.

Instructional Improvement Fund

The Baseline includes \$80,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2025 for the Instructional Improvement Fund. This amount is unchanged from FY 2024.

The Instructional Improvement Fund (IIF) is established by A.R.S. § 15-979 and receives shared revenues from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. IIF monies are distributed to school districts, charter schools and the Arizona State Schools for the Deaf and the Blind based on their student counts. Up to 50% of the monies in the fund may be expended for teacher compensation increases and class size reduction, while the remaining monies must be allocated to dropout prevention programs and instructional improvement programs, including programs to develop minimum reading skills for students by the end of third grade.

Property Tax Relief

Additional State Aid

The Baseline includes \$523,866,600 from the General Fund in FY 2025 for Additional State Aid, otherwise known as the Homeowners' Rebate program. Adjustments are as follows:

Prior Year Base Adjustment

The Baseline includes a decrease of \$(6,896,600) from the General Fund in FY 2025 to reflect lower-than-budgeted costs for Additional State Aid for FY 2024. The FY 2024 budget assumed that Additional State Aid would cost \$511,613,100 for FY 2024 for the Homeowner's Rebate and 1% Cap combined. The actual combined cost, however, is \$504,716,500 as reported by the Arizona Department of Revenue (DOR) in October 2023 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2025 therefore will be \$(6,896,600) less than the FY 2024 appropriation.

Decrease Commercial Assessment Ratio

The Baseline includes an increase of \$4,600,000 from the General Fund in FY 2025 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 17.0% in FY 2024 to 17.5% in FY 2025. This change was previously enacted by section 10 of the FY 2022 Omnibus Tax Bill, which decreases the commercial property assessment ratio by (0.5)% increments each year until it reaches 16.0% for FY 2026

and each year thereafter. The 3-year spending plan included \$4,600,000 for this change in FY 2025.

Laws 2022, Chapter 171 further reduces the commercial assessment ratio to 15.5% in FY 2027 and 15.0% in FY 2028.

New Homes

The Baseline includes an increase of \$14,550,100 from the General Fund in FY 2025 for increased Additional State Aid costs associated with new home construction. The \$14,550,100 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2025.

Background – The Additional State Aid program funds the Homeowner’s Rebate and any portion of a homeowner’s primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home (the “1% Cap”).

The “1% cap” pertains to Article IX, Section 18 of the State Constitution, which caps Class 3 primary property taxes at no more than 1% of a home’s full cash value and was added to the State Constitution in 1980. It applies any time a homeowner’s net combined primary property tax rate for all taxing jurisdictions combined exceeds \$10 per \$100 of NAV even after the Homeowner’s Rebate is applied.

The 1% cap historically has been implemented by having the state backfill any primary property tax costs for homeowners that exceed the 1% cap, rather than by requiring all taxing jurisdictions in an area (such as cities, counties, school districts and community colleges) to coordinate their respective primary property tax rates to keep their combined primary rate below \$10 per \$100 of NAV. Related language in the State Constitution, however, does not specify a mechanism for enforcing the 1% cap.

Non-Formula Programs

Accountability and Achievement Testing

The Baseline includes \$16,442,200 and 24.4 FTE Positions in FY 2025 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,442,200
Education Sales Tax - Accountability	7,000,000

These amounts are unchanged from FY 2024.

Background – This line item funds costs of developing, administering and scoring achievement tests adopted and implemented by the State Board of Education pursuant to A.R.S. § 15-741. It includes the following exams in FY 2024:

- Arizona Academic Standards Assessment (AASA), which assesses proficiency in reading, writing and math. Pupils in grades 3 through 8 take an English and language arts and math exam administered annually, while High School pupils instead take the ACT Aspire exam in grade 9 and the ACT in grade 11.
- AzSCI, which assesses proficiency in science in grades 5, 8, and 11. Pupils are not required, however, to meet or exceed the science standards tested by the exam.
- Multi-State Alternative Assessment (MSAA), which assesses proficiency in English and language arts, math, and science for students with cognitive disabilities.

Students who are English Language Learners (ELL) must also take the Arizona English Language Learner Assessment (AZELLA). While AZELLA costs are funded in the English Learner Administration line item, a General Appropriation Act footnote also permits ADE to use monies in the Accountability and Achievement Testing line item for AZELLA expenses.

Adult Education

The Baseline includes \$23,208,900 and 4 FTE Positions from the General Fund in FY 2025 for Adult Education. Adjustments are as follows:

Enrollment Increase

The Baseline includes an increase of \$1,540,000 from the General Fund in FY 2025 for an enrollment increase in the Continuing High School and Workforce Training Program. Pursuant to Section 14 of the FY 2024 K-12 BRB, the enrollment cap for the program increases from 600 in FY 2024 to 800 in FY 2025. Given that statute requires ADE to provide \$7,700 per participating student, the cost of the additional 200 students would be \$1,540,000.

Administrative Funding Adjustment

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 to adjust the administrative funding level for the Continuing High School and Workforce Training Program, the Adult Workforce Diploma Program, and the Community College Adult Education Workforce Development Program from \$250,000 in FY 2024 to \$150,000 in FY 2025. This change was included in the 3-year spending plan associated with the FY 2024 budget.

Background – The Adult Education program in ADE provides instruction in the following areas to adult learners who are at least 16 years of age: 1) English language acquisition; 2) adult basic education, including GED preparation; 3) adult secondary education; 4) civics; and 5) basic computer literacy skills.

The Baseline continues a General Appropriation Act footnote that stipulates minimum allocations to specific Adult Education programs:

- \$6,160,000 is for the Continuing High School and Workforce Training Program established in A.R.S. § 15-217.01. The program provides \$7,700 per student to districts and charter schools that contract with a nonprofit organization to provide adults with alternative study services that lead to a high school diploma and industry-recognized credentials. Section 14 of the FY 2024 K-12 BRB limits total participation in the program to 600 in FY 2024, 800 in FY 2025, and 1,400 in FY 2026 and each year thereafter. The original authorizing language in the FY 2023 K-12 BRB had an earlier phase-in of the program caps, which would have reached 1,400 students by FY 2025. The delay in the full phase-in to 1,400 students is due to lower-than anticipated enrollment in the first year of the program (FY 2023).
- \$6,000,000 is for deposit in the Adult Workforce Diploma Program Fund established in A.R.S. § 15-217.02. The Adult Workforce Diploma Program is established to assist adults in earning a high school diploma and earning career and technical skills in a campus-based, online, or blended format. Payments to providers range from \$250 to \$1,000 per program milestone completed by participating students.
- \$6,000,000 is for deposit in the Community College Adult Education Workforce Development Program Fund established in A.R.S. § 15-217.03. The Community College Adult Education Workforce Development Program authorizes Community College Districts to establish programs for adults to provide a high school diploma or high school equivalency diploma and an industry-recognized credential or community college degree. Participating community college districts may receive up to \$3,000 per full-time student and may use a portion of the monies to provide support services to participating adults, such as transportation and child care.

Alternative Teacher Development Program

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for an Alternative Teacher Development Program. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(800,000) from the General Fund in FY 2025 to remove one-time funding for the Alternative Teacher Development Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – The program is authorized by A.R.S. § 15-552, which requires the establishment of an alternative teacher development program for accelerating the placement of highly qualified individuals into low-income schools. Monies in the line item have been distributed to the Teach for America program.

Arizona Civics Education and Leadership Development Program

The Baseline includes no funding in FY 2025 for the Arizona Civics Education and Leadership Development Program. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2025 to remove one-time funding for the Arizona Civics Education and Leadership Development Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – The FY 2024 K-12 Education BRB established the Program to fund grants to nonprofit organizations to provide civics education and leadership development training to middle school and high school students.

Arizona English Language Learner Fund

The Baseline includes \$4,960,400 from the General Fund in FY 2025 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2024.

A.R.S. § 15-756.04 establishes the Arizona English Language Learner Fund for distribution of monies to school districts and charter schools for instruction to English language learners that supplements monies received via the English Language Learner Group B weight. The department distributed \$4,609,600 to public schools from the fund in FY 2023.

Art Consumables

The Baseline includes no funding in FY 2025 for art consumables. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 to remove one-time funding for art consumables. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background - A General Appropriation Act footnote required ADE to use the FY 2024 appropriation to provide grants of up to \$1,000 per recipient to public school art teachers and teachers for preschool through third grade for consumable art supplies, materials, and instructional aids.

Broadband Expansion Fund Deposit

The Baseline includes no funding in FY 2025 for a Broadband Expansion Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes an decrease of \$(5,000,000) from the General Fund in FY 2025 to remove funding for a one-time deposit in the Broadband Expansion Fund. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – Monies in the Fund are used to provide state matching monies to schools, school districts, and libraries for broadband connectivity construction projects eligible for the federal E-Rate Program. Under the program, eligible schools, school districts, and libraries may receive a discount from the federal government, ranging from 20% to 90% based on school poverty levels, for costs associated with telecommunications, Internet access, and internal connections. A.R. S. § 15-249.07 requires ADE to report to JLBC by December 31st and June 30th annually on broadband projects funded with fund monies and the number of students served.

Center for High School Success

The Baseline includes no funding in FY 2025 for a Center for High School Success. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding for a Center for High School Success. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

College Credit by Examination Incentive Program

The Baseline includes \$7,472,100 from the General Fund in FY 2025 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2024.

Background – The CCEIP provides incentive bonuses to teachers, school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit (e.g. Advanced Placement) while in high school pursuant to A.R.S. § 15-249.06. The bonus is \$450 per passing score for a student who is enrolled in a school district or charter school where at least 50% of students are eligible for free or reduced-price lunches under the Federal School Lunch program; otherwise, it is \$300 per passing score. Bonuses shall be reduced proportionately if the appropriated amount is insufficient to fully fund them.

For FY 2023, ADE reports that districts and charter schools qualified for \$7,153,200 in program awards. This amount includes \$6,543,000 for awards for 21,810 exams passed in schools with less than 50% FRPL-eligibility (\$300 per exam) and \$610,200 for 1,356 exams passed in schools with 50% or more FRPL-eligibility (\$450 per exam). Given that the \$7,153,200 of awards was lower than the \$7,472,100 appropriation for that year, eligible schools received the full award amount without proration.

College Placement Exam Fee Waiver

The Baseline includes \$1,265,800 from the General Fund in FY 2025 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2024.

Background – This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. ADE currently covers \$53 per regular Advanced Placement Exam and \$101 per AP Seminar and AP Research Exam, resulting in a net cost of \$0 for the qualifying student.

Computer Science Professional Development Program

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for a Computer Science Professional Development Program. This amount is unchanged from FY 2024.

The program is authorized by A.R.S. § 15-249.12, which also establishes the Computer Science Professional Development Program Fund (CSPDPF). It requires the department to distribute program grants on a first-come,

first-served basis to schools that previously did not provide high school computer science instruction. Grant monies may be used to provide training for prospective computer science teachers. The program also requires the second half of state General Fund funding for the program each year to be matched with private monies or in-kind donations and establishes reporting requirements for the program.

CTED Certification Exam Fee Reimbursement

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for CTED Certification Exam Fee Reimbursement. This amount is unchanged from FY 2024.

Background – This line item funds a deposit in the Industry-Recognized Certification and Licensure Reimbursement Fund established by A.R.S. § 15-1265. Monies in the fund are used to eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for FRPL-eligible students. To qualify, eligible students must pass a certificate or license exam related to a career and technical education program and apply to their CTED to receive reimbursement. If monies in the fund are insufficient to fund all eligible exams, the reimbursement is reduced in proportion to each exam's cost.

CTED Completion Grants

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for CTED Completion Grants. This amount is unchanged from FY 2024.

A footnote in the General Appropriation Act stipulates that program monies are intended to help fund program completion for students who complete at least 50% of a CTED program before graduating from high school and who successfully complete the program after graduating from high school. The department shall award grant funding only after an eligible student has successfully completed a CTED program. If the appropriated amount is insufficient to fund all grant requests from CTEDs, the department shall reduce grant amounts on a proportional basis to cap total statewide allocations at \$1,000,000. Program funding is non-lapsing for 1 year beyond the budget year. The Baseline continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2026).

CTED Soft Capital and Equipment

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2024.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation Act requires the department to distribute the appropriated amount to CTEDs with fewer than 2,000 ADM pupils on a pro rata basis for soft capital and equipment expenses. The Baseline continues this footnote for FY 2025.

Dual Enrollment Student Development Fund Deposit

The Baseline includes no funding in FY 2025 for a Dual Enrollment Student Development Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2025 to remove funding for a one-time deposit in the Dual Enrollment Student Development Fund. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – The FY 2024 K-12 Education BRB established the fund to be used to reimburse students at a level of \$50 per credit hour who obtain a passing grade in a qualifying dual enrollment course. Students enrolled in grades 9 or 10 can receive up to \$300 per school year from the fund, and students enrolled in grades 11 or 12 can receive up to \$600 from the fund. ADE must prioritize distributions to providers that serve students who are eligible for the federal Free and Reduced-Price Lunch (FRPL) program.

Dual Enrollment Teacher Development Fund Deposit

The Baseline includes no funding in FY 2025 for a Dual Enrollment Teacher Development Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 to remove funding for a one-time deposit in the Dual Enrollment Teacher Development Fund. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – The FY 2024 K-12 Education BRB established the fund to be used to provide an incentive bonus up to \$1,000 to qualified teachers who teach a dual enrollment course. If monies in the fund are insufficient to fund all bonus awards, the reimbursement is reduced in proportion to each exam's cost.

Early Education and Career Exploration Program

The Baseline includes no funding in FY 2025 for an Early Education and Career Exploration Program. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for the Early Education and Career Exploration Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – The FY 2024 K-12 Education BRB requires ADE to contract with a nonprofit entity to provide a career mapping tool for students and training and resources for public schools to create, monitor, review, and update career action plans for each student in grades 9 through 12.

Early Literacy

The Baseline includes \$18,880,000 and 3 FTE Positions from the General Fund in FY 2025 for Early Literacy. These amounts are unchanged from FY 2024.

Background – This line item funds the following early literacy programming:

- Deposits in the Early Literacy Grant Program Fund (ELGPF) established A.R.S. § 15-249.09. The fund provides grants to schools with at least 90% FRPL-eligibility on a per pupil basis to improve reading proficiency among K-3 pupils. Eligible expenses include literacy coaches and literacy specialists, reading curricula, kindergarten readiness assessments, summer programs, or tutoring.
- Literacy coaches to assist low-performing schools.
- Costs of administering the kindergarten entry assessment authorized by A.R.S. § 15-701.
- Dyslexia trainings required by the K-3 Reading Program established by A.R.S. § 15-211.
- Fees associated with the Science of Reading exam for K-5 literacy instructions pursuant to A.R.S. § 15-501.01.

Education Learning and Accountability System

The Baseline includes \$5,446,700 and 24.2 FTE Positions from the General Fund in FY 2025 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2024.

Background – The monies in this line item are for continued maintenance and operation of ELAS, which ADE uses to “collect, compile, maintain and report student level data for students attending public educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades 1 through 12 and postsecondary educational programs in this state” (A.R.S. § 15-249A). (*See the ADOA – Automation Projects Fund narrative*)

English Learner Administration

The Baseline includes \$6,597,000 and 13.5 FTE Positions from the General Fund in FY 2025 for English Learner Administration. These amounts are unchanged from FY 2024.

Background - The program is responsible for administering the Arizona English Language Learner Assessment (“AZELLA”) test, which is used to determine whether a student should be classified as an “English Language Learner” (ELL) as defined in A.R.S. § 15-901B9. Students who are classified as ELLs are required to enroll in English language education (*See FY 2011 and FY 2020 Appropriations Reports for history.*)

Feminine Hygiene Products

The Baseline includes no funding in FY 2025 for feminine hygiene products. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding to provide feminine hygiene products at no cost at Arizona public schools. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Flagstaff Robotics Program

The Baseline includes \$20,000 from the General Fund in FY 2025 for the Flagstaff Robotics Program. This amount is unchanged from FY 2024.

Background – The 3-year spending plan associated with the enacted budget assumes that the \$20,000 distribution

would continue on a one-time basis in FY 2025 and FY 2026.

Geographic Literacy

The Baseline includes \$100,000 from the General Fund in FY 2025 for Geographic Literacy. This amount is unchanged from FY 2024.

Background – Based upon a footnote, the program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Assessments

The Baseline includes \$850,000 from the General Fund in FY 2025 for Gifted Assessments. This amount is unchanged from FY 2024.

Background – Monies in this line item are used for a contract between ADE and a vendor to administer a gifted screening assessment that is available to all 2nd graders in Arizona public schools at no charge.

Gila County Jail Education

The Baseline includes no funding in FY 2025 for Gila County Jail Education. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(10,000) from the General Fund in FY 2025 to remove one-time funding for the jail education program in Gila County. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – County jail education programs serve pupils aged 21 years old or younger who are currently in jail and who do not have a high school diploma or general equivalency diploma.

Jobs for Arizona Graduates

The Baseline includes \$500,000 from the General Fund in FY 2025 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2024.

The Baseline continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization. The program annually provides approximately 1,300 Arizona students with college and career readiness services as well as interventions for students at risk of dropping out of high school.

Juvenile Detention Centers

The Baseline includes no funding in FY 2025 for juvenile detention centers. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(52,600) from the General Fund in FY 2025 to remove one-time funding for juvenile detention centers. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – A General Appropriation Act footnote stipulates that the FY 2024 appropriated amount includes \$22,600 for Yavapai County, \$20,000 for Pinal County and \$10,000 for Maricopa County. A.R.S. § 15-913 establishes a funding formula for county juvenile detention education programs not operated through an accommodation school. The appropriated amounts for Yavapai, Pinal, and Maricopa counties are in addition to that funding formula.

K-12 Transportation Formula Study

The Baseline includes no funding in FY 2025 for a K-12 Transportation Formula Study. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 to remove one-time funding for a K-12 Transportation Formula study. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – A General Appropriation Act footnote requires ADE to use the FY 2024 appropriation to develop a per pupil weighted transportation funding formula for K-12 students. ADE must report to the President of the Senate, the Speaker of the House, the Chairpersons of the House and Senate Education Committees, JLBC, and OSPB on the results of the study by December 31, 2023.

Live, Remote Instructional Courses

The Baseline includes \$100,000 from the General Fund in FY 2025 for Live, Remote Instructional Courses. This amount is unchanged from FY 2024.

Background – The FY 2024 K-12 Education BRB allows a school district or charter to contract with another school district or charter to offer live, remote instruction to its own students in grades 9 through 12. ADE must pay an incentive bonus of \$500 for each student who receives a passing grade in a live, remote instruction course to a

school district or charter school that acts as a live, remote instruction service provider. If the total cost of rewards exceeds the appropriation, ADE must reduce all awards proportionally to cover all eligible rewards. A General Appropriation Act footnote exempts the appropriation from lapsing until December 31, 2025.

The 3-year spending plan associated with the enacted budget assumes that an additional \$100,000 distribution would be made in FY 2025 on a one-time basis.

Nonprofit Education Initiatives

The Baseline includes no funding in FY 2025 for Nonprofit Education Initiatives. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 to remove one-time funding for nonprofit education initiatives. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – A General Appropriation Act footnote requires ADE to distribute the appropriation to a Scottsdale-based 501(c)(3) nonprofit that provides scholarships and other education programming and promotes youth activities, sports, and cultural enrichment.

Nonprofit Low-Income Assistance

The Baseline includes no funding in FY 2025 for Nonprofit Low-Income Assistance. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 to remove one-time funding for nonprofit low-income assistance. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – A General Appropriation Act footnote requires ADE to distribute the appropriation to a 501(c)(3) nonprofit that provides low-income children in kindergarten programs and grades 1 through 8 with new clothing and shoes, hygiene kits, and new books.

Phoenix Science Education Programs

The Baseline includes no funding in FY 2025 for Phoenix Science Education Programs. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2025 to remove one-time funding for Phoenix Science Education Programs. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – A General Appropriation Act footnote requires ADE to distribute the money to a Phoenix-based organization that provides STEM education programs and professional development training.

Public School Campus Community Gardens

The Baseline includes no funding in FY 2025 for Public School Campus Community Gardens. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 to remove one-time funding for public school campus community gardens. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time. The appropriation is non-lapsing.

Public School Campus Trees

The Baseline includes no funding in FY 2025 for Public School Campus Trees. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2025 to remove one-time funding for public school campus trees. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – A General Appropriation Act footnote requires ADE to distribute the appropriation until December 31, 2023 for grants to public schools where at least 75% of students are FRPL-eligible to plant low-biogenic volatile organic compound-emitting trees that are appropriate for each school's respective climate. After December 31, 2023, ADE may distribute the monies to public schools on a first-come, first-served basis. The appropriation is non-lapsing.

School Safety Program

The Baseline includes \$81,992,400 and 4 FTE Positions in FY 2025 for the School Safety program. These amounts consist of:

General Fund	74,192,400
Education Sales Tax - School Safety	7,800,000

These amounts are unchanged from FY 2024.

Background – The School Safety Program established in A.R.S. § 15-154 allows schools to apply for grant monies to support the costs of placing school resource officers (SROs), juvenile probation officers (JPOs), school counselors, and school social workers on school campuses.

Funding is allocated by the Department of Education and is subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. School district and charter schools receive funding for up to a 3-year period and may annually submit a modified spending plan if they are approved for a grant. The Baseline modifies a General Appropriation Act footnote that requires ADE to prioritize grants for school districts and charter schools that are on the waiting list to receive funding for an SRO or JPO, by removing references to a specific appropriated amount.

In May 2023, the State Board of Education approved ADE's proposed awards for the School Safety Grant Program for FY 2024 through FY 2026. Those awards include 869 positions, consisting of \$39,299,100 for 303 SROs and JPOs and \$45,223,400 for 566 school counselors and social workers. The department reports that all SRO and JPO applications were funded, while there are a remaining 182 school counselor and social worker positions on the program waiting list.

In October 2023, ADE announced its plan to contract with a third party to fill SRO positions in schools that have been selected to receive a grant. If schools fail to fill their funded positions by December 31, 2023, ADE will make additional reallocations.

State Block Grant for Vocational Education

The Baseline includes \$11,774,300 and 27 FTE Positions from the General Fund in FY 2025 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2024.

Background – The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. ADE also receives federal funding each year for CTE programs pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006, most of which is passed on to local CTE programs. For FY 2024, the department will receive an estimated \$33,726,600 in Perkins funding. Perkins funding is subject to a federal maintenance-of-effort

(MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

Student Level Data Access

The Baseline includes \$359,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2025 for Student Level Data Access. This amount is unchanged from FY 2024.

Background – This line item provides funding for ADE's costs associated with providing student level data access pursuant to A.R.S. § 15-1043, which requires ADE to allow access to student level data for county school superintendents, the State Board of Education, and the State Board of Charter Schools.

Teacher Certification

The Baseline includes \$2,544,600 and 22.9 FTE Positions in FY 2025 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,365,100

These amounts are unchanged from FY 2024.

Background – The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Teacher Professional Development

The Baseline includes no funding in FY 2025 for Teacher Professional Development. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2025 to remove one-time funding for the Professional Development and Support Personnel Pilot Program established by the FY 2024 K-12 Education BRB. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – The program will provide funding for school districts with a low teacher experience index to hire professional development and support staff for new and transferring teachers. In FY 2024, ADE is required to distribute 50% of the appropriation to Maricopa and Pima Counties, and the remaining 50% to all other counties.

Tribal College Dual Enrollment Program

The Baseline includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2025 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2024.

Background – A.R.S. § 15-244.01 establishes the Tribal College Dual Enrollment Program Fund and authorizes it to annually receive 15% of unclaimed lottery prize monies up to \$325,000, subject to legislative appropriation, pursuant to A.R.S. § 5-568, plus any other appropriations, gifts, grants, devices and other contributions. The fund compensates tribal colleges for tuition and fees that they waive for high school students who are dual enrolled in tribal college classes.

Youth Summer Education Program

The Baseline includes no funding in FY 2025 for a Youth Summer Education Program. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 for a Youth Summer Education Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

Background – A General Appropriation Act footnote requires ADE to distribute the appropriation to a nonprofit based in Globe that provides summer education programs for youth.

Other Issues

This section includes information on the following topics:

General Issues

- FY 2024 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123
- Aggregate Expenditure Limit
- Education Sales Tax

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

FY 2024 Ex-Appropriation

The Baseline assumes that ADE will incur a General Fund surplus in its formula programs of \$(43,859,500) in FY 2024. The estimated surplus consists of:

- \$(36,962,900) from lower-than-budgeted expenses for Basic State Aid formula programs. This amount consists of a net surplus of \$(115,039,500) for lower public school enrollment (actual of (1.0)% decline versus originally assumed growth of 0.4%), partially offset by ESA awards exceeding the original allocation by \$78,076,600 (*Please see Basic State Aid line item for additional details*).
- \$(6,896,600) for lower-than-anticipated expenses for the Homeowner's Rebate.

The Baseline assumes the surplus will be realized via a General Fund ex-appropriation. The final estimated surplus could be higher or lower than \$(43,859,500) as additional caseload and spending data become available during FY 2024.

Statutory Changes

The Baseline would:

Formula Requirements

- As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.
- As permanent law, allocate \$37,000,000 to increase Group B weight in Basic State Aid formula for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program as part of the enacted FY 2023 budget's 3-year plan.
- As permanent law, allocate \$23,142,000 to increase DAA pursuant to Section 128 of the FY 2023 General Appropriation Act. The estimated increase in the per pupil amounts in the DAA formula for FY 2025 above FY 2024 will be 4.62%.
- As permanent law, allocate \$5,858,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations as part of the enacted FY 2023 budget's 3-year plan. Including regular 2.0% inflation adjustment, results in total CAA increase of 3.19% for FY 2025.
- 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 2025.

Other

- As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
- As session law, continue to notwithstanding A.R.S. 15-241 to allow ADE to expend monies in FY 2025 from the Failing Schools Tutoring Fund for school improvement.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase \$488,124,000 in FY 2026 compared with FY 2025 and increase by \$175,439,500 in FY 2027 above FY 2026. These estimates are based on:

- Enrollment declines of (0.2)% in FY 2026 and (0.6)% in FY 2027.
- GDP inflators of 2.0% for FY 2026 and FY 2027. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.05% for FY 2026 and 1.95% for FY 2027.
- General Fund increase of \$284,767,400 in FY 2026 for endowment earnings changes. The General Fund increase in FY 2026 assumes the increase in land trust endowment earnings distributions from 2.5% to 6.9% required by Proposition 123 would expire in FY 2026.
- An increase of \$4,600,000 each of FY 2026 and FY 2027 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% each year pursuant to Laws 2021, Chapter 412.
- A decrease of \$(100,000) in FY 2026 and \$(20,000) in FY 2027 to remove funding designated as one-time.

Endowment Earnings

In FY 2023, endowment earnings from state trust lands funded \$459,807,000 of Basic State Aid and K-12 Classroom Site Fund costs. Endowment earnings originate from the sale or lease of lands that the federal government deeded to Arizona in the Enabling Act in 1910 to provide support for public functions such as education. Approximately 9.2 million of the original 11.0 million acres of state trust lands remain, of which approximately 87% (8.1 million acres) are for the benefit of public schools.

The rest are designated mostly for the benefit of universities and corrections. K-12 education therefore is by far the largest beneficiary of earnings generated from state trust lands.

The State Land Department and State Treasurer both generate endowment earnings from state trust lands. The State Land Department generates endowment earnings primarily by selling or leasing state trust lands and natural products from trust lands. The State Treasurer generates endowment earnings by investing monies received from the State Land Department from the sale of state trust lands and related natural products in stocks, bonds and other income-earning investments.

State trust land earnings are considered either "permanent" or "expendable" depending on whether they are one-time in nature. Only expendable monies are distributed to beneficiaries, as permanent monies are considered to be part of the original endowment and must be reinvested rather than distributed to beneficiaries. Permanent monies include one-time proceeds from the sale of state trust lands and natural products from state trust lands. Expendable monies include ongoing income that the State Land Department generates from leases, permits and interest from sales contracts and a portion of investment returns generated by the State Treasurer.

The portion of Treasurer land trust earnings that is considered expendable is determined by a formula prescribed in the State Constitution, since the value of invested land trust monies fluctuates daily. Prior to voter approval of Proposition 123 in May 2016, the State Constitution required the State Treasurer to distribute annually to each beneficiary (such as public schools) a flat 2.5% of the average monthly market value of the beneficiary's permanent fund for the immediately preceding 5 calendar years.

The 2.5% factor has been superseded through FY 2025 by a new 6.9% factor, or an increase of 4.4% required by Proposition 123. The 4.4% increase exclusively funds Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis.

In FY 2024, public schools will receive an estimated \$481,607,600 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes \$57,360,600 from the Land Department and \$424,247,000 from the State Treasurer. Under the Baseline, we estimate total endowment earnings will increase to \$503,927,700 in FY 2025. In FY 2026 earnings distributed would decrease to \$227,777,200 as a result of the expiration of the 4.4% factor beginning in FY 2026. (see Table 6).

Table 6 Source of K-12 Endowment Earnings by Fiscal Year (\$ in Millions)					
Source	2023	2024	2025	2026	2027
Land Department	57.4	57.4	57.4	57.4	57.4
Treasurer	402.4	424.2	446.5	170.4	180.3
Total	459.8	481.6	503.9	227.8	237.7

Table 6 shows K-12 endowment earning uses. In FY 2025, the \$503,927,700 of expendable earnings includes \$357,030,400 for Basic State Aid and the remaining \$146,897,300 would be deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. Under the Baseline, the amount distributed for Basic State Aid is \$72,263,000 in FY 2026 and FY 2027 as a result of the expiration of the 4.4% factor from Proposition 123. A.R.S. § 37-521 stipulates that the distribution of endowment earnings from the 2.5% distribution may not exceed \$72,263,000.

The \$(284,767,400) decrease in endowment earnings distributions to Basic State Aid in FY 2026 would require a corresponding General Fund increase of the same amount under current state statute. Without a statutory change to the Basic State Aid formula, ADE would have no legal authority to reduce Basic State Aid allocations to account for the \$(284,767,400), meaning by default the General Fund would have to backfill the reduced endowment earnings distribution on a dollar-for-dollar basis.

The Legislature, however, could reduce or eliminate this backfill requirement by either 1) reauthorizing the current 6.9% distribution level via a legislatively-referred ballot measure to amend the state constitution or 2) offsetting the backfill with other adjustments in spending. Under Proposition 301, the Legislature would not be permitted to reduce either the Base Level or Transportation Support Level funding, as both amounts must be adjusted annually for inflation. As a result, the Legislature's main options within the funding formula would be reductions to District Additional Assistance or Charter Additional Assistance. The Legislature would also have the option of reducing or discontinuing the \$75,000,000 state aid supplement funding that was advance-appropriated in companion legislation with Proposition 123. *(See Proposition 123 Background on JLBC Website for more information).*

Table 7 Use of K-12 Endowment Earnings by Fiscal Year (\$ in Millions)					
Source	2023	2024	2025	2026	2027
Basic State Aid	328.9	342.8	357.0	72.3	72.3
Classroom Site Fund	130.9	138.8	146.9	155.5	165.4
Total	459.8	481.6	503.9	227.8	237.7

Proposition 123 Triggers

Economic Downturn

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic slowdown if:

- Sales tax revenue and employment both grow more than 1% but less than 2% in the prior calendar year [if only one factor falls into the 1-2% range, there is no suspension].
- It requires this suspension of inflation adjustments if sales tax revenue and employment both grow less than 1%.

The criteria for suspending the inflation rate have not been met since the enactment of Proposition 123.

Lower Trust Fund Balance

The proposition:

- Allows the state to reduce the 6.9% distribution rate to no less than 2.5% for the following fiscal year if the 5-year average balance of the State Land Trust Permanent Fund fell below the average balance of the preceding 5 years.

The criteria for reducing the distribution rate have not been met since the enactment of Proposition 123.

K-12 Percent of Budget

Beginning in FY 2025, the proposition:

- Allows the suspension of the annual inflation adjustment and a reduction in K-12 funding for the next fiscal year equal to the current year inflation adjustment if K-12 spending surpasses 49% of the total state General Fund appropriations.
- If K-12 spending surpasses 50%, allows the state to suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount.

The triggers continue to be in effect following the expiration of the 4.4% increase of the land trust endowment distribution. The budgeted K-12 spending level constitutes approximately 43.4% of total state General Fund appropriations in FY 2024, 47.5% in FY 2025, and 49.7% in FY 2026. *(Please see the FY 2017 Appropriations Report for more information on Proposition 123.)*

Aggregate Expenditure Limit

Article IX, Section 21 of the State Constitution establishes an Aggregate Expenditure Limit (AEL) that caps spending

for all school districts combined at the FY 1980 statewide level adjusted for subsequent statewide enrollment growth and inflation plus 10%. The AEL does not apply to exempted items like overrides, bonding, or charter school funding.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2021 that budgeted expenditures for school districts collectively were \$1,154,029,000 above the AEL for FY 2022. A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. Pursuant to House Concurrent Resolution 2039 in the 55th Legislature, Second Regular Session, the Legislature authorized district expenditures of \$1,154,029,000 above the AEL for FY 2022.

For FY 2023, ADE reported that budgeted district expenditures exceed the AEL by \$1,385,809,600. Pursuant to House Concurrent Resolution 2001 in the 56th Legislature, First Regular Session, the Legislature authorized district expenditures of \$1,385,809,600 above the AEL for FY 2023. In addition, the Legislature preemptively authorized districts to exceed the AEL in FY 2024 pursuant to Senate Concurrent Resolution 1041 in the 56th Legislature, First Regular Session.

A permanent increase in the AEL would require a voter-approved change to the State Constitution or adoption of a 2/3 resolution by the Legislature revising the inflation measure used to calculate the limit.

Education Sales Tax

Proposition 301, which was passed by voters in November 2000, amended A.R.S. § 42-5010 to increase the state Transaction Privilege Tax (TPT) ("sales tax") rate on most purchases from 5% to 5.6% through FY 2021 to generate more funding for public education. The Proposition 301 sales tax expired at the end of FY 2021.

Starting in FY 2022, Laws 2018, Chapter 74 replaced the additional 0.6% sales tax through June 30, 2041. Pursuant to the FY 2021 K-12 BRB, the \$64,100,000 of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301 were redirected to ADE for the costs of Basic State Aid. All other distributions remain unchanged.

Table 8 shows how education sales tax revenues are earmarked in FY 2024. Laws 2018, Chapter 74 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies

Table 8

EDUCATION SALES TAX REVENUES		Education Sales Tax Monies (FY 2024 Estimate) (\$ in Millions)
Recipient	Amount	Comment
Universities	133.5	Receive 12% of monies remaining after Basic State Aid distribution is deducted.
Community Colleges	33.4	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.3	Same formula as for community colleges.
DOR Tax System	0.8	
Income Tax Credit	25.0	For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$194.0	
Basic State Aid Distribution	\$64.1	
Additional School Days	86.3	To add 5 days to K-12 school year (180 days total).
School Safety and Character Education	8.0	\$7.8 million for School Safety (A.R.S. § 15-154) and \$0.2 million for Character Education (A.R.S. § 15-154.01).
School Accountability	7.0	For school accountability pursuant to A.R.S. § 15-241 and § 15-1041.
Failing Schools	1.5	To Failing Schools Tutoring Fund (A.R.S. § 15-241CC).
Classroom Site Fund	815.5	Receives all monies remaining after other distributions are made.
Subtotal - ADE Programs	\$982.4	
Total - Education Sales Tax	\$1,176.4	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Education Sales Tax (from above)	815.5	
Prop 301/CSF - Land Trust	139.9	
Prop 301/CSF - Carry-Forward	117.1	
Total - Classroom Site Fund	\$1,072.5 ^{1/}	

^{1/} Total estimated disbursements reported for FY 2024 in JLBC's Classroom Site Fund memo from March 2023. Amounts may not add due to rounding.

remaining after all other distributions are made. Its share equaled \$815,542,600 (69.3%) of the \$1,176,353,900 of estimated collections for FY 2024.

Classroom Site Fund

Proposition 301 also amended A.R.S. § 37-521B4 to dedicate to the Classroom Site Fund all growth in K-12 expendable land trust earnings above the amount generated by the State Treasurer and State Land Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled \$72,300,000.

Total estimated available revenues to the CSF for FY 2023 are \$1,072,539,500.

Basic State Aid Formula Description

Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula "equalizes" formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) Districts with a very strong local property tax base can generate their entire formula funding entitlement from local property taxes alone. Most school districts, however, require "Basic State Aid" monies to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district's student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district's pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school

district's "equalization base," which is its total funding entitlement under the K-12 equalization funding formula.

After a school district's equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory "Qualifying Tax Rate" (QTR) (A.R.S. § 15-971B) to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount is then subtracted from its equalization base.

If the district's combined QTR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its "local share" funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local property tax rate for schools may be lower than the QTR (such as if the QTR would raise more than the district's formula funding entitlement), or higher if the district can budget for items outside of its "Revenue Control Limit" (RCL) pursuant to A.R.S. § 15-910.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a "charter," and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter schools does not include DAA or separate transportation funding and instead consists only of BSL and Charter Additional Assistance (CAA) funding. BSL funding for charter schools is determined under the same formula prescribed for traditional public schools in A.R.S. § 15-943. CAA funding amounts are established separately in A.R.S. § 15-185B4. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Adult Workforce Diploma Program Fund (EDA1125/A.R.S. § 15-217.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To pay approved program providers in the Adult Workforce Diploma Program pursuant to A.R.S. § 15-217.02E. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,670,800	6,000,000
American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)		Non-Appropriated
Source of Revenue: Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
Purpose of Fund: To fund the American Civics Education pilot program established by Laws 2018, Chapter 289. Expenditures are not displayed to avoid double counting of the General Fund.		

Funds Expended	0	0
Year-End Fund Balance	276,400	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
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Arizona Agricultural Youth Organization Special Plate Fund (EDA2651/A.R.S. § 15-791) Non-Appropriated

Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.

Purpose of Fund: To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.

Funds Expended	175,200	175,200
Year-End Fund Balance	0	2,800

Arizona Civics Education and Leadership Development Fund (EDA2613/Laws 2023, Chapter 142) Non-Appropriated

Source of Revenue: Legislative appropriations, gifts, grants, and donations.

Purpose of Fund: For administering the Arizona Civics and Leadership Development program established in Laws 2023, Chapter 142, Section 12 and for disbursing monies to eligible nonprofit organizations participating in the program. Eligible nonprofit organizations shall use monies in the fund for civics leaders and counselors, wages for program staff, educational materials, food, beverages, clothing and transportation. Expenditures are not displayed to avoid double counting of the General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona English Language Learner Fund (EDA2535/A.R.S. § 15-756.04) Non-Appropriated

Source of Revenue: Legislative appropriations from the state General Fund.

Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.

Funds Expended	0	0
Year-End Fund Balance	2,183,700	1,561,600

Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15) Non-Appropriated

Source of Revenue: Legislative appropriations.

Purpose of Fund: To provide incentive awards to school districts, charter schools, and career technical education districts for high school graduates who obtain a certification, credential, or license that is accepted by a vocation or industry through a career technical education course or program. Expenditures are not displayed to avoid double counting of the General Fund.

Funds Expended	0	0
Year-End Fund Balance	3,394,900	0

Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172) Non-Appropriated

Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.

Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.

Funds Expended	0	0
Year-End Fund Balance	178,400	184,400

Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01) Non-Appropriated

Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.

Purpose of Fund: To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.

Funds Expended	42,300	12,000
Year-End Fund Balance	0	33,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	864,700	2,932,900
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	20,300	20,000
Year-End Fund Balance	0	0
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: A portion of the Education sales tax pursuant to A.R.S. § 42-5029.02A10 and Permanent State School Fund expendable earnings that exceed the FY 2001 level pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	947,936,000	1,018,912,500
Year-End Fund Balance	144,352,600	4,195,200
College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
Purpose of Fund: To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,241,700	1,041,700
Community College Adult Education Workforce Development Program Fund (EDA1124/A.R.S. §15-217.03)		Non-Appropriated
Source of Revenue: Legislative appropriations and any other monies.		
Purpose of Fund: To provide up to \$3,000 per full-time equivalent student to each community college district participating in the Community College Adult Education Workforce Development Program. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	5,231,300	6,000,000
Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,481,500	5,104,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid through FY 2020 pursuant to A.R.S. § 15-2402C. Laws 2020, Chapter 12 eliminated the Basic State Aid transfer to the fund beginning in FY 2021. As a result, the fund has received no new revenues since FY 2020.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE previously transferred Basic State Aid (BSA) monies to the State Treasurer to fund the Treasurer's ESA administrative costs and students' ESA distributions. Non-appropriated monies in the fund are prior year carry-forward		
Funds Expended	357,800	359,000
Year-End Fund Balance	3,729,400	3,370,400
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Non-Appropriated
Source of Revenue: Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,100	0
Year-End Fund Balance	0	0
Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	958,100	935,300
Year-End Fund Balance	686,600	701,300
Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)		Appropriated
Source of Revenue: Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
Purpose of Fund: To offset the cost of providing professional development.		
Funds Expended	0	0
Year-End Fund Balance	1,000	1,000
Dual Enrollment Student Development Fund (EDA2605/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide reimbursements to community colleges, universities, or other institutions providing a qualifying dual enrollment course of up to \$50 per credit hour for each student that obtains a passing grade in a dual enrollment course. Total reimbursements may not exceed \$300 per student for grades 9 and 10 and may not exceed \$600 per student for grades 11 and 12. Reimbursements shall be prioritized for providers who serve students eligible for free or reduced-price lunches. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Dual Enrollment Teacher Development Fund (EDA2607/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute monies in FY 2024 to provide an incentive bonus up to \$1,000 per teacher who provides instruction in at least one dual enrollment course. If the statewide sum of bonuses exceeds the amount of monies available in the fund, the bonus monies shall be reduced proportionately to cover all eligible bonus awards. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Early Education and Career Exploration Program Fund (EDA2690/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For implementing and administering the Early Education and Career Exploration Program established in Laws 2023, Chapter 142, Section 13. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	340,000	909,000
Year-End Fund Balance	1,041,600	569,400
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	32,000	26,000
Year-End Fund Balance	1,900	2,200
Education Sales Tax - Accountability (EDA1114/A.R.S. § 42-5029.02A7)		Appropriated
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A7.		
Purpose of Fund: To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	1,661,700	7,000,000
Year-End Fund Balance	5,338,500	2,684,400
Education Sales Tax - Basic State Aid (EDA1115/A.R.S. 42-5029.02A1 and A.R.S. § 42-5029.02A5)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A1 and A.R.S. § 42-5029.02A5.		
Purpose of Fund: For increased cost of basic state aid due to additional school days and teacher salary increases.		
Funds Expended	165,337,200	150,380,500
Year-End Fund Balance	0	0
Education Sales Tax - Character Education (EDA1117/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154.01)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
Purpose of Fund: To provide state matching grants to any public school that teaches a character education curriculum pursuant to A.R.S. § 15-719.		
Funds Expended	167,800	200,000
Year-End Fund Balance	269,000	201,200
Education Sales Tax - Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A8.		
Purpose of Fund: To fund tutoring for students who attend "failing" schools and to purchase materials designed to help students meet Arizona Academic Standards, pursuant to A.R.S. § 15-241. For FY 2024 only, Section 21 of Laws 2023, Chapter 142 authorizes ADE to use monies in the fund for professional development and coaching for teachers and principals, to monitor progress on academic outcomes, and outreach efforts for tutoring services.		
Funds Expended	302,100	1,500,000
Year-End Fund Balance	5,440,800	5,214,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Education Sales Tax - School Safety (EDA1116/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154)	Expenditure Authority	
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
Purpose of Fund: To provide grants to schools for the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses.		
Funds Expended	15,600,000	7,800,000
Year-End Fund Balance	7,802,400	7,802,400
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)	Non-Appropriated	
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide grants to school districts and charter schools with students receiving special education services that have incurred costs of at least the statewide per pupil funding average multiplied by 3. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,592,800	1,592,800
Federal Funds (EDA2000/A.R.S. § 35-142)	Federal Funds	
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	2,407,328,100	2,628,304,700
Year-End Fund Balance	4,550,100	(304,600)
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)	Non-Appropriated	
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	242,400	240,000
Year-End Fund Balance	0	5,000
Governor's Emergency Education Relief Fund (EDA2980/U.S. P.L. 116-136)	Federal Funds	
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	13,468,700	426,200
Year-End Fund Balance	74,100	82,900
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)	Non-Appropriated	
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	4,970,500	8,652,400
Year-End Fund Balance	4,528,300	4,307,700
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	9,641,300	8,733,800
Year-End Fund Balance	3,148,300	1,574,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	41,482,700	80,425,700
Year-End Fund Balance	56,936,000	36,936,000
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	11,939,100	13,837,000
Year-End Fund Balance	2,008,100	1,093,800
Invest in Postsecondary Success Program Fund (EDA2196/A.R.S. § 15-249.18)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To administer the Invest in Postsecondary Success Program and for distributing monies to a contracted vendor that administers college match savings accounts. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, up to \$72,263,000 of expendable earnings in the fund are available for Basic State Aid. Expendable earnings beyond the \$72,263,000 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To support common schools.		
Funds Expended	328,895,600	342,797,300
Year-End Fund Balance	7,963,500	7,963,500
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	12,498,900	13,867,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,692,300	2,517,700
Year-End Fund Balance	1,975,000	1,457,300
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2021, Chapter 404 allows \$325,000 of unclaimed lottery prize monies to be transferred to the fund annually.		
Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.		
Funds Expended	110,500	325,000
Year-End Fund Balance	916,200	916,200

Department of Emergency and Military Affairs

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
PROGRAM BUDGET			
Administration	2,611,500	5,205,900	5,205,900
Emergency Management	8,412,000	10,529,200	9,258,400
Military Affairs	120,558,700	7,568,100	7,234,200
AGENCY TOTAL	131,582,200	23,303,200	21,698,500
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	72.6	74.6	74.6 ^{1/}
Personal Services	2,438,900	2,538,900	2,538,900
Employee Related Expenditures	740,600	741,500	741,500
Professional and Outside Services	32,500	122,000	122,000
Travel - In State	207,400	1,674,800	1,674,800
Travel - Out of State	10,500	52,000	52,000
Other Operating Expenditures	1,981,600	3,000,200	2,966,300
Equipment	6,200	0	0
OPERATING SUBTOTAL	5,417,700	8,129,400	8,095,500
SPECIAL LINE ITEMS			
Emergency Services			
Emergency Hazard Mitigation	0	1,333,300	0
Emergency Management Matching Funds	1,505,900	1,544,900	1,544,900
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{2/}
Hazard Mitigation Assistance	0	462,900	462,900
Hazard Mitigation Revolving Fund Deposit	0	200,000	200,000
Military Airport Planning	84,600	90,000	90,000 ^{3/}
Nuclear Emergency Management Program	2,037,600	2,113,500	2,176,000
Border Security			
Border Security Fund Allocations	95,301,700	0	0
Border Security Fund Deposit	22,071,900	0	0
Military Affairs			
Federal Government Matching Repayment	514,200	759,200 ^{4/}	0
National Guard Cyber Response Revolving Fund Deposit	4,100	0	0
National Guard Matching Funds	379,700	3,370,000	4,129,200 ^{5/}
National Guard Tuition Reimbursement	227,500	1,000,000	1,000,000 ^{6/}
National Guard Uniform Allowance	0	300,000	0
One-Time Maintenance Backfill	37,300 ^{7/}	0	0
AGENCY TOTAL	131,582,200	23,303,200	21,698,500 ^{8/}
FUND SOURCES			
General Fund	12,171,000	21,189,700	19,522,500
<u>Other Appropriated Funds</u>			
Border Security Fund	117,373,600	0	0
Nuclear Emergency Management Fund	2,037,600	2,113,500	2,176,000
SUBTOTAL - Other Appropriated Funds	119,411,200	2,113,500	2,176,000
SUBTOTAL - Appropriated Funds	131,582,200	23,303,200	21,698,500
Other Non-Appropriated Funds	195,038,300	229,984,400	12,473,800
Federal Funds	81,022,800	157,334,200	157,334,200
TOTAL - ALL SOURCES	407,643,300	410,621,800	191,506,500

AGENCY DESCRIPTION — The department's Emergency Management Program prepares and coordinates emergency response plans for the state. The Military Affairs Program operates the Arizona National Guard and the Military Installation Fund Program.

FOOTNOTES

- 1/ Includes 3 GF and 8.5 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position from the General Fund for the administration of the Military Installation Fund. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 4/ The \$759,200 federal government matching repayment appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all fiscal year 2024-2025 monies remaining unexpended and unencumbered on December 31, 2025 revert to the state general fund. (General Appropriation Act footnote)
- 5/ The \$4,129,200 national guard matching funds appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all fiscal year 2024-2025 monies remaining unexpended and unencumbered on December 31, 2025 revert to the state general fund. (General Appropriation Act footnote)
- 6/ The appropriated amount for the national guard tuition reimbursement line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until September 30, 2025. (General Appropriation Act footnote)
- 7/ Of the amount appropriated to the department of emergency and military affairs for onetime maintenance backfill in fiscal year 2022-2023 pursuant to Laws 2022, chapter 313, section 32, \$13,300,000 from the state general fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2024 General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The Baseline includes \$8,095,500 and 63.1 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time National Guard Reaction Force Equipment

The Baseline includes a decrease of (\$33,900) from the General Fund in FY 2025 to remove one-time funding for label equipment for the National Guard Reaction Force (NGRF). Public Law 116-283 requires that all equipment used by the National Guard in support of local law enforcement have identifying labels.

Emergency Services

Emergency Hazard Mitigation

The Baseline includes no funding in FY 2025 for the Emergency Hazard Mitigation line item. Adjustments are as follows:

Remove One-Time Emergency Hazard Mitigation Funding

The Baseline includes a decrease of (\$1,333,300) from the General Fund in FY 2025 to remove one-time emergency hazard mitigation funding.

The line item provides funding to address mitigation activities throughout the state. The monies may be used for any mitigation activity, before or immediately after an emergency event, that will eliminate or reduce disaster impact and damage to public and private property.

Emergency Management Matching Funds

The Baseline includes \$1,544,900 from the General Fund in FY 2025 for Emergency Management Matching Funds. This amount is unchanged from FY 2024.

The line item provides funding for the required 1:1 match for the Federal Emergency Management Performance Grant (EMPG) not covered with existing DEMA resources. EMPG monies are allocated to DEMA who then either expends them or passes monies on to other state, county, and municipal agencies to help provide planning, training, and other preparation for natural hazards and

emergencies. In FY 2023, DEMA was awarded \$7,316,000 by the federal government.

In FY 2023, the state match for these monies was funded by \$876,800 from the General Fund operating budget appropriation, \$1,642,100 from the Emergency Management Matching Funds line item appropriation, \$742,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,054,600 match from the local government sub-recipients.

In FY 2024 DEMA expects to receive \$5,340,600 in EMPG funds.

Governor's Emergency Fund

The Baseline includes \$4,000,000 from the General Fund in FY 2025 for the Governor's Emergency Fund. This amount is unchanged from FY 2024.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

Hazard Mitigation Assistance

The Baseline includes \$462,900 and 2 FTE Positions from the General Fund in FY 2025 for the Hazard Mitigation Assistance line item. Adjustments are as follows:

One-Time Hazard Mitigation Assistance Funding

The Baseline continues one-time funding of \$462,900 and 2 FTE Positions from the General Fund in FY 2025 for hazard mitigation assistance funding. The FY 2024 budget's 3-year spending plan included one-time funding of \$462,900 in both FY 2024 and FY 2025.

The line item provides funding for 2 FTE Positions that will assist in writing applications for new federal mitigation grants. The new federal grants include the following programs: Building Resilient Infrastructure and Communities (BRIC), Hazard Mitigation Grant Program (HMGP), Legislative Pre-Disaster Mitigation (L-PDM), and Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM Act).

In addition to mitigation activities, the new federal funds may be used to pay for the salary costs of the employees that applied for the federal grants. However, the department anticipates a 2-year delay between the time they apply for the new federal funds and when they

receive the new funds. Starting in FY 2026, DEMA anticipates the added positions will be funded entirely from the newly acquired federal grants.

Hazard Mitigation Revolving Fund Deposit

The Baseline includes \$200,000 from the General Fund in FY 2025 for the Hazard Mitigation Revolving Fund Deposit line item. Adjustments are as follows:

One-Time Hazard Mitigation Revolving Fund Deposit Funding

The Baseline continues \$200,000 from the General Fund in FY 2025 for a deposit into the Hazard Mitigation Revolving Fund. The FY 2024 budget's 3-year spending plan also includes one-time funding of \$200,000 through FY 2026 with the assumption that it would continue through FY 2028.

The line item provides funding for a state match to draw down monies from the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM Act). Monies from the STORM Act may be used by the state to establish revolving loan funds that provide hazard mitigation funding for local governments to reduce risks from natural disasters and events.

Military Airport Planning

The Baseline includes \$90,000 and 1 FTE Position from the General Fund in FY 2025 for Military Airport Planning. These amounts are unchanged from FY 2024.

A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position to the department and \$85,000 to the Attorney General for administration of the Military Installation Fund. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

The Military Installation Fund currently has no ongoing revenue source. At the end of FY 2023, the fund had an unreserved balance of \$2,070,600.

Nuclear Emergency Management Program

The Baseline includes \$2,176,031 and 8.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2025 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

New NEMF Assessment

The Baseline includes an increase of \$62,500 from NEMF in FY 2025 for a new NEMF assessment.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2024		FY 2025	
	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	8.50	\$2,113,549	8.50	\$2,176,031
Agriculture	<u>2.88</u>	<u>321,319</u>	<u>2.88</u>	<u>308,569</u>
Total	11.38	\$2,434,868	11.38	\$2,484,600

Laws 2023, Chapter 114 appropriates \$2,113,549 and 8.5 FTE Positions from NEMF in FY 2024 and \$2,176,031 and 8.5 FTE Positions from NEMF in FY 2025.

As a result, these monies do not appear in the General Appropriation Act. DEMA and the Department of Agriculture received monies from Chapter 114. The NEMF appropriation amounts for FY 2024-2025 are displayed in *Table 1. (Please see the Department of Agriculture for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation. The Legislature enacts this revised fee level in a bill outside of the budget process.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training and testing necessary to comply with federally prescribed criteria.

Border Security

Border Security Fund Allocations

The Baseline includes no funding in FY 2025 for the Border Security Fund Allocations. line item. This amount is unchanged from FY 2024.

Laws 2022, Chapter 321 diverts \$209,205,000 of transaction privilege tax (TPT) revenues in FY 2023 from the General Fund to the Border Security Fund. Section 110 of the FY 2023 General Appropriation Act appropriates the \$209,205,000 to DEMA and allocates the funding for various purposes. (The Border Security Fund is otherwise a non-appropriated fund). DEMA is required to allocate the FY 2023 appropriation in consultation with the Department of Public Safety (DPS) as follows:

- \$20,000,000 to distribute to Cochise County for up to 20% of the costs to construct a county jail.
- \$15,000,000 to reimburse a county or local law enforcement agency for costs incurred for participating in a program with the U.S. Immigration and Customs Enforcement (ICE).
- \$10,000,000 for deposit into the Antihuman Trafficking Grant Fund. Of this amount, \$2,000,000 is for the DPS Arizona County Terrorism Information Center (ACTIC) and \$8,000,000 is for grants of up to \$500,000 to local law enforcement agencies for programs that reduce human trafficking.
- \$30,000,000 for distribution to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with border-related crimes.
- \$10,000,000 for costs incurred by the Arizona National Guard in the Southern Arizona border region.
- \$10,000,000 for emergency health care and testing for immigrants along the southern border.
- \$15,000,000 for transportation of individuals seeking asylum to other states in the U.S.
- \$53,405,000 to distribute to ADOA 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 for the chain of command in the Arizona State Guard.
- \$30,000,000 for construction costs of a state emergency operations center.
- \$15,000,000 to distribute to DPS for the construction of a southern border coordinated response center.

The allocations listed above are exempt from lapsing. DEMA is required to submit a quarterly report, in consultation with the Arizona Department of Homeland Security and DPS, to JLBC on the status of the project allocations and until the monies are fully expended. *(Please see the [Border Security Fund](#) program summary for more information on the latest quarterly report).*

In addition, the FY 2023 budget permits DEMA to transfer spending authority between and within the allocations listed above. Before making a transfer, the department is

required to submit the proposed transfer to JLBC for review.

In addition to the \$209,205,000 diversion described above, Laws 2022, Chapter 334 diverted \$335,000,000 of transaction privilege tax (TPT) revenues from the General Fund to the Border Security Fund in FY 2023 for other purposes. DEMA is required to use these monies to construct and maintain a physical border fence, to purchase or install border security technologies, including cameras, sensors, drones, software and other surveillance equipment, and to pay associated administrative costs. DEMA is required to submit the same quarterly report as required for the \$209,205,000 allocation described above.

Laws 2023, Chapter 133 permits that the \$335,000,000 of TPT revenues diverted from the General Fund to the Border Security Fund by Laws 2022, Chapter 334 may also be used for any other purpose authorized under the Border Security Fund. The purposes of the Border Security Fund include preventing human trafficking and unlawful entry into the U.S., constructing and maintaining commercial vehicle inspection infrastructure in the state, clearing nonindigenous plants, and granting monies to counties for secure housing and prosecution costs.

Of the \$335,000,000 amount described above, the Governor intends to distribute \$31,366,200 to the municipalities of Somerton, Wellton, and Yuma as well as the Cocopah Indian Tribe. These monies will be utilized by the recipients for various border security related efforts including technology, vehicles and additional staff focused on combatting border related crimes. The monies will be distributed as follows: \$18,472,200 to Yuma County Sheriff's Office, \$9,286,300 to Yuma Police Department, \$2,300,400 to Cocopah Police Department, \$1,214,200 to Somerton Police Department, and \$93,100 to Wellton Police Department.

Table 2 delineates the total amount of TPT diversions made to the Border Security Fund in FY 2023 by purpose.

Military Affairs

Federal Government Matching Repayment

The Baseline includes no funding in FY 2025 for the Federal Government Matching Repayment line item. Adjustments are as follows:

Table 2

Border Security Fund Allocations

FY 2023 Allocation

<i>Laws 2022, Chapter 313</i>	
Cochise County Jail	\$20,000,000
Local ICE Reimbursement	15,000,000
Antihuman Trafficking Grant Fund	10,000,000
Local Prosecution Costs	30,000,000
Arizona National Guard	10,000,000
Emergency Testing and Care	10,000,000
Asylum Transportation	15,000,000
Deputy Sheriff Compensation	53,405,000
State Guard – Chain of Command	800,000
Emergency Operations Center	30,000,000
Coordinated Response Center	<u>15,000,000</u>
Subtotal	\$209,205,000
<i>Laws 2022, Chapter 334</i>	
Border Fence and Border Security Technologies	\$335,000,000
Total	\$544,205,000

Federal Government Matching Repayment Budget Shift

The Baseline includes a decrease of (\$759,200) from the General Fund in FY 2025 to shift funding from the Federal Government Matching Repayment line item to the National Guard Matching Funds line item. Prior to the inclusion of this funding in the FY 2023 budget, the state was not paying the federal government the full state match required for facility maintenance. This ongoing funding resolves the ongoing deferred maintenance backlog for National Guard readiness centers.

A General Appropriation Act footnote makes the FY 2024 appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2024 monies remaining unexpended and unencumbered on December 31, 2024 revert to the General Fund.

The line item provided ongoing funding to provide a full 100% state match for federal dollars received to fund employee salaries and facility maintenance.

National Guard Matching Funds

The Baseline includes \$4,129,200 from the General Fund in FY 2025 for the National Guard Matching Funds line item.

Federal Government Matching Repayment Budget Shift

The Baseline includes an increase of \$759,200 from the General Fund in FY 2025 to shift funding from the Federal Government Matching Repayment line item to the

National Guard Matching Funds line item. Prior to the inclusion of this funding in the FY 2023 budget, the state was not paying the federal government the full state match required for facility maintenance. This ongoing funding resolves the ongoing deferred maintenance backlog for National Guard readiness centers.

The line item provides state funding to DEMA that serves as a match to federal grants for the operational and maintenance costs associated with National Guard facilities. These matching funds are for military grants, whereas the Emergency Management Matching Funds line item is for emergency-related grants. These military grants have a matching requirement of 5-50%.

The operations and maintenance for these facilities are paid through service contracts. The Baseline continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2025 monies remaining unexpended and unencumbered on December 31, 2025 revert to the state General Fund.

In FY 2023, DEMA received \$53,154,800 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$2,527,500 required a 50% match, or \$1,263,800; \$3,751,200 required a 25% match, or \$937,800; and \$3,634,300 required a 5.5% match, or \$199,900, for a total required match of \$2,401,400.

National Guard Tuition Reimbursement

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2024. DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen. The Baseline exempts monies in this line item from lapsing until September 30, 2025.

National Guard Uniform Allowance

The Baseline includes no funding in FY 2025 for the National Guard Uniform Allowance line item. Adjustments are as follows:

Remove One-Time National Guard Uniform Allowance Increase

The Baseline includes a decrease of (\$300,000) from the General Fund in FY 2025 for one-time National Guard uniform allowance funding.

A.R.S. § 26-157 requires that each newly commissioned or warranted officer in the Arizona National Guard receive an annual allowance of \$250 for uniforms and related equipment. The funding from this line item is intended to provide the uniform allowance required under statute.

One-Time Maintenance Backfill

The Baseline includes no funding in FY 2025 for the One-Time Maintenance Backfill line item. This amount is unchanged from FY 2024.

The FY 2023 budget appropriated \$13,300,000 from the General Fund for one-time costs associated with resolving a deferred maintenance backlog at the National Guard readiness centers facilities to prevent facility closures.

A General Appropriations Act footnote made this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Anti-Human Trafficking Grant Fund (MAA2606/A.R.S. § 26-106)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute to programs to reduce human trafficking in the state of Arizona.		
Funds Expended	0	6,825,900
Year-End Fund Balance	8,000,000	1,174,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Border Security Fund (MAA2655/A.R.S. § 26-105)		Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and other donations.		
Purpose of Fund: Monies may be used for preventing human trafficking; preventing entry of unlawful individuals and substances into the United States; planning, designing, constructing and maintaining transportation, technology and commercial vehicle inspection infrastructure at the state's international border; clearing indigenous plants; administering and managing construction and maintenance of a physical border fence; awarding grants to counties to provide housing in secure facilities and awarding grants to counties for prosecuting individuals who commit crimes related to unlawful entry of individuals or substances. Some expenditures are not displayed to avoid double counting the General Fund. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	117,373,600	0
Year-End Fund Balance	0	0
Border Security Fund (MAA2655/A.R.S. § 26-105)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and other donations.		
Purpose of Fund: Monies may be used for preventing human trafficking; preventing entry of unlawful individuals and substances into the United States; planning, designing, constructing and maintaining transportation, technology and commercial vehicle inspection infrastructure at the state's international border; clearing indigenous plants; administering and managing construction and maintenance of a physical border fence; awarding grants to counties to provide housing in secure facilities and awarding grants to counties for prosecuting individuals who commit crimes related to unlawful entry of individuals or substances. Some expenditures are not displayed to avoid double counting the General Fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	194,731,400	221,580,500
Year-End Fund Balance	266,385,600	44,805,100
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Federal Funds
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility and for the operation and maintenance of National Guard facilities in Arizona.		
Funds Expended	9,692,400	14,663,800
Year-End Fund Balance	14,346,800	14,346,700
Coronavirus Relief Fund (MAA2975/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Crisis Contingency and Safety Net Fund (MAA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Emergency Management Assistance Compact Revolving Fund (MAA2602/A.R.S. § 26-403)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received as reimbursement for costs incurred by this state while rendering aid as prescribed in A.R.S. § 26-402.		
Purpose of Fund: To pay costs incurred by the state while assisting other states with emergencies or natural disasters.		
Funds Expended	(157,900)	125,900
Year-End Fund Balance	425,900	300,000
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal program grants.		
Purpose of Fund: To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	16,532,900	52,052,700
Year-End Fund Balance	0	0
Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal service contracts for security, maintenance and operations of the National Guard.		
Purpose of Fund: To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	53,154,800	88,153,500
Year-End Fund Balance	0	0
Hazard Mitigation Revolving Fund (MAA9999/Laws 2023, Chapter 138)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received from the federal government.		
Purpose of Fund: The Fund may be used in Fiscal Years 2024 through 2028 in accordance with the guidelines established pursuant to the Safeguarding Tomorrow Through Ongoing Risk Mitigation Act (P.L. 116-284; 134 Stat. 4869)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal FEMA Grants and Non-Appropriated Funds.		
Purpose of Fund: To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	887,800	1,073,600
Year-End Fund Balance	129,900	3,400
Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Funds from federal grants.		
Purpose of Fund: Support of the agency's centralized personnel plan which allocates support staff costs to National Guard grants and the agency's mail distribution program in addition to agreements within and outside the agency.		
Funds Expended	754,900	1,390,600
Year-End Fund Balance	887,300	314,500
Interagency Service Agreement Fund (MMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred from the State Forester to cover their portion of rent expenses for office space shared with the Department of Fire, Building, and Life Safety.		
Purpose of Fund: To pay rent for office space shared by the Department of Fire, Building, and Life Safety and the State Forester.		
Funds Expended	158,300	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Military Installation Fund (MAA1010/A.R.S. § 26-262)		Non-Appropriated
Source of Revenue: The FY 2015 General Appropriation Act provided a one-time deposit of \$2,500,000 into the fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, \$90,000 is appropriated each Fiscal Year from the General Fund to the department for the costs associated with 1 FTE Position to administer the fund. Expenditures from this fund are not displayed below to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	2,070,600	488,600
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	23,000	257,000
Year-End Fund Balance	381,000	180,200
National Guard Cyber Response Revolving Fund (MAA2619/A.R.S. § 26-183)		Non-Appropriated
Source of Revenue: Legislative appropriations and monies received as reimbursement for costs incurred by the state while rendering aid for cyber-attack prevention, response, and support activities for the state and political subdivisions in the state.		
Purpose of Fund: Monies in the fund may be used for costs incurred by the state while assisting agencies and political subdivisions of the state or as directed by the Governor for the cyber support activities. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	277,500	300,000
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature and proceeds, deposited into a separate subaccount, from National Guard facilities that are utilized for commercial purposes.		
Purpose of Fund: For general operating expenses of the National Guard and maintenance and capital improvements to any National Guard facility.		
Funds Expended	251,100	400,000
Year-End Fund Balance	308,700	3,700
Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	2,037,600	2,113,500
Year-End Fund Balance	3,045,800	3,095,600
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	32,400	795,100
Year-End Fund Balance	864,700	69,600

Department of Environmental Quality

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	355.7	355.7	355.7
Personal Services	21,775,900	27,237,400	27,237,400
Employee Related Expenditures	7,827,800	9,711,200	9,711,200
Professional and Outside Services	4,652,800	7,830,600	7,830,600
Travel - In State	466,700	987,400	987,400
Travel - Out of State	96,800	177,100	177,100
Other Operating Expenditures	15,900,300	26,975,900	14,475,900
Equipment	263,200	440,900	440,900
OPERATING SUBTOTAL	50,983,500	73,360,500	60,860,500
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	22,947,900	26,219,500	26,219,500
WQARF Priority Site Remediation	15,000,000	15,000,000	15,000,000 ^{1/2/}
Safe Drinking Water Program	1,305,700	1,991,800	1,991,800
Direct Potable Reuse of Treated Wastewater Program	1,098,400	1,500,000	0
Water Quality Fee Fund Deposit	6,400,000	9,500,000	0
PFAS Mitigation	0	5,000,000	0
AGENCY TOTAL	97,735,500	132,571,800	104,071,800 ^{3/}
FUND SOURCES			
General Fund	22,498,400	31,000,000	15,000,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	4,787,500	5,838,600	5,838,600
Emergency Response Fund	475,700	132,800	132,800
Emissions Inspection Fund	27,297,500	30,478,800	30,478,800
Hazardous Waste Management Fund	1,606,500	1,939,400	1,939,400
Indirect Cost Fund	18,743,400	18,979,600	18,979,600 ^{4/}
Permit Administration Fund	4,438,700	7,256,800	7,256,800 ^{5/}
Recycling Fund	2,268,800	4,515,900	1,515,900
Safe Drinking Water Program Fund	1,305,700	1,991,800	1,991,800
Solid Waste Fee Fund	1,929,000	2,584,900	2,584,900
Water Quality Fee Fund	12,384,300	27,853,200	18,353,200
SUBTOTAL - Other Appropriated Funds	75,237,100	101,571,800	89,071,800
SUBTOTAL - Appropriated Funds	97,735,500	132,571,800	104,071,800
Other Non-Appropriated Funds	63,506,000	72,692,900	72,692,900
Federal Funds	18,625,500	60,456,600	60,456,600
TOTAL - ALL SOURCES	179,867,000	265,721,300	237,221,300

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the cleanup (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and wastewater systems, monitors waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

- ^{1/} A.R.S. § 49-282 as limited by the Environment Budget Reconciliation Bill requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure.

- 2/ The department of environmental quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the fiscal year 2024-2025 report to the joint legislative budget committee on or before September 1, 2024. This report shall also include a budget for the WQARF program that is developed in consultation with the WQARF advisory board. This budget shall specify the monies budgeted for each listed site during fiscal year 2024-2025. In addition, the department and the WQARF advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2024, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation for each site at the end of fiscal year 2023-2024, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2024-2025 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2024-2025, assuming fiscal year 2024-2025 funding levels. The department and the WQARF advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ All monies in the department of environmental quality indirect cost fund, including the beginning balance, that are in excess of \$18,979,600 in fiscal year 2024-2025 are appropriated to the department. Before spending indirect cost fund monies in excess of \$18,979,600 in fiscal year 2024-2025, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ All permit administration fund monies received by the department of environmental quality in excess of \$7,256,800 in fiscal year 2024-2025 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,256,800 in fiscal year 2024-2025, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$60,860,500 and 355.7 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
Air Quality Fund	\$5,838,600
Emergency Response Fund	132,800
Emissions Inspection Fund	4,259,300
Hazardous Waste Management Fund	1,939,400
Indirect Cost Fund	18,979,600
Permit Administration Fund	7,256,800
Recycling Fund	1,515,900
Solid Waste Fee Fund	2,584,900
Water Quality Fee Fund	18,353,200

Adjustments are as follows:

Remove One-Time Recycling Funding

The Baseline includes a decrease of \$(3,000,000) from the Recycling Fund in FY 2025 to remove a one-time appropriation of a surplus in the Recycling Fund to support recycling initiatives.

Remove One-Time Water Program Funding

The Baseline includes a decrease of \$(9,500,000) from the Water Quality Fee Fund in FY 2025 to remove one-time funding to provide additional support to the surface water, groundwater, and drinking water programs.

The Water Quality Fee Fund supports water quality regulatory programs. Laws 2022, Chapter 204 amended fee requirements and allowed ADEQ to update fees for this fund. DEQ revised the fees effective August 4, 2023. *Please see Water Quality Fee Fund Deposit line item for information on funding for Water Programs)*

Emissions Control Contractor Payment

The Baseline includes \$26,219,500 from the Emissions Inspection Fund in FY 2025 for Emissions Control Contractor Payment. This amount is unchanged from FY 2024.

The Emissions Control Program is operated by a contractor in the Phoenix Metropolitan Area and the Tucson Metropolitan Area with the purpose of identifying polluting motor vehicles. The program is funded through test fees that are charged to motorists. Statute does not specify a fee level.

Phoenix Metropolitan Area and Tucson Metropolitan area vehicle owners pay different rates as outlined below:

- Vehicle owners in the Phoenix area pay \$17.00 for the onboard diagnostic test, while those in the Tucson area pay \$12.25 for the same test. Regardless of location, ADEQ pays its contractor \$13.85 for each diagnostic test.

- Owners of heavy-duty diesel trucks in the Phoenix area pay \$25.00 for each test, while those in the Tucson area pay \$12.25 for each test. Regardless of location, ADEQ pays its contractor \$23.50 for each heavy-duty diesel test.

The Baseline continues an Environment BRB provision requiring ADEQ to charge emissions inspection fees in FY 2025 that are no greater than those charged in FY 2024 for tests conducted in Area A, which refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties.

WQARF Priority Site Remediation

The Baseline includes \$15,000,000 from the General Fund in FY 2025 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2024.

A.R.S. § 49-288 requires WQARF to be funded from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT). In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee-generated revenue, the program receives \$18,000,000 annually. The Baseline continues an Environment BRB provision 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.

In FY 2023, the WQARF program received \$15,000,000 from the General Fund and \$1,947,100 from fee revenues pursuant to A.R.S. § 49-288 for a total of \$16,947,100.

Background – The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Safe Drinking Water Program

The Baseline includes \$1,991,800 from the Safe Drinking Water Program Fund in FY 2025 for the Safe Drinking Water Program. This amount is unchanged from FY 2024.

The Safe Drinking Water Program Fund receives the first \$1,800,000 of Public Water System (PWS) tax revenues.

Direct Potable Reuse of Treated Wastewater Program

The Baseline includes no funding in FY 2025 for the Direct Potable Reuse of Treated Wastewater Program line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2025 to remove one-time initial support of the Direct Potable Reuse of Treated Wastewater Program.

The Direct Potable Reuse of Treated Wastewater Program received \$1,500,000 from the General Fund in both FY 2023 and FY 2024 for initial support while ADEQ established rules and permit fees. Future program revenue will be deposited into the Water Quality Fee Fund. The FY 2023 Environment Budget Reconciliation Bill (BRB) requires this to be done by December 31, 2024.

Water Quality Fee Fund Deposit

The Baseline includes no funding in FY 2025 for a Water Quality Fee Fund Deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(9,500,000) from the General Fund in FY 2025 to remove a one-time deposit into the Water Quality Fee Fund in FY 2024.

The deposit was made to address a funding shortfall.

PFAS Mitigation

The Baseline includes no funding in FY 2025 for PFAS Mitigation. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time support to identify, contain, and treat Arizona water sources for PFAS chemicals. The FY 2024 appropriation of \$5,000,000 for PFAS Mitigation is non-lapsing.

A budget footnote requires ADEQ to submit a report documenting its progress expending monies for PFAS mitigation to the JLBC by July 31, 2024.

PFAS (per- and polyfluoroalkyl substances) are long-lasting synthetic chemicals that are frequently used in industrial and consumer products, including non-stick cookware, certain firefighting foams, and water-resistant apparel. Because they are resistant to environmental breakdown, these chemicals often leak into soil, water, and air.

Studies have shown that exposure to PFAs can result in a range of health risks for both humans and wildlife, including but not limited to cancer and reproductive harm.

- As session law, continues to charge emissions inspection fees in FY 2025 that are no greater than those charged in FY 2024 for tests conducted in Area A.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Revolving Fund in FY 2025 for department administrative expenses and for sewage remediation.
- As session law, continues 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.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also, to provide funding annually to the Department of Administration state employee travel reduction program, the Department of Agriculture, and the Department of Transportation. (See individual agencies for further description.)		
Funds Expended	4,787,500	5,838,600
Year-End Fund Balance	13,914,800	15,184,900
Coronavirus State and Local Fiscal Recovery Fund (EVA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	25,000,000
Year-End Fund Balance	0	0
Emergency Response Fund (EVA3031/A.R.S. § 49-132)		Appropriated
Source of Revenue: The fund receives 10% of the department's Hazardous Waste Management Fund's revenues, hazardous waste fees, fees associated with issuing and modifying permits for hazardous waste treatment, storage, or disposal facilities, and legislative and federal appropriations.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations. The annual funds transferred from the Hazardous Waste Management Fund are used for staffing local emergency planning committees and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	475,700	132,800
Year-End Fund Balance	640,200	671,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection Program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	27,297,500	30,478,800
Year-End Fund Balance	12,299,700	15,547,700
Employee Recognition Fund (EVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs.		
Funds Expended	1,300	1,400
Year-End Fund Balance	1,800	2,400
Federal Funds (EVA2000/A.R.S. § 49-104)		Federal Funds
Source of Revenue: Federal grants related to water quality management, Underground Storage Tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	18,625,500	35,456,600
Year-End Fund Balance	0	0
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. There is an annual statutory transfer of 10% of the revenues to the Emergency Response Fund. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	1,606,500	1,939,400
Year-End Fund Balance	1,023,900	1,221,600
IGA and ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	5,113,400	1,584,600
Year-End Fund Balance	0	0
Indirect Cost Fund (EVA9000/A.R.S. § 49-115)		Appropriated
Source of Revenue: Monies are generated from assessments to the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs. A budget footnote requires ADEQ to report the intended use of any monies in excess of the amount appropriated for the year.		
Funds Expended	18,743,400	18,979,600
Year-End Fund Balance	3,908,800	5,199,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Institutional and Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	14,800	0
Year-End Fund Balance	84,300	94,800
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees charged to public water systems serving up to 10,000 persons for the Monitoring Assistance program.		
Purpose of Fund: The Monitoring Assistance program collects and analyzes samples from public water systems to ensure they meet federal Safe Drinking Water Act requirements. Monies in this fund are used to pay contractors to conduct the analysis, laboratories for program-related work, and administrative costs. Administrative expenditures are limited annually to the lesser of 15% of deposited funds for the year, or \$184,000. If the fund has a surplus in excess of \$200,000 after executing the previous year's contract, funds will be used to reduce the fee charged for the subsequent year. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	493,500	858,700
Year-End Fund Balance	775,100	850,500
Permit Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees collected from the state's air pollution control programs and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections as required by the Clean Air Act. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations		
Funds Expended	4,438,700	7,256,800
Year-End Fund Balance	5,504,100	3,740,000
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	2,268,800	4,515,900
Year-End Fund Balance	2,535,900	1,627,600
Safe Drinking Water Program Fund (EVA4150/A.R.S. § 49-360)		Appropriated
Source of Revenue: The first \$1,800,000 received from Public Water System (PWS) tax revenue.		
Purpose of Fund: To fund programs related to the department's responsibilities for potable water systems and ensuring safe drinking water. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations		
Funds Expended	1,305,700	1,991,800
Year-End Fund Balance	1,177,400	987,000
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees from solid or special waste management, landfill registration and disposal fees, fees for coal combustion residuals, quarterly deposits from the Department of Revenue's waste tire fund, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, coal combustion residuals program, and used oil handling education and enforcement.		
Funds Expended	1,929,000	2,584,900
Year-End Fund Balance	777,600	(614,400)

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	200	0
Year-End Fund Balance	513,700	513,700
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Appropriated
Source of Revenue: A 1¢ per gallon excise tax on gasoline.		
Purpose of Fund: To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	28,611,200	15,519,700
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Non-Appropriated
Source of Revenue: A 1¢ per gallon excise tax on gasoline.		
Purpose of Fund: To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	39,220,400	50,066,400
Year-End Fund Balance	28,611,200	15,519,700
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	379,500	363,300
Year-End Fund Balance	328,700	573,900
Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-558.02)		Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	352,900	270,400
Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-558.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	2,714,500	1,631,200
Year-End Fund Balance	352,900	270,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)		Non-Appropriated
<p>Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S. § 49-282, \$15,000,000 is to be transferred to the Water Quality Assurance Revolving Fund (WQARF) from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues, the fund receives \$18,000,000 annually. This statutory transfer was suspended every year from FY 2011 through FY 2020, although the adjustment to reach \$18,000,000 remains suspended. These amounts are supplemented by approximately \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.</p> <p>Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer to the Department of Water Resources for well inspection and data management and a transfer to the Department of Health Services for a risk assessment. These transfers are not counted to avoid double counting. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.</p>		
Funds Expended	15,568,400	18,187,300
Year-End Fund Balance	9,306,700	7,030,800
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
<p>Source of Revenue: Legislative appropriations and fees received from water quality regulatory programs, including fees for technical review of Aquifer Protection Permits (APP), reclaimed water permits and Arizona Discharge Elimination System (AZDPES) permits, engineering reviews of drinking water facilities, wastewater and sewage collection systems, and the review and certification of potable water systems, sewage treatment plants and their operating personnel, and to establish a permit for direct potable reuse of treated wastewater. Revenues also come from annual fees paid by APP and AZDPES permittees.</p> <p>Purpose of Fund: To pay the costs of water quality programs. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.</p>		
Funds Expended	12,384,300	27,853,200
Year-End Fund Balance	4,762,500	(3,552,100)

Governor's Office of Equal Opportunity

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	5.0	5.0
Personal Services	149,700	202,900	202,900
Employee Related Expenditures	40,600	77,100	77,100
Travel - In State	1,700	1,200	1,200
Other Operating Expenditures	18,200	27,800	27,800
Equipment	0	1,500	1,500
AGENCY TOTAL	210,200	310,500	310,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund	210,200	310,500	310,500
SUBTOTAL - Other Appropriated Funds	210,200	310,500	310,500
SUBTOTAL - Appropriated Funds	210,200	310,500	310,500
TOTAL - ALL SOURCES	210,200	310,500	310,500

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

FOOTNOTES

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

Operating Budget

The Baseline includes \$310,500 and 5 FTE Positions from the Personnel Division Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Personnel Division Fund (OEO1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.38% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To monitor equal opportunity plans submitted annually by each state agency and assist agencies in equal employment opportunity training and evaluation. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	210,200	310,500
Year-End Fund Balance	59,100	59,100

State Board of Equalization

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	268,500	301,400	301,400
Employee Related Expenditures	100,000	116,500	116,500
Professional and Outside Services	300	35,000	35,000
Travel - In State	12,000	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	261,600	262,200	262,200
Equipment	11,300	15,000	15,000
AGENCY TOTAL	653,700	751,100	751,100 ^{1/}
FUND SOURCES			
General Fund	653,700	751,100	751,100
SUBTOTAL - Appropriated Funds	653,700	751,100	751,100
TOTAL - ALL SOURCES	653,700	751,100	751,100

AGENCY DESCRIPTION — The State Board of Equalization hears property tax appeals for Maricopa and Pima Counties. The board consists of 41 seats, of which 21 are appointed by the Governor and 20 are appointed by the Board of Supervisors of each county. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. The board also hears appeals of centrally-valued properties and equalization orders by the Department of Revenue.

FOOTNOTES

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

Operating Budget

The Baseline includes \$751,100 and 7 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Board of Executive Clemency

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	735,500	764,300	764,300
Employee Related Expenditures	237,200	271,600	271,600
Professional and Outside Services	1,800	77,200	51,900
Travel - In State	1,200	13,600	13,600
Travel - Out of State	3,800	0	0
Other Operating Expenditures	309,200	284,100	258,900
Equipment	21,300	10,000	10,000
AGENCY TOTAL	1,310,000	1,420,800	1,370,300 ^{1/2}
FUND SOURCES			
General Fund	1,310,000	1,420,800	1,370,300
SUBTOTAL - Appropriated Funds	1,310,000	1,420,800	1,370,300
Other Non-Appropriated Funds	24,500	28,000	28,000
TOTAL - ALL SOURCES	1,334,500	1,448,800	1,398,300

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 full-time members. The board makes decisions regarding the discretionary release of inmates convicted prior to January 1, 1994 who are parole and/or home arrest eligible. The board holds hearings for the revocation of parole or community supervision for crimes convicted on or after January 1, 1994, and determines the modification of release conditions and release recissions. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for eligible offenders.

FOOTNOTES

- 1/ On or before November 1, 2024, the board of executive clemency shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting the total number and types of cases the board reviewed in fiscal year 2023-2024. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,370,300 and 14.5 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Electronic Records System Funding

The Baseline includes a decrease of \$(50,500) from the General Fund in FY 2025 for the elimination of one-time funding to implement an electronic record document management system.

Caseload Data

Pursuant to a footnote in the FY 2023 General Appropriation Act, the board submitted a report on its FY 2023 caseload. The board conducted 2,077 case hearings in FY 2023, as described below:

- Phases 1 and 2 Commutation (123): After reviewing an inmate's request to have their sentence commuted, the board can decide to deny the request or allow the request to move to a Phase 2 Commutation hearing.
- Pardon (15): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (17): The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole.
- Modification (0): The board can recommend to the Governor that an inmate's sentence be modified or commuted.
- Reprieve (2): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (304): These hearings only apply to offenders sentenced prior to 1994. The board may place these

offenders on parole or deny their application for parole and return them to the Department of Corrections. Pursuant to A.R.S. § 13-717 and recent court decisions, parole is also available for certain offenders sentenced after 1994.

- Revocation (1,236): These hearings are conducted when an offender has violated the terms of community supervision.

- Probable Cause (376): These hearings can be requested by an inmate prior to revocation proceedings to determine if there is probable cause to believe that the defendant violated the terms of community supervision.
- Other (4): These hearings were not categorized by the board.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
IGA and ISA Fund (PPA2500/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Monies from intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	24,500	28,000
Year-End Fund Balance	100	(700)

Arizona Exposition and State Fair Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	4,711,300	5,653,600	5,653,600
Employee Related Expenditures	1,272,000	1,504,500	1,504,500
Professional and Outside Services	103,300	123,900	123,900
Travel - In State	19,700	10,700	10,700
Travel - Out of State	19,700	15,000	15,000
Other Operating Expenditures	12,061,500	10,194,600	10,194,600
Equipment	267,500	53,000	53,000
AGENCY TOTAL	18,455,000	17,555,300	17,555,300 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	18,455,000	17,555,300	17,555,300
SUBTOTAL - Other Appropriated Funds	18,455,000	17,555,300	17,555,300
SUBTOTAL - Appropriated Funds	18,455,000	17,555,300	17,555,300
Federal Funds	1,470,000	0	0
TOTAL - ALL SOURCES	19,925,000	17,555,300	17,555,300

AGENCY DESCRIPTION — The Arizona Exposition and State Fair Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

FOOTNOTES

- 1/ Of the monies in the Arizona exposition and state fair board operating budget, \$2,000,000 shall be spent for enhanced state fair operations. Before spending monies in the operating budget on capital projects, the board shall submit a report for review by the joint committee on capital review on the scope, purpose and estimated cost of the capital improvements. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$17,555,300 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		Appropriated
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating costs of the State Fair.		
Funds Expended	18,455,000	17,555,300
Year-End Fund Balance	15,550,200	21,451,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Coronavirus State and Local Fiscal Recovery Fund (CLA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	1,470,000	0
Year-End Fund Balance	2,000,000	2,000,000

Arizona Department of Forestry and Fire Management

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.5	235.5	235.5 ^{1/}
Personal Services	2,150,200	2,500,000	2,500,000
Employee Related Expenditures	822,000	940,000	940,000
Professional and Outside Services	119,800	120,000	120,000
Travel - In State	6,800	2,594,700	2,594,700
Travel - Out of State	4,700	5,000	5,000
Other Operating Expenditures	694,400	1,025,900	1,025,900
Equipment	18,300	18,300	18,300
OPERATING SUBTOTAL	3,816,200	7,203,900	7,203,900
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire District Grants	0	5,000,000	0
Fire Suppression	200,000	3,200,000	3,200,000 ^{2/}
Gila River Nonnative Species Eradication	24,000	0	0
Hazardous Vegetation Removal	22,900	3,039,300	3,039,300 ^{3/}
Inmate Firefighting Crews	819,900	867,700	867,700
Post-Release Firefighting Crews	1,098,800	1,278,900	1,278,900
Mount Lemmon Fire District Renovation	2,230,900	0	0
Nonnative Vegetation Species Eradication	1,000,000	1,000,000	1,000,000 ^{4/}
State Fire Marshal	1,705,100	1,792,000	1,792,000
State Fire School	286,800	289,000	289,000
US Forest Service Land Thinning	521,400	1,657,700	1,657,700
Wildfire Emergency Response	16,509,600	0	0
Wildfire Mitigation	15,142,200	32,026,700	32,026,700
AGENCY TOTAL	43,627,800	57,605,200	52,605,200 ^{5/}
FUND SOURCES			
General Fund	43,627,800	57,605,200	52,605,200
SUBTOTAL - Appropriated Funds	43,627,800	57,605,200	52,605,200
Other Non-Appropriated Funds	61,869,800	69,253,500	69,253,500
TOTAL - ALL SOURCES	105,497,600	126,858,700	121,858,700

AGENCY DESCRIPTION — The Arizona Department of Forestry and Fire Management (DFFM) is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (22 million acres total). The department includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public.

FOOTNOTES

- ^{1/} Includes 192.5 GF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} A.R.S. § 37-1305 annually appropriates \$3,000,000 from the General Fund to the Fire Suppression Revolving Fund. Because this authorization is in permanent statute, \$3,000,000 of the appropriated amount is not included in the General Appropriation Act.
- ^{3/} The appropriation for the hazardous vegetation removal line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2026. (General Appropriation Act footnote)
- ^{4/} The sum of \$1,000,000 is appropriated from the state General Fund in each of FY 2021, FY 2022, FY 2023, FY 2024, FY 2025, FY 2026, FY 2027, FY 2028, and FY 2029 to the Arizona Department of Forestry and Fire Management for deposit in the Nonnative Vegetation Species Eradication Fund established by A.R.S. § 37-1309 to assist in preventing wildland fire and flooding. (FY 2020 General Appropriation Act footnote)

Operating Budget

The Baseline includes \$7,203,900 and 43 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Environmental County Grants

The Baseline includes \$250,000 from the General Fund in FY 2025 for Environmental County Grants. This amount is unchanged from FY 2024.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, Cochise and Apache Counties for environmental projects that impact economic development in those counties. Previously funded projects include forest restoration, endangered species habitat protection, watershed restoration, and natural resource planning. DFFM must approve any project prior to expenditure of the monies.

Fire District Grants

The Baseline includes no funding in FY 2025 for the Fire District Grants line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 for removal of one-time funding to establish a grant program to assist fire districts.

Monies in this line item are non-lapsing and are for a grant program designed to help fire districts pay for emergency equipment, fire station construction/repair, or mobile services.

Fire Suppression

The Baseline includes \$3,200,000 from the General Fund in FY 2025 for Fire Suppression. This amount is unchanged from FY 2024.

Monies in this line item are used for fire suppression on state trust land and rural private land. A.R.S. § 37-1305 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, only \$200,000 of the appropriated amount is included in the General Appropriation Act. *(See Wildfire Mitigation line item for additional monies supporting fire suppression in Arizona.)*

Hazardous Vegetation Removal

The Baseline includes \$3,039,300 from the General Fund in FY 2025 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2024.

This line item supports hazardous material removal programs that treat state and private lands through prescribed burning or thinning of flammable vegetation. This work can be conducted by DFFM crews or through fuel reduction grants to contractors.

Inmate Firefighting Crews

The Baseline includes \$867,700 and 13 FTE Positions from the General Fund in FY 2025 for Inmate Firefighting Crews. These amounts are unchanged from FY 2024.

These monies provide firefighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

Post-Release Firefighting Crews

The Baseline includes \$1,278,900 and 20 FTE Positions from the General Fund in FY 2025 for Post-Release Firefighting Crews. These amounts are unchanged from FY 2024.

Monies in this line item provide firefighting training for recently released inmates who previously participated in Inmate Firefighting Crews *(see Inmate Firefighting Crews line item)*. The Post-Release Firefighting Program allows program participants to work towards completing their wildland firefighting certification following release from Department of Corrections custody.

Nonnative Vegetation Species Eradication

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2024.

The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to DFFM to deposit in the Nonnative Vegetation Species Eradication Fund in each fiscal year of FY 2021 through FY 2029. Because these monies were advanced appropriated in the FY 2020 General Appropriation Act, these appropriations will not appear in subsequent General Appropriation Acts.

Monies in this line item are used to provide grants to other state agencies, cities, towns, counties, Indian tribes, and other political subdivisions and nonprofit organizations to fund projects that will assist in the prevention of wildfires and flooding and promote restoration of wildlife habitats by removing nonnative vegetation and replacing it with native vegetation. Saltcedar plants are an example of a nonnative vegetation species.

State Fire Marshal

The Baseline includes \$1,792,000 and 19.5 FTE Positions from the General Fund in FY 2025 for the State Fire Marshal. These amounts are unchanged from FY 2024.

The Office of the State Fire Marshal enforces the state fire codes and provides training and education for fire personnel and the general public.

State Fire School

The Baseline includes \$289,000 and 1 FTE Position from the General Fund in FY 2025 for the State Fire School. These amounts are unchanged from FY 2024.

Monies in this line item primarily subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. Besides \$200,000 for subsidizing these costs, the remaining \$89,000 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

US Forest Service Land Thinning

The Baseline includes \$1,657,700 and 17 FTE Positions from the General Fund in FY 2025 for the US Forest Service Land Thinning line item. These amounts are unchanged from FY 2024.

Monies in this line item fund administrative costs for partnerships with the U.S. Forest Service to thin forests on federal land. DFFM anticipates clearing about 4,500 acres with this funding.

Wildfire Emergency Response

The Baseline includes no funding in FY 2025 for Wildfire Emergency Response. This amount is unchanged from FY 2024.

The FY 2023 appropriation of \$65,000,000 is in addition to, and for the same purposes as, Laws 2021, 1st Special

Session, Chapter 1, which appropriated \$75,000,000 from the General Fund in FY 2021 for the Wildfire Emergency Response line item. Monies in this line item are to be used for 6 purposes with restrictions as outlined below:

1. Fire suppression and pre-positioning of equipment staff, mitigation of wildfire related flooding.
2. Capital expenditures and equipment associated with fire suppression and pre-positioning activities for fire suppression. State capital expenditure for these purposes limited to \$10,000,000.
3. Mitigation projects to address postfire flooding and other damage occurring as a result of fire or fire suppression activities.
4. A state or local government agency's emergency liabilities related to emergency sheltering, wraparound services and support activities.
5. Financial assistance to public and private landowners for emergency repairs for infrastructure damage resulting from fires or fire suppression activities. The state is to be the payor of last resort for assistance to private landowners, and total assistance for private landowners is limited to \$10,000,000.
6. Reimbursement to a state agency or political subdivision for the state agency's or political subdivision's cost-share of eligible claims arising from a declared emergency.

The FY 2023 appropriation is exempt from lapsing through June 30, 2025. In addition to the above specifications, \$3,000,000 of the monies in the FY 2023 appropriation shall be used for purposes related to the Woodbury Fire.

Each month the department shall report to the Senate President, Speaker of the House of Representatives and the Joint Legislative Budget Committee on the expenditures, reimbursements, and the balance of the monies in the appropriation. The expenditures and reimbursements are to be delineated for each type of expenditure.

With the FY 2021 supplemental of \$75,000,000 and the FY 2023 appropriation of \$65,000,000, DFFM had \$140,000,000 available to expend. Through October 2023, DFFM reported spending \$49,780,280 of the appropriation, of which \$18,455,568 was expended in the fire suppression category. Capital, flooding mitigation projects, and financial assistance to landowners make up the other 3 expenditure categories, with \$6,861,312, \$19,610,873, and \$4,852,527 in expenditures, respectively. Through October 2023, DFFM reported total encumbrances of \$102,472,831. Most of the monies reported as encumbered but not yet expended are in the mitigation projects to address postfire flooding category.

Wildfire Mitigation

The Baseline includes \$32,026,700 and 122 FTE Positions from the General Fund in FY 2025 for the Wildfire Mitigation line item. These amounts are unchanged from FY 2024.

Monies in this line item are to be used for personnel, operating costs, equipment, and contracted services to mitigate future fires. In FY 2025, DFFM expects to allocate the funding as follows:

- \$7,606,100 for 122 DFFM staff to oversee the work of 10 crews of 72 inmates working to remove hazardous vegetation.
- \$3,045,500 for inmate crews and corrections staff.
- \$2,375,100 for Department of Transportation program costs, general operating costs, and other equipment and maintenance.
- \$10,000,000 for contracted personnel to support wildfire mitigation efforts.
- \$9,000,000 for external project grants.

(See the Wildfire Mitigation section of the DFFM narrative in the FY 2023 Appropriations Report for more information on prior appropriations to this line item.)

Other Issues

Auditor General Report

In September 2023, the Auditor General published a sunset review for the Arizona Department of Forestry and Fire Management covering its performance in areas

including the Fire Marshal, program staffing, wildfire planning, and other department functions. The Auditor General made the following recommendations:

- The Fire Marshal's Office should establish a program to perform regular fire safety inspections on all state and county public buildings and schools as required by statute.
- The department should implement recommendations as outlined by the Ecological Restoration Institute at Northern Arizona University to help communities develop Community Wildfire Protection Plans.

Budget Stabilization Fund Use for Processing Wildland Fire Claims

A.R.S. § 35-144 authorizes DFFM to use up to \$20,000,000 in Budget Stabilization Fund (BSF) monies to pay wildland fire suppression claims.

DFFM coordinates the dispatch of local fire districts in response to wildland fires occurring on federal land. Expenditures incurred by local districts are paid for by DFFM using monies from the BSF. DFFM then requests reimbursement from its cooperating federal partners. Federal reimbursements are provided to the State Treasurer to be deposited into the BSF.

As of November 2023, DFFM reports using roughly \$13,000,000 in BSF capacity for claims awaiting federal reimbursement. *(See the Budget Stabilization Fund Use for Processing Wildland Fire Claims section of the DFFM narrative in the FY 2021 Appropriations Report for more information on DFFM's use of the BSF.)*

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arson Detection Reward Fund (FFM2169/A.R.S. § 37-1387)		Non-Appropriated
Source of Revenue: Donations, court-imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	0	0
Year-End Fund Balance	113,800	119,100
Cooperative Forestry Fund (FFM2232/A.R.S. § 37-1306)		Non-Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	10,505,800	17,754,500
Year-End Fund Balance	3,844,900	4,725,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Fire Suppression Revolving Fund (FFM2360/A.R.S. § 37-1305)		Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands. General Fund appropriation expenditures are displayed, which may cause double counting of appropriations.		
Funds Expended	48,581,700	50,220,000
Year-End Fund Balance	1,124,000	658,400
IGA and ISA Fund (FFM2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	2,416,400	779,000
Year-End Fund Balance	4,097,400	5,070,400
Indirect Cost Recovery Fund (FFM9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees from the Negotiated Indirect Cost Rate Agreement with the U.S. Forest Service.		
Purpose of Fund: To offset the costs of the department's overhead personnel.		
Funds Expended	365,900	500,000
Year-End Fund Balance	609,500	809,500
Nonnative Vegetation Species Eradication Fund (FFM2456/A.R.S. § 37-1309)		Non-Appropriated
Source of Revenue: Legislative appropriations. The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to the department in each of FY 2020 through FY 2029 to deposit into the Nonnative Vegetation Species Eradication Fund.		
Purpose of Fund: To provide grants to other state agencies, cities, towns, counties, Indian tribes, other political subdivisions and nonprofit organizations for projects that will assist in fire and flood prevention, conservation of water, replacing nonnative vegetative species with native vegetative species and restoring native habitats. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	1,784,300	1,532,200
Trampoline Court Safety Fund (FFM2578/A.R.S. § 37-1422)		Non-Appropriated
Source of Revenue: Fees charged to owners of trampoline courts.		
Purpose of Fund: To implement and maintain the registry of trampoline courts operating in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	12,200	14,100

State Board of Funeral Directors and Embalmers

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	0.0	0.0
Personal Services	212,100	0	0
Employee Related Expenditures	86,600	0	0
Professional and Outside Services	26,000	0	0
Travel - In State	3,400	0	0
Other Operating Expenditures	99,900	0	0
Equipment	30,000	0	0
AGENCY TOTAL	458,000	0	0

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	458,000	0	0
SUBTOTAL - Other Appropriated Funds	458,000	0	0
SUBTOTAL - Appropriated Funds	458,000	0	0
TOTAL - ALL SOURCES	458,000	0	0

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. Laws 2023, Chapter 194 transferred the board to the Department of Health Services retroactive to March 31, 2023.

The FY 2024 General Appropriation Act provided a full year of FY 2024 funding to the State Board of Funeral Directors and Embalmers. Laws 2023, Chapter 194 subsequently transferred the funding and duties of the Board to the Department of Health Services (DHS) retroactive to March 31, 2023. Chapter 194 was effective immediately upon signature on June 20, 2023.

This section only displays the FY 2023 actual expenditures for the board. Please see the Funeral Services Regulation line item in the DHS narrative for additional information on FY 2024 and FY 2025 funding.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration. Pursuant to Laws 2023, Chapter 194, the monies in the fund were transferred to the Health Services Licensing Fund administered by the Department of Health Services on March 31, 2023.		
Funds Expended	458,000	0
Year-End Fund Balance	0	0

Arizona Game and Fish Department

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	17,004,500	14,904,700	14,904,700
Employee Related Expenditures	14,163,200	11,017,600	11,017,600
Professional and Outside Services	1,728,200	1,637,000	1,637,000
Travel - In State	221,600	308,900	308,900
Travel - Out of State	89,900	86,100	86,100
Other Operating Expenditures	12,153,600	10,524,200	10,524,200
Equipment	1,749,000	313,700	313,700
OPERATING SUBTOTAL	47,110,000	38,792,200	38,792,200
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	50,168,000	41,850,200	41,850,200 ^{1/}

FUND SOURCES

Other Appropriated Funds

Capital Improvement Fund	1,001,200	1,001,200	1,001,200
Game and Fish Fund	44,628,300	35,425,300	35,425,300
Game, Non-Game, Fish and Endangered Species Fund	293,900	389,700	389,700
Watercraft Licensing Fund	4,244,600	5,017,800	5,017,800
Wildlife Endowment Fund	0	16,200	16,200
SUBTOTAL - Other Appropriated Funds	50,168,000	41,850,200	41,850,200
SUBTOTAL - Appropriated Funds	50,168,000	41,850,200	41,850,200
Other Non-Appropriated Funds	39,505,400	45,399,100	45,399,100
Federal Funds	49,022,800	68,457,500	68,457,500
TOTAL - ALL SOURCES	138,696,200	155,706,800	155,706,800

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$38,792,200 and 273.5 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	32,367,300
Game, Non-Game, Fish and Endangered Species Fund	389,700
Watercraft Licensing Fund	5,017,800
Wildlife Endowment Fund	16,200

These amounts are unchanged from FY 2024.

Pittman-Robertson/Dingell-Johnson Act

The Baseline includes \$3,058,000 from the Game and Fish Fund in FY 2025 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2024.

This line item funds the state's 25% match for federal aid matching funds for wildlife restoration projects. The department also uses \$2,600,000 in non-appropriated funds to match Pittman-Robertson/Dingell-Johnson Act grants.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Game and Fish Department Fleet Operations Fund (GFA9902/A.R.S. § 17-275)		Non-Appropriated
Source of Revenue: Revenues received from the fees charged to the department for having vehicles in the state motor vehicle fleet.		
Purpose of Fund: To make payments to ADOT to maintain and operate the Game and Fish motor vehicle fleet.		
Funds Expended	2,069,700	1,547,800
Year-End Fund Balance	150,700	150,800
Arizona Game and Fish Department Fleet Vehicle Replacement Fund (GFA9901/A.R.S. § 17-274)		Non-Appropriated
Source of Revenue: Revenues received from the fees charged to the department for having vehicles in the state motor vehicle fleet.		
Purpose of Fund: To make payments to ADOT to acquire and replace Game and Fish vehicles and equipment.		
Funds Expended	1,568,900	1,626,300
Year-End Fund Balance	2,422,600	2,422,600
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To acquire, construct, improve and renovate department facilities.		
Funds Expended	1,001,200	1,001,200
Year-End Fund Balance	120,200	120,200
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	1,459,700	1,859,700
Year-End Fund Balance	1,826,700	1,287,800
Federal Funds (GFA2000/A.R.S. § 17-231)		Federal Funds
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	0	0
Year-End Fund Balance	5,700	5,700
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Federal Funds
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	48,931,800	68,235,100
Year-End Fund Balance	4,531,700	4,201,100
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D4, revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	74,800	78,500
Year-End Fund Balance	190,300	186,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Game and Fish Federal Duck Stamps Fund (GFA3711/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: Sale of federal duck stamps, a required annual purchase for waterfowl hunters.		
Purpose of Fund: To remit proceeds to the federal government on an annual basis.		
Funds Expended	0	0
Year-End Fund Balance	46,500	46,500
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department, to administer the Off-Highway Vehicle User Indicia program, and to match federal grants for fish and wildlife restoration.		
Funds Expended	44,628,300	35,425,300
Year-End Fund Balance	26,756,900	32,239,600
Game and Fish In-Lieu Fee Program Restoration Endowment Trust Fund (GFA3167/A.R.S. § 17-265)		Federal Funds
Source of Revenue: Compensatory mitigation credit monies from permittee purchases; monies received from United States Army Corps of Engineers (USACE) for resolutions of a federal enforcement action of unauthorized activities not involving department staff.		
Purpose of Fund: To fulfill department duties as an In-Lieu Fee sponsor pursuant to the federal Clean Water Act. Permittees that cannot avoid environmental impact to wetlands and streams must purchase compensatory mitigation credits, the proceeds of which are used by the Game and Fish Department for environmental restoration projects authorized by the USACE.		
Funds Expended	91,000	222,400
Year-End Fund Balance	5,385,800	5,609,300
Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.		
Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	367,700	297,100
Year-End Fund Balance	89,200	64,300
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	4,413,400	4,723,600
Year-End Fund Balance	17,957,000	18,087,300
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	293,900	389,700
Year-End Fund Balance	1,054,400	1,011,900

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Heritage Fund - Acquisition Fund (GFA2294/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection, and management of property with sensitive habitat are spent to acquire property with sensitive habitat used by endangered, threatened and candidate species.		
Funds Expended	892,100	3,854,900
Year-End Fund Balance	11,115,400	9,660,500
Heritage Fund - Administration Fund (GFA2292/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Interest earnings are allocated by the Game and Fish Commission.		
Purpose of Fund: For administrative costs as determined by the Game and Fish Commission allocation of interest earnings.		
Funds Expended	39,200	48,000
Year-End Fund Balance	634,500	886,500
Heritage Fund - Environmental Education Fund (GFA2290/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for environmental education.		
Purpose of Fund: For purposes related to environmental education.		
Funds Expended	581,200	560,400
Year-End Fund Balance	124,800	64,400
Heritage Fund - Habitat Evaluation or Habitat Protection Fund (GFA2291/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for habitat protection and evaluation.		
Purpose of Fund: For purposes related to habitat protection.		
Funds Expended	1,331,200	1,777,300
Year-End Fund Balance	1,321,900	1,044,600
Heritage Fund - Identification, Inventory, Protection and Management (GFA2295/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection and management are spent to acquire property with sensitive habitat. No more than 20% may be used for purposes of operation and maintenance of acquired property.		
Funds Expended	4,014,200	4,920,200
Year-End Fund Balance	2,657,100	1,336,900
Heritage Fund - Public Access Fund (GFA2293/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for public access.		
Purpose of Fund: For purposes related to public access expenses, including maintenance and operations.		
Funds Expended	566,400	630,100
Year-End Fund Balance	276,900	146,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Heritage Fund - Urban Wildlife and Urban Life Habitat Fund (GFA2296/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for urban wildlife.		
Purpose of Fund: For purposes related to urban wildlife and urban wildlife habitat programs.		
Funds Expended	1,385,000	1,845,000
Year-End Fund Balance	1,860,500	1,515,500
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	17,300	17,300
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund consists of revenue generated by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	8,543,700	9,878,300
Year-End Fund Balance	2,837,200	2,162,400
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	75,000	0
Year-End Fund Balance	600	600
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and matching funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	35,400	35,400
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation, law enforcement activities and administration of the Off-Highway Vehicle User Indicia program.		
Funds Expended	1,820,000	2,800,300
Year-End Fund Balance	2,699,100	2,028,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.		
Funds Expended	4,244,600	5,017,800
Year-End Fund Balance	8,335,500	8,189,400
Wildlife Conservation Enterprise Fund (GFA2029/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Project grants from state and local governments, private entities and federal entities.		
Purpose of Fund: For wildlife conservation and monitoring projects, primarily related to wildlife crossing and fencing along highway projects.		
Funds Expended	9,900	0
Year-End Fund Balance	401,900	401,900
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	10,179,800	8,798,600
Year-End Fund Balance	9,223,700	9,605,000
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	0	16,200
Year-End Fund Balance	5,152,000	5,584,500
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	500	500
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	113,500	153,000
Year-End Fund Balance	281,700	278,200

Department of Gaming

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,656,700	6,226,600	6,226,600
Employee Related Expenditures	1,803,400	2,598,700	2,598,700
Professional and Outside Services	389,600	1,499,600	1,499,600
Travel – In State	275,700	461,800	461,800
Travel – Out of State	49,300	73,200	73,200
Other Operating Expenditures	2,064,300	2,701,800	2,701,800
Equipment	146,200	178,400	178,400
OPERATING SUBTOTAL	9,385,200	13,740,100	13,740,100
SPECIAL LINE ITEMS			
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,329,500	2,299,400	2,299,400
Contract Veterinarian	25,300	175,000	175,000 ^{2/}
County Fairs Livestock and Agriculture Promotion	6,029,500	6,029,500	6,029,500 ^{3/}
Division of Racing	1,846,000	2,435,900	2,435,900
Event Wagering Application Fee Refund	0	600,000	0
Horseracing Integrity and Safety Act Assessment	355,100	355,100	355,100 ^{4/}
Problem Gambling	2,318,400	3,320,000	3,320,000
Racetrack Capital Projects and Maintenance and Operation Funding	0	1,000,000	0
Racetrack Purse and Maintenance and Operations Funding	5,396,900	0	0
Racing Purse Enhancement	4,850,000	5,000,000	5,000,000 ^{5/}
AGENCY TOTAL	31,785,900	35,205,000	33,605,000 ^{6/7/}
FUND SOURCES			
General Fund	16,656,800	13,159,600	11,559,600
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	11,196,700	16,610,000	16,610,000
Fantasy Sports Contest Fund	206,900	150,100	150,100
Racing Regulation Fund	1,991,400	2,580,700	2,580,700
Racing Regulation Fund - Unarmed Combat Subaccount	104,600	105,200	105,200
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,329,500	2,299,400	2,299,400
SUBTOTAL - Other Appropriated Funds	15,129,100	22,045,400	22,045,400
SUBTOTAL - Appropriated Funds	31,785,900	35,205,000	33,605,000
Other Non-Appropriated Funds	3,913,100	3,715,000	3,715,000
TOTAL - ALL SOURCES	35,699,000	38,920,000	37,320,000

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is also responsible for certifying casino employees and vendors working with casinos. The department also regulates non-tribal gaming activities including the Division of Racing, fantasy sports contests, and event wagering.

FOOTNOTES

- ^{1/} Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} On or before the final day of each quarter of fiscal year 2024-2025, the department of gaming shall report to the members of the joint legislative budget committee on 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 include the number

of pre-race inspections performed by a veterinarian employed by or contracted with this state. (General Appropriation Act footnote)

- 3/ The amount appropriated to the county fairs livestock and agriculture promotion line item is for deposit in the county fairs livestock and agriculture promotion fund established by section 5-113, Arizona Revised Statutes, and to be administered by the office of the governor. (General Appropriation Act footnote)
- 4/ The amount appropriated to the horseracing integrity and safety act assessment line item shall be distributed to commercial live racing permittees during fiscal year 2024-2025 to pay the calendar year 2024 assessment levied by the horseracing integrity and safety authority. If the appropriated amount for the horseracing integrity act assessment line item is insufficient to fund all assessments levied by the horseracing integrity and safety authority, the department shall reduce the distribution amounts on a proportional basis in order to cap total statewide distributions at \$355,100. The distributions for fiscal year 2024-2025 are estimated to be \$309,300 to a commercial live racing permittee located in Maricopa County and \$45,800 to a commercial live racing permittee located in Yavapai county. (General Appropriation Act footnote)
- 5/ The amount appropriated to the racing purse enhancement line item shall be distributed to a recognized nonprofit horsemen's organization that has represented since 1988 the horsemen participating in racing meetings to be used to promote racing and enhance the general purse structure for eligible horse races held in this state. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ On or before August 1, 2024, the department of gaming shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the expected amount and purpose of expenditures from the event wagering fund established by section 5-1318, Arizona Revised Statutes, for fiscal year 2024-2025. The report shall include the projected line item detail and the number of filled full-time equivalent positions. (General Appropriation Act footnote)

Administrative Expenses

The Baseline includes \$13,740,100 in FY 2025 for administrative expenses, which consists of \$13,590,000 from the Arizona Benefits Fund and \$150,100 from the Fantasy Sports Contest Fund. The appropriation from the Arizona Benefits Fund serves as a cap on the level of spending.

Pursuant to the Gaming ballot initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts, the department's administrative expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues. The department can expend the actual 9% level or the expenditure authority level, whichever is lower.

In FY 2024, Gaming has the authority to spend \$13,740,100 for administrative expenses. This consists of \$13,590,000 from the FY 2024 Arizona Benefits Fund Operating appropriation in the enacted budget. The enacted budget amount was selected based on the department's spending patterns and is not derived from the 9% calculation. In addition, Gaming was appropriated \$150,100 from the Fantasy Sports Contest Fund.

In FY 2025, 9% of tribal gaming revenues are forecasted to be \$16,382,700, based on the department's projection of state tribal contribution revenue of \$182,030,000. However, the Baseline continues to appropriate \$13,590,100 from the Arizona Benefits Fund to cover the department's administrative expenses.

Problem Gambling

The Baseline includes \$3,320,000 in FY 2025 for Problem Gambling, which consists of \$3,020,000 from the Arizona Benefits Fund and \$300,000 from the State Lottery Fund.

Pursuant to the Gaming ballot initiative and the Tribal-State Gaming Compacts, the department's Problem Gambling expenses from the Arizona Benefits Fund are limited to 2% of revenues. The department can expend the actual 2% level or the expenditure authority level, whichever is lower.

In FY 2024, Gaming had the authority to spend \$3,020,000, based on the FY 2024 Arizona Benefits Fund Problem Gaming appropriation in the enacted budget. The enacted budget amount was selected based on the department's spending patterns and is not derived from the 2% calculation.

In FY 2025, 2% of tribal gaming revenues are forecasted to be \$3,640,600, due to a projected increase in tribal contributions. However, the Baseline continues to appropriate \$3,020,000 from the Arizona Benefits Fund to cover the department's problem gambling expenses. (*See Other Issues – Tribal Gaming Revenues section for additional details.*)

Event Wagering Administrative Costs

In addition to the administrative costs listed above that are subject to the legislative appropriation, the department may spend up to 10% of revenue from the non-appropriated Event Wagering Fund on the regulation of event wagering.

Given the Baseline revenue forecast for event wagering license and fee collections, Gaming is estimated to have the authority to spend \$3,998,900 in FY 2024 and \$4,278,600 in FY 2025 from the Event Wagering Fund. (See Other Issues – Event Wagering/Fantasy Sports Forecast section for additional details.)

The Baseline includes a General Appropriation Act footnote requiring the department to report on administrative spending from the Event Wagering Fund by August 1, 2024.

Operating Budget

The Baseline includes \$13,740,100 and 82.3 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
Arizona Benefits Fund	\$13,590,000
Fantasy Sports Contest Fund	150,100

These amounts are unchanged from FY 2024.

Arizona Breeders' Award

The Baseline includes \$250,000 from the Racing Regulation Fund in FY 2025 for the Arizona Breeders' Award. This amount is unchanged from FY 2024.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2025, this line item will fund awards equal to 25% of the purse won by the horse.

Casino Operations Certification

The Baseline includes \$2,299,400 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2025 for Casino Operations Certification. These amounts are unchanged from FY 2024.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification Special Line Item.

Contract Veterinarian

The Baseline includes \$175,000 from the General Fund in FY 2025 for a Contract Veterinarian. This amount is unchanged from FY 2024.

Monies in the line item are to be used to contract a veterinarian and veterinarian's assistant to assist with pre-race inspections of horses in an effort to reduce the number of horse fatalities as a result of racing in the state. A General Appropriation Act footnote requires the department to report on a quarterly basis the number of equine deaths and injuries that occur as a result of a horse race and the commercial live racing facility where each incident occurred. The report must also include the number of pre-race inspections performed by a veterinarian employed by or contracting with the state.

County Fairs Livestock and Agriculture Promotion

The Baseline includes \$6,029,500 from the General Fund in FY 2025 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2024.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor.

Division of Racing

The Baseline includes \$2,435,900 and 40.5 FTE Positions in FY 2024 for operating costs associated with the Division of Racing. These amounts consist of:

Racing Regulation Fund	2,330,700
Racing Regulation Fund - Unarmed Combat Subaccount	105,200

These amounts are unchanged from FY 2024.

The Division of Racing regulates the pari-mutuel horse racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties.

The Regulatory Wagering Assessment (RWA) is a regulatory assessment from each commercial racing permittee payable from amounts deducted from pari-mutuel pools by the permittee. The Arizona Administrative Code section R19-2-205B sets the RWA at 0.75% from May 1-Sep 30 and 0.85% from October 1-April 30 each year. However, ongoing session law overrides those rates and sets the RWA at 0.5% for FY 2025. All monies received from the RWA are deposited into the Racing Regulation Fund, which is the primary funding source for the Division of Racing.

The Division of Racing also oversees the Arizona Boxing and Mixed Martial Arts Commission, which is responsible for licensing, investigating, and regulating professional boxing and nontraditional fighting contests within Arizona. The Baseline includes \$105,200 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2025 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

Event Wagering Application Fee Refund

The Baseline includes no funding in FY 2025 for the Event Wagering Application Fee Refund line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(600,000) from the General Fund in FY 2025 to remove one-time funding for the department to issue refunds for event wagering application fees associated with the following Indian tribes:

- Cocopah Indian Tribe
- Colorado River Indian Tribe
- Pascua Yaqui Tribe
- Yavapai-Apache Nation
- White Mountain Apache Tribe
- Havasupai Tribe

The monies in this line item are to be used to reimburse these tribes that paid the required \$100,000 application fee for an event wagering operator license, but did not receive one because of the Tribal-State Gaming Compact's limit of 10 tribal licenses.

Horseracing Integrity and Safety Act Assessment

The Baseline includes \$355,100 from the General Fund in FY 2025 for the Horseracing Integrity and Safety Act Assessment line item. This amount is unchanged from FY 2024.

Beginning in 2022, the federal Horseracing Integrity and Safety Authority charges an annual regulatory fee based on the previous year's racing starts and purses. Monies in this line item are to be distributed to commercial live racing permittees to pay this fee. A General Appropriation Act footnote directs the department to distribute \$309,300 to a commercial live racing permittee located in Maricopa County and \$45,800 to a commercial live racing permittee located in Yavapai County.

Problem Gambling

The Baseline includes \$3,320,000 and 5 FTE Positions in FY 2025 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	3,020,000
State Lottery Fund	300,000

These amounts are unchanged from FY 2024.

Monies in this line item are for the department to provide problem gambling prevention, treatment, and education programs.

Racetrack Capital Projects and Maintenance and Operation Funding

The Baseline includes no funding in FY 2025 for the Racetrack Purse and Maintenance and Operation Funding line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding for Racetrack Capital Projects and Maintenance and Operation funding.

Monies in this line item were distributed to a commercial live racing permittee located in Maricopa County for capital projects and track maintenance and operations, including compliance costs associated with the Horseracing Integrity and Safety Act of 2020, as required by a General Appropriation Act footnote.

Racetrack Purse and Maintenance and Operations Funding

The Baseline includes no funding in FY 2025 for the Racetrack Purse and Maintenance and Operations Fund line item. This amount is unchanged from FY 2024.

Monies in this line item were to enhance purse structure and for racetrack purse and maintenance and operations. A General Appropriation Act footnote directed the department to distribute the monies to commercial live racing permittees as follows:

- \$4,231,800 to a commercial live racing permittee located in Maricopa County.
- \$815,600 to a commercial live racing permittee located in Yavapai County.
- \$349,500 to a commercial live racing permittee located in Pima County.

Racing Purse Enhancement

The Baseline includes \$5,000,000 from the General Fund in FY 2025 for a Racing Purse Enhancement line item. This amount is unchanged from FY 2024.

Monies in this line item are to be used to enhance racing purses and promote the sport for eligible races held in Arizona. A General Appropriation Act footnote directs the monies to be distributed to a nonprofit horsemen's organization that has represented horsemen in racing meetings since 1988.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to set the Regulatory Wagering Assessment at 0.5% in FY 2025 only.

Existing Tribal Compacts

The Arizona Tribal-State Gaming Compacts regulate tribal gaming activity of Class III (casino style) gaming on tribal lands in Arizona. The Compacts were initially passed in November 2002 as Proposition 202 and were renegotiated in 2021.

As of October 2023, there are 16 tribes operating a total of 25 Class III casinos in Arizona. There are also 6 additional tribes which do not have casinos but have slot machine rights that they may lease to tribes with casinos.

In 2002, Proposition 202 included provisions authorizing subsequent amendments to the compacts. Under that process, the Tribal-State Gaming Compacts were renegotiated in March 2021, with the required federal compact approval occurring in May 2021.

In addition, Laws 2021, Chapter 234 expanded non-tribal gaming in the state and authorized event wagering, fantasy sports contests, and certain Lottery games. *(Please see the Department of Gaming and Lottery Commission sections of the FY 2022 Appropriations Report for more information).*

Event Wagering/Fantasy Sports Revenue Forecast

The Baseline revenue forecast includes a projection of state General Fund gaming revenues (from both event wagering and fantasy sports) through FY 2027. For both activities, the estimates include the relevant license fees along with privilege fees that are assessed on operator "net win". The projections are as follows:

- FY 2023 (actual) – \$49.9 million
- FY 2024 – \$36.6 million
- FY 2025 – \$39.2 million
- FY 2026 – \$41.0 million
- FY 2027 – \$43.0 million

The short-term variation in gaming collections is due to technical timing issues: 1) The department did not deposit the initial round of event wagering operator license fees into the General Fund during FY 2022; and 2) The department only processed 61% of FY 2022 privilege fee revenue (event wagering and fantasy sports) for deposit in FY 2022, leaving the remainder to be deposited in FY 2023.

Given these issues, the FY 2023 actual amount incorporates the deposit from the initial license revenue from event wagering entities (\$750,000 each), along with the first annual license renewal fee for event wagering entities (\$150,000 each). The FY 2023 total also incorporates the FY 2022 privilege fees that were delayed in being transferred to the General Fund until FY 2023.

The state will then return to a more normal pattern of gaming collections, with only the standard annual license renewal fee (\$150,000 each) being deposited in FY 2024 and the relevant privilege fees being deposited in a timely manner.

The Baseline revenue estimates are based on the following growth rates for total event wagering activity: 8.0% growth for FY 2024, 7.5% growth for FY 2025, and 5.0% growth for both FY 2026 and FY 2027.

Tribal Gaming Revenues

In FY 2023, state tribal gaming revenues were \$153,855,900. The Baseline projects that state tribal gaming revenues will increase to a level of \$163,360,700 in FY 2024 and increase to a level of \$182,030,000 in FY 2025. These revenue estimates are from the department's FY 2025 budget request. In the first quarter of FY 2024, tribal gaming contributions into the Arizona Benefits Fund were \$42.4 million. *(See Table 1 for more info.)*

Table 1				
Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}				
Recipient	Proposition 202 Formula	FY 2023 Actuals ^{1/}	FY 2024 Projected ^{1/}	FY 2025 Projected ^{2/}
State Government Distribution	88% of total	\$ 153,855,900	\$163,360,700 ^{2/}	\$182,030,000 ^{2/}
Local Government Distribution ^{3/}	12% of total	18,963,300	22,276,500	24,822,300
Total	100% of total	\$172,819,200	\$185,637,200	\$206,852,300
Allocation of State Government's Share				
Department of Gaming				
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 13,440,000	\$ 13,590,000 ^{4/}	\$ 13,590,000 ^{4/}
Department of Gaming Problem Gambling	2%	3,020,000	3,020,000 ^{5/}	3,020,000 ^{5/}
Subtotal-Department of Gaming		\$16,460,000	\$16,610,000	\$16,610,000
Other Distributions				
Instructional Improvement Fund (Department of Education)	56% of remainder	77,146,000	82,180,400	92,635,200
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	38,340,900	41,090,300	46,317,600
Arizona Wildlife Conservation Fund	8% of remainder	10,954,500	11,740,000	13,233,600
Tourism Fund	8% of remainder	10,954,500	11,740,000	13,233,600
Subtotal-Other Distributions		\$137,395,900	\$146,750,700	\$165,420,000
Total		\$153,855,900	\$163,360,700	\$182,030,000
^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts. ^{2/} Based on ADG projections, the Baseline projects a 6.2% increase in FY 2024 and 11.4% in FY 2025 for tribal contributions to the Arizona Benefits Fund. The Baseline forecast reflects the revenue projections included in the ADG budget request, which includes changes from the implementation of the new 2021 Tribal Compacts. ^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years. ^{4/} A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or \$8,000,000, whichever is greater, to be used for the department's operating budget. Given the department's spending patterns, the FY 2024 appropriation was \$13,590,000 (an amount not calculated based on the 9% limit) and the FY 2025 Baseline continues that amount. The department can only expend at the actual 9% level or the expenditure authority level, whichever is lower. ^{5/} A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. Given the department's spending patterns, the FY 2024 appropriation was \$3,020,000 (an amount not calculated based on the 2% limit) and the FY 2025 Baseline continues that amount. The department can only expend at the actual 2% level or the expenditure authority level, whichever is lower.				

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
2021 Compact Trust Fund (GMA2021/A.R.S. § 5-605)	Non-Appropriated	
Source of Revenue: Contributions from certain Indian Tribes pursuant to the 2021 Tribal-State compact amendments. The department's FY 2025 budget request did not include revenue data for this fund.		
Purpose of Fund: To mitigate impacts to Indian tribes from gaming authorized by the 2021 Tribal-State compact amendments and provide economic benefits to beneficiary Indian tribes. The department's FY 2025 budget request did not include expenditure data for this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)	Appropriated	
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to the Arizona Department of Education, the Arizona Game and Fish Department, the Office of Tourism, and the Arizona Health Care Cost Containment System. (See individual agency pages for detailed information on each recipient.)		
Funds Expended	11,196,700	16,610,000
Year-End Fund Balance	13,471,100	14,171,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations from the Racing Regulation Fund. Appropriated expenditures are not displayed to avoid double counting. The fund also receives revenue derived from the source market fees paid from advance deposit wagering on horse racing.		
Purpose of Fund: To give awards to the breeder of every winning horse foaled or whelped in this state. Of the amount allocated for purses, 5% is deposited in the fund.		
Funds Expended	1,815,500	1,700,000
Year-End Fund Balance	309,100	309,100
Coronavirus State and Local Fiscal Recovery Fund (GMA2985/U.S. P.L 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	0
Year-End Fund Balance	921,000	921,000
Event Wagering Fund (GMA2330/A.R.S. § 5-1318)		Non-Appropriated
Source of Revenue: The fund has 2 primary sources of revenue. The first is license fees collected from operators and various other licensees. The second is the privilege fees applied to adjusted gross event wagering revenues, which is 8% for retail location wagers and 10% for mobile wagers.		
Purpose of Fund: To fund the administrative costs associated with regulating event wagering in the state. By the 25th of each month, the Department of Gaming must transfer 90% of the previous month's revenue to the General Fund. The department may not spend more than 10% of fund revenues on regulatory and enforcement costs.		
Funds Expended	2,053,100	1,990,000
Year-End Fund Balance	1,789,500	4,014,100
Fantasy Sports Contest Fund (GMA2320/A.R.S. § 5-1212)		Appropriated
Source of Revenue: The fund has 2 primary sources of revenue. The first is license fees collected from operators and various other licensees. The second is the 5% privilege fee applied to fantasy sports contest adjusted revenues.		
Purpose of Fund: To fund the administrative costs associated with regulating Fantasy Sports Contests in the state. The Department of Gaming may retain up to 10% of fantasy sports contest revenues for administrative costs after which the remainder is transferred to the General Fund.		
Funds Expended	206,900	150,100
Year-End Fund Balance	1,000	1,000
IGA and ISA Fund (GMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	16,600	0
Year-End Fund Balance	47,600	47,600
Racing Commission Bond Deposit Fund (GMA3720/A.R.S. § 5-107)		Non-Appropriated
Source of Revenue: There are no revenues in this fund. The fund holds bonds posted by commercial racing permit holders until the permittee withdraws their permit.		
Purpose of Fund: To hold bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing requires racing permittees to post a bond with the Division of Racing each year, which is refunded when the permittee withdraws their permit. Forfeited bonds are deposited in the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	55,600	55,600

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Racing Investigation Fund (GMA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Division of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Gaming.		
Funds Expended	0	0
Year-End Fund Balance	26,800	26,800
Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)		Appropriated
Source of Revenue: License fees and regulatory assessments established by the Arizona Division of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse racing facilities and donations or grants received by the department.		
Purpose of Fund: To support the mission of the Division of Racing. The fund contains a subaccount that supports the Division of Boxing and Mixed Martial Arts, please see the Racing Regulation Fund - Unarmed Combat Subaccount for additional information.		
Funds Expended	1,991,400	2,580,700
Year-End Fund Balance	3,260,300	2,896,400
Racing Regulation Fund - Unarmed Combat Subaccount (GMA2559/A.R.S. § 5-226)		Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat events hosted in Arizona.		
Funds Expended	104,600	105,200
Year-End Fund Balance	61,600	160,600
Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racehorses.		
Funds Expended	27,900	25,000
Year-End Fund Balance	1,900	4,600
State Lottery Fund (GMA2122/A.R.S. § 5-571)		Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	400	400
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	1,329,500	2,299,400
Year-End Fund Balance	996,600	596,800

Office of the Governor

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	7,922,600	9,839,800	7,839,800 ^{1/2/}
SPECIAL LINE ITEMS			
Foster Youth Education Success Fund Deposit	1,500,000	1,500,000	1,500,000
Missing and Murdered Indigenous People Task Force	0	1,000,000	0
AGENCY TOTAL	9,422,600	12,339,800	9,339,800 ^{3/}
FUND SOURCES			
General Fund	9,422,600	12,339,800	9,339,800
SUBTOTAL - Appropriated Funds	9,422,600	12,339,800	9,339,800
Other Non-Appropriated Funds	9,654,900	10,792,600	10,640,300
Federal Funds	594,407,100	908,037,700	882,094,600
TOTAL - ALL SOURCES	613,484,600	931,170,100	902,074,700

AGENCY DESCRIPTION — The Governor is the state's Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office of Youth, Faith and Family, the Office of Constituent Services, the Arizona-Mexico Commission, the Commission of African-American Affairs, as well as others.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$7,839,800 for fiscal year 2024-2025 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,839,800 from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding.

Foster Youth Education Success Fund Deposit

The Baseline includes \$1,500,000 from the General Fund in FY 2025 for the Foster Youth Education Success Fund Deposit. This amount is unchanged from FY 2024.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona's foster care system.

Missing and Murdered Indigenous People Task Force

The Baseline includes no funding in FY 2025 for the Missing and Murdered Indigenous People (MMIP) Task Force line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding for the MMIP Task Force.

Established by an Executive Order from Governor Hobbs in March 2023, the MMIP Task Force's purpose is to reduce violence against indigenous people in the state and pursue collaboration by federal, state, and tribal agencies to address the recommendations of the legislature's Missing and Murdered Indigenous Peoples Study Committee. The Task Force is to prepare an annual report of their activities and recommendations for legislative action on or before December 1 of each year from 2023 to 2026.

In prior years, the Missing and Murdered Indigenous Peoples funding was included in the Attorney General's budget. The FY 2023 budget included a one-time increase of \$2,000,000 from the General Fund for Missing and Murdered Indigenous People Investigations. The FY 2023 appropriation is non-lapsing. The FY 2022 budget included a one-time increase of \$40,000 from the Attorney General's Consumer Protection – Consumer Fraud Revolving Fund for funding to support the Missing and Murdered Indigenous Women and Girls Study Committee established by Laws 2019, Chapter 232.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs. The FY 2023 expenditures and balance are reported in the Summary of Funds for the Arizona Commission of African-American Affairs, which was transferred to the Governor's Office in FY 2024.		
Funds Expended	0	0
Year-End Fund Balance	0	1,800
Coronavirus Relief Fund (GVA2975/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the pandemic public health emergency.		
Funds Expended	11,153,900	0
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	523,486,800	841,926,000
Year-End Fund Balance	1,791,503,100	949,577,100
County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	867,800	837,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Crisis Contingency and Safety Net Fund (GVA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be used by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,000	3,000
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty per cent of the monies deposited in the Judiciary Drug Treatment and Education Fund shall be distributed to the Arizona Parents Commission on Drug Education and Prevention established by A.R.S. § 41-1604.17		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	5,201,000	6,005,700
Year-End Fund Balance	573,400	742,800
Federal Grants (GVA2000/A.R.S. § 4-101.01)		Federal Funds
Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.		
Funds Expended	31,665,400	41,057,600
Year-End Fund Balance	0	0
Foster Youth Education Success Fund (GVA1400/A.R.S. § 41-108)		Non-Appropriated
Source of Revenue: General Fund appropriations. Public or private gifts, grants and donations.		
Purpose of Fund: To improve the educational outcomes of children in Arizona's foster care system. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Governor's Emergency Education Relief Fund (DTA2980/U.S. P.L. 116-136)		Federal Funds
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	28,101,000	25,054,100
Year-End Fund Balance	0	0
Governor's Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	286,000	270,000
Year-End Fund Balance	184,600	70,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	1,569,300	2,006,100
Year-End Fund Balance	1,823,500	917,400
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,432,000	2,260,800
Year-End Fund Balance	9,800,500	9,741,200
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	166,600	250,000
Year-End Fund Balance	145,800	50,800

Governor's Office of Strategic Planning and Budgeting

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,850,700	1,747,500	1,747,500
Employee Related Expenditures	625,500	459,300	459,300
Professional and Outside Services	61,400	121,200	121,200
Travel - In State	700	800	800
Travel - Out of State	18,700	6,900	6,900
Other Operating Expenditures	307,700	393,600	598,200
Equipment	38,300	4,200	4,200
AGENCY TOTAL	2,903,000	2,733,500	2,938,100 ^{1/2/}
FUND SOURCES			
General Fund	2,903,000	2,733,500	2,938,100
SUBTOTAL - Appropriated Funds	2,903,000	2,733,500	2,938,100
TOTAL - ALL SOURCES	2,903,000	2,733,500	2,938,100

AGENCY DESCRIPTION — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis, and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,938,100 and 22 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Retirement Cost Technical Adjustment

The Baseline includes an increase of \$204,600 from the General Fund in FY 2025 for a retirement cost technical adjustment. This increase corrects an error from the enacted FY 2024 budget. *(Please see the Other Issues section for additional information.)*

Other Issues

FY 2024 Supplemental

The FY 2025 Baseline includes an FY 2024 supplemental appropriation of \$204,600 from the General Fund for a retirement cost technical adjustment.

Section 123 of the FY 2024 General Appropriation Act adjusts individual agency budgets either up or down for changes statewide in charges, such as state employer health insurance contributions, risk management charges and state employer retirement contributions. The Act requires Joint Legislative Budget Committee (JLBC) Staff, in consultation with the Governor's Office of Strategic Planning and Budgeting (OSPB), to determine an amount for each state agency's adjustments.

Section 123 appropriated \$359,600 from the General Fund for changes in employer retirement rate contributions. In the process of implementing the individual agency shares of the \$359,600, JLBC Staff found that its own budget's share of this amount would have been a \$(409,100) reduction. This amount was accidentally derived as the Executive compiled its \$359,600 estimate and the error was identified after the FY 2024 budget was enacted. The correct adjustment would have been an increase of \$2,500.

To address this issue, the JLBC Staff and OSPB agreed to the following:

- In implementing the statewide retirement adjustment in FY 2024, JLBC's budget was reduced by \$(204,600) and OSPB's budget was reduced by \$(204,600) in lieu of the JLBC-only reduction of \$(409,100).
- The JLBC FY 2025 Baseline and the Executive's January 2025 budget will propose \$204,600 FY 2024 supplementals for each office to correct the error. These two \$204,600 adjustments will be continued as ongoing in the FY 2025 budget.

Department of Health Services

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,141.5	1,149.0	1,149.0 ^{1/}
Personal Services	26,004,600	29,224,500	29,224,500
Employee Related Expenditures	10,169,000	11,762,600	11,762,600
Professional and Outside Services	2,212,000	2,548,300	2,548,300
Travel - In State	430,100	761,500	761,500
Travel - Out of State	73,300	107,700	107,700
Other Operating Expenditures	16,450,300	16,516,300	16,516,300
Equipment	517,200	287,100	287,100
OPERATING SUBTOTAL	55,856,500	61,208,000	61,208,000 ^{2/}
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	85,818,900	86,616,700	77,146,700 ^{3/}
Arizona State Hospital-Restoration to Competency	813,200	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	10,762,100	10,881,900	10,881,900
Public Health			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	798,200	1,000,000	1,000,000
Alzheimer's Disease Research	3,625,000	4,125,000	4,125,000 ^{4/}
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{5/}
Breast and Cervical Cancer and Bone Density Screening	581,400	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	468,000	590,700	590,700
Dementia Awareness Campaign	0	750,000	0
Dementia Services Program and Alzheimer's Disease State Plan	0	964,100	0
Fentanyl Testing Strips and Mass Spectrometers	0	300,000	0
Funeral Services Regulation	870,000	459,400	459,400
Health Crisis Review Centers and Wraparound Services	0	5,000,000	0
Nonrenal Disease Management	145,900	198,000	198,000 ^{6/}
Nursing Care Special Projects	0	200,000	200,000
Poison Control Centers Funding	485,500	990,000	990,000
Psilocybin Research	0	5,000,000	0
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Trauma Recovery Center Fund Deposit	0	7,000,000	0
Family Health			
Family Health Pilot Program	812,900	0	0
Folic Acid Program	210,500	400,000	400,000
High Risk Perinatal Services	2,080,200	2,343,400	2,343,400
Homeless Pregnant Women Services	149,700	0	0
Newborn Screening Program	8,445,300	12,369,800	12,369,800
Nurse-Family Partnership Programs	0	2,500,000	0
Medical Provider Support			
Accelerated Nursing Programs	5,477,400	0	0
Behavioral Health Care Provider Loan Repayment Program	58,000	1,000,000	1,000,000
Collaborative Care Uptake Fund Deposit	0	1,000,000	0
Arizona Nurse Education Investment Pilot Program	15,000,000	15,000,000	15,000,000
Preceptor Grant Program for Graduate Students	223,100	500,000	500,000 ^{7/}
AGENCY TOTAL	194,623,600	225,254,600	193,270,500 ^{8/9/}

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
FUND SOURCES			
General Fund	143,335,500	166,360,900	134,376,800
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	3,022,400	3,145,800	3,145,800
ASH Land Earnings Fund	589,300	650,000	650,000
Child Fatality Review Fund	175,700	196,500	196,500
Disease Control Research Fund	798,200	1,000,000	1,000,000
Emergency Medical Services Operating Fund	3,714,900	4,209,500	4,209,500
Environmental Laboratory Licensure Revolving Fund	707,300	995,500	995,500
Federal Child Care and Development Fund Block Grant	998,500	992,500	992,500
Health Services Licensing Fund	16,656,100	17,416,400	17,416,400
Health Services Lottery Monies Fund	149,700	0	0
Indirect Cost Fund	11,906,800	12,673,500	12,673,500
Newborn Screening Program Fund	8,494,900	12,802,900	12,802,900
Nursing Care Institution Resident Protection Revolving Fund	0	238,200	238,200
Tobacco Tax and Health Care Fund - Medically Needy Account	435,500	700,000	700,000
Vital Records Electronic Systems Fund	3,638,800	3,872,900	3,872,900
SUBTOTAL - Other Appropriated Funds	51,288,100	58,893,700	58,893,700
SUBTOTAL - Appropriated Funds	194,623,600	225,254,600	193,270,500
Other Non-Appropriated Funds	72,760,600	105,864,000	105,864,000
Federal Funds	525,107,600	483,682,800	483,682,800
TOTAL - ALL SOURCES	792,491,800	814,801,400	782,817,300

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, epidemiological monitoring, and radiation regulation.

FOOTNOTES

- 1/ Includes 733.5 GF and 28.1 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Of the amount appropriated for the operating lump sum, \$100,000 shall be used for a suicide prevention coordinator to assist school districts and charter schools in suicide prevention efforts. On or before September 1, 2025, the department of health services, in consultation with the department of education, shall report to the governor, the president of the senate, the speaker of the house of representatives, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on the suicide prevention coordinator's accomplishments in fiscal year 2024-2025. (General Appropriation Act footnote)
- 3/ In addition to the appropriation for the department of health services, earnings on state lands and interest on the investment of the permanent state land funds are appropriated to the Arizona state hospital in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- 4/ The department of health services shall distribute monies appropriated for Alzheimer's disease research through a grant to a charitable organization that is qualified under section 501(c)(3) of the internal revenue code and that meets the following criteria:
 1. Is headquartered in this state.
 2. Has been operating in this state for at least the last ten years.
 3. Has participating member institutions that work together to end Alzheimer's disease within a statewide collaborative model by using their complementary strengths in brain imaging, computer science, genomics, basic and cognitive neurosciences and clinical and neuropathology research.
 4. Has participating member institutions that educate residents of this state about Alzheimer's disease, research progress and resources to help patients, families and professionals manage the disease. The terms of the grant made to the charitable organization may not impose any requirements that were not imposed in prior grant agreements entered into between the department of health services and the charitable organization. (General Appropriation Act footnote)

- 5/ The department of health services shall distribute monies appropriated for the biomedical research support line item to a nonprofit medical research institute headquartered in this state that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, that has served as a resource to this state to conduct molecular epidemiologic analyses to assist with disease outbreak investigations and that collaborates with universities, hospitals and health science research centers and other public and private bioscience and related industries in this state. The recipient of these monies shall commission an audit of the expenditure of these monies and shall submit a copy of the audit to the department of health services on or before February 1, 2026. (General Appropriation Act footnote)
- 6/ The department of health services may use up to four percent of the amount appropriated for nonrenal disease management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 7/ The amount appropriated to the department of health services for the preceptor grant program for graduate students is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any monies remaining unexpended on July 1, 2026 revert to the state general fund. (General Appropriation Act footnote)
- 8/ The department of health services shall electronically forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the thirtieth of the following month. Each report shall include an estimate of potential shortfalls in programs, potential federal and other monies, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$61,208,000 and 387.4 FTE Positions in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

	FY 2025
General Fund	\$20,839,300
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS)	4,209,500
Operating Fund	
Environmental Laboratory Licensure	995,500
Revolving Fund	
Federal Child Care and Development	992,500
Fund (CCDF) Block Grant	
Health Services Licensing Fund	16,957,000
DHS Indirect Cost Fund	12,673,500
Newborn Screening Program Fund	433,100
Nursing Care Institution Resident	38,200
Protection Revolving Fund	
Vital Records Electronic Systems Fund	3,872,900
Adjustments are as follows:	

Arizona State Hospital

ASH - Operating

The Baseline includes \$77,146,700 and 616.5 FTE Positions in FY 2025 for the ASH operating budget. These amounts consist of:

General Fund	74,250,900
ASH Fund	2,245,800

ASH Land Earnings Fund

650,000

Adjustments are as follows:

Remove One-Time Operating Costs

The Baseline includes a decrease of \$(5,970,000) from the General Fund in FY 2025 to remove one-time funding for registry staffing services.

Remove One-Time Surveillance System Upgrades

The Baseline includes a decrease of \$(3,500,000) from the General Fund in FY 2025 to remove one-time funding to replace the ASH video surveillance system.

Background – This line item funds inpatient psychiatric hospitalization services for adult SMI residents. ASH residents that are subject to court-ordered treatment are treated in ASH's civil hospital, and residents charged with or serving a sentence for committing a crime are treated in ASH's forensic hospital. In FY 2023, ASH had an average daily census of 109 patients in its civil commitment unit, 112 patients in its forensic unit, and 113 Sexually Violent Persons (SVPs), for a total of 334 patients.

ASH - Restoration to Competency

The Baseline includes \$900,000 from the ASH Fund in FY 2025 for ASH - Restoration to Competency. This amount is unchanged from FY 2024.

Background – This line item funds direct costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.

ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2023, there was an average daily census of 5 RTC patients treated at ASH. RTC patients are treated in ASH's forensic unit.

The FY 2025 Baseline continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The Baseline includes \$10,881,900 and 112.5 FTE Positions from the General Fund in FY 2025 for ASH - Sexually Violent Persons. These amounts are unchanged from FY 2024.

Background – This line item funds direct costs associated with the Sexually Violent Persons program. All other indirect costs are included in the Arizona State Hospital - Operating line item.

After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital. In FY 2023, ASH had an average daily census of 113 Sexually Violent Persons (SVPs).

Public Health

Adult Cystic Fibrosis Care

The Baseline includes \$105,200 from the General Fund in FY 2025 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2024.

In FY 2023, this line item provided contracted care and treatment services through Phoenix Children's Hospital for 43 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The Baseline includes \$1,000,000 from the Disease Control Research Fund in FY 2025 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2024.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The remaining \$875,000 funds medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal

Funds for the medications. The ADAP program served approximately 2,974 clients in FY 2023.

Alzheimer's Disease Research

The Baseline includes \$4,125,000 from the General Fund in FY 2025 for Alzheimer's Disease Research. This amount is unchanged from FY 2024.

Background – DHS distributes funding in the line item to the Arizona Alzheimer's Consortium (AAC). The AAC provides dollar-for-dollar matching grants to universities, hospitals, and research centers for research on the causes of Alzheimer's disease.

Biomedical Research Support

The Baseline includes \$2,000,000 from the General Fund in FY 2025 for Biomedical Research Support. This amount is unchanged from FY 2024.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on the application of genomic technologies and sequencing to clinical care, assists with disease outbreak investigations, and collaborates with universities, hospitals, and other bioscience and related industries in this state.

DHS distributes monies in this line item to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution. In addition to these monies, the budget includes \$3,000,000 from the General Fund to Northern Arizona University (NAU) for biotechnology. *(Please see the NAU narrative for more information.)*

Breast and Cervical Cancer and Bone Density Screening

The Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2025 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2024.

The Well Woman Healthcheck program provides contracted cancer screenings for women over age 40 who lack health insurance and have incomes less than 250% of the FPL. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

County Tuberculosis Provider Care and Control

The Baseline includes \$590,700 from the General Fund in FY 2025 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2024.

This line item provides reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

Dementia Awareness Campaign

The Baseline includes no funding in FY 2025 for a Dementia Awareness Campaign. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2025 to remove one-time funding for a dementia awareness campaign for rural and underserved urban areas in Arizona.

The FY 2024 Health Care BRB instructed DHS to distribute the monies to a nonprofit organization that has expertise in dementia and provides care for individuals affected by Alzheimer's disease and other forms of dementia. The recipient organization must also have experience in marketing and public awareness campaigns and host a toll-free 24-hour hotline to provide dementia support and education. DHS is required to report on the impact of the public education campaign to the Governor, the President of the Senate, and the Speaker of the House of Representatives on or before June 30, 2025.

An FY 2024 General Appropriation Act footnote makes these monies non-lapsing.

Dementia Services Program and Alzheimer's Disease State Plan

The Baseline includes no funding and 2 FTE Positions from the General Fund in FY 2025 for a Dementia Services Program and Alzheimer's Disease State Plan. Adjustments are as follows:

Remove One-Time Program Funding

The Baseline includes a decrease of \$(964,100) from the General Fund in FY 2025 to remove funding for DHS to establish a dementia services program and develop an Alzheimer's disease state plan, as required by the FY 2024 Health Care BRB.

Among other provisions, the dementia services program is required to facilitate coordination of policies and programs related to dementia and Alzheimer's disease within the Legislature and Executive branch. In addition, the dementia services program is responsible for coordinating, publishing, and implementing the Alzheimer's disease state plan, which is required to assess the current and future impact of dementia and Alzheimer's disease in Arizona. The plan must also assess existing capacity and resources to address needs. The plan must be published on DHS's website and include recommendations for increasing access to care and treatment, improving the quality of care for affected persons, ensuring a coordinated statewide response, and advancing early detection and diagnosis.

By July 1, 2024, and June 30, 2026, DHS must review and submit an updated Alzheimer's disease state plan to the Governor, the President of the Senate, and the Speaker of the House.

The FY 2024 General Appropriation Act included a footnote making these monies non-lapsing through FY 2026, after which the program's requirements are repealed. The footnote states that these monies are intended to be expended over 3 years. Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

Fentanyl Testing Strips and Mass Spectrometers

The Baseline includes no funding in FY 2025 for Fentanyl Testing Strips and Mass Spectrometers. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2025 to remove funding for DHS to purchase and distribute fentanyl testing strips and mass spectrometers.

Fentanyl testing strips and mass spectrometers are both forms of drug checking technology. The test strips are dipped into water containing drug residue to determine the presence of fentanyl. The spectrometers are used to detect the compounds available in drugs.

Funeral Services Regulation

The Baseline includes \$459,400 and 4 FTE Positions from the Health Services Licensing Fund in FY 2025 for Funeral Services Regulation. These amounts are unchanged from FY 2024.

Background – On January 10, 2023, the Senate and House Commerce Committee of Reference recommended the State Board of Funeral Directors and Embalmers be terminated, with its powers and duties transferred to DHS. Laws 2023, Chapter 194 transferred the board to DHS, retroactive to March 31, 2023. Enacted with an emergency clause, Chapter 194 became effective immediately upon the Governor's signature on June 20, 2023.

Pursuant to Chapter 194, all unencumbered and unexpended monies were transferred to DHS on the effective date, and all fees and monies collected in accordance with funeral services statutes were deposited into the Health Services Licensing Fund. The legislation removed all statutorily set fees for funeral services and allowed DHS to determine the new amounts.

To assist the DHS director in regulating funeral services, the legislation established an advisory committee consisting of seven members appointed by the Governor. The advisory committee is required to provide annual evaluations to the Governor regarding the performance of DHS in administering funeral services statutes.

Finally, Chapter 194 modified qualifications for individuals to receive embalmer and funeral director licenses, including requiring applicants to not have disqualifying criminal histories as determined by DHS.

Health Crisis Review Centers and Wraparound Services

The Baseline includes no funding in FY 2025 for Health Crisis Review Centers and Wraparound Services. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for grants for mental health crisis relief centers that provide short-term supportive housing and peer support.

Nonrenal Disease Management

The Baseline includes \$198,000 from the General Fund in FY 2025 for Nonrenal Disease Management. This amount is unchanged from FY 2024.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Nursing Care Special Projects

The Baseline includes \$200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2025 for special projects related to long-term care facilities. This amount is unchanged from FY 2024.

Background – The Nursing Care Institution Resident Protection Revolving Fund receives deposits from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. Historically, DHS's operating budget has included an ongoing appropriation of \$38,200 from this fund for emergency patient relocation and patient personal property replacement.

Poison Control Centers Funding

The Baseline includes \$990,000 from the General Fund in FY 2025 for Poison Control Centers. This amount is unchanged from FY 2024.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2023. A.R.S. § 32-1907 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona (UA) Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$500,000 to the UA Poison Control Center in FY 2023.

Psilocybin Research

The Baseline includes no funding from the General Fund in FY 2025 for Psilocybin Research. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove funding for DHS to provide psilocybin clinical research grants.

The FY 2024 Health Care BRB instructed DHS to distribute the monies as competitive research grants for phase I, II, and III clinical trials to evaluate the effects of whole mushroom psilocybin on treating specific disorders, including post-traumatic stress disorder. The Health Care BRB also established a psilocybin research advisory council charged with establishing criteria for qualifying clinical trials and overseeing the application process. By June 1 annually, the council must make recommendations

on psychedelic-assisted therapy to the Governor, the President of the Senate, and the Speaker of the House of Representatives. The program is repealed on June 30, 2026.

Renal Dental Care and Nutrition Supplements

The Baseline includes \$300,000 from the TTHCF - Medically Needy Account in FY 2025 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2024.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage and provides transportation services for dialysis appointments.

Renal Transplant Drugs

The Baseline includes \$183,000 from the General Fund in FY 2025 for Renal Transplant Drugs. This amount is unchanged from FY 2024.

This line item provides funding for anti-rejection medications for renal transplant patients who cannot be listed for transplant because they cannot afford the cost of medications. In FY 2023, 64 people received anti-rejection medication assistance.

Trauma Recovery Center Fund Deposit

The Baseline includes no funding and 1.5 FTE Positions from the General Fund in FY 2025 for a Trauma Recovery Center Fund Deposit. Adjustments are as follows:

Remove One-Time Fund Deposit

The Baseline includes a decrease of \$(7,000,000) from the General Fund in FY 2025 to remove a one-time deposit into the Trauma Recovery Center Fund.

An FY 2024 General Appropriation Act footnote instructs DHS to use the monies to provide a technical assistance grant to help establish a state pilot trauma recovery center, including 3 years of operational costs, and a separate grant to a public research institution to track data and outcomes of the state pilot trauma recovery center. The public research institution is required to produce a report at the conclusion of the pilot.

Family Health

Folic Acid Program

The Baseline includes \$400,000 from the TTHCF - Medically Needy Account in FY 2025 for the Folic Acid Program. This amount is unchanged from FY 2024.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2023, 15,559 women received folic acid education and multivitamins.

High Risk Perinatal Services

The Baseline includes \$2,343,400 from the General Fund in FY 2025 for High Risk Perinatal Services. This amount is unchanged from FY 2024.

This line item provides contracted transport services for high risk perinatal care, hospital services, inpatient physician follow-up services, and community health nurse visits for newborns who spent at least 5 days in a neonatal intensive care unit. The purpose of the visits is to identify developmental issues and provide early intervention services to ensure school readiness by age 5.

Newborn Screening Program

The Baseline includes \$12,369,800 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2025 for the Newborn Screening Program. These amounts are unchanged from FY 2024.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 61 disorders. In FY 2023, the program provided screening for 78,801 newborns. The program also provides follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing, but DHS may designate other laboratories as testing facilities for conditions or tests added to the screening program.

Nurse-Family Partnership Programs

The Baseline includes no funding in FY 2025 for Nurse-Family Partnership Programs. Adjustments are as follows:

Remove One-Time Program Funding

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2025 to remove funding for DHS to fund nurse-family partnership programs.

Nurse-family partnership programs are home visiting programs that pair nurses with low-income, first-time mothers during their pregnancy and the first 2 years of the children's lives. Services typically include care coordination, case management, assessments and screenings, preventive education, referrals to health and human services, and job development resources, among other supports.

Medical Provider Support

Accelerated Nursing Programs

The Baseline includes no funding in FY 2025 for Accelerated Nursing Programs. This amount is unchanged from FY 2024.

The FY 2023 budget appropriated \$50,000,000 one-time to DHS to expand nursing programs. Of this amount, the FY 2023 Health Care BRB required DHS to distribute \$6,000,000 to a private university with a health sciences campus located in Phoenix that offers a 12-month accelerated nursing program. The recipient will use the monies for capital costs associated with adding a new cohort of accelerated nursing students.

DHS will distribute the remaining \$44,000,000 to public and private universities and community colleges located in Arizona for the purpose of expanding program capacity. The department is required to give priority to programs that can be completed within 12 months, but programs up to 18 months in length are also eligible for funding. Each institution receiving monies must use at least 80% of the award to provide scholarships and no more than 20% may be used for administrative expenses, including the cost of hiring faculty and purchasing equipment. The monies may not be used for capital costs.

In January 2023, DHS reported awarding \$43,100,000 of the \$44,000,000 appropriation: \$5.6 million to ASU for 104 scholarships; \$5.9 million to Creighton University for 80 scholarships; \$16.0 million to Grand Canyon University for 300 scholarships; \$6.4 million to NAU for 240 scholarships; and \$9.2 million to UA for 158 scholarships. At the end of FY 2023, DHS had expended \$5,477,400 million of the appropriation.

The FY 2023 Health Care BRB also stipulated that scholarship recipients agree to practice nursing in Arizona for at least 4 years after graduation from an accelerated nursing program. DHS is required to compile information from each institution and submit an annual report to JLBC and OSPB on October 1 of each year through 2030. The report will include data on the number of students

receiving scholarships, the number of nurses who are currently completing the 4-year service commitment, and the number of students who have reimbursed the institution for not completing the service requirement.

An FY 2023 General Appropriation Act footnote makes these monies non-lapsing through FY 2024. Any unspent monies at the end of FY 2024 will revert to the General Fund.

Behavioral Health Care Provider Loan Repayment Program

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for the Behavioral Health Care Provider Loan Repayment Program. This amount is unchanged from FY 2024.

A.R.S. § 36-2175 establishes the program to provide loan repayment assistance to providers who agree to serve in behavioral health facilities for at least 2 years, with priority given to applicants who intend to practice in the Arizona State Hospital or a behavioral health residential facility. For the first 2 years of service, the maximum award is \$50,000. For each subsequent year, the maximum award is \$25,000.

Collaborative Care Uptake Fund Deposit

The Baseline includes no funding in FY 2025 for a Collaborative Care Uptake Fund Deposit. Adjustments are as follows:

Remove One-Time General Fund Deposit

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove a one-time deposit into the Collaborative Care Uptake Fund, as created by the FY 2024 Health Care BRB.

Monies deposited into this fund are used to provide grants to primary care physicians (PCPs) in medical practices with fewer than 50 employees who establish and deliver services through the collaborative care model, an evidence-based, integrated behavioral health service delivery method requiring a formal arrangement between a PCP, a care manager, and a psychiatrist. This line item also funds grants to collaborative care technical assistance centers that aid PCPs in providing integrated behavioral health services.

Arizona Nurse Education Investment Pilot Program

The Baseline includes \$15,000,000 from the General Fund in FY 2025 for the Arizona Nurse Education Investment Pilot Program. This amount is unchanged from FY 2024.

A.R.S. § 36-1802 requires these monies to be deposited into the Arizona Nurse Education Investment Pilot Program Fund to increase the capacity of nursing education programs in Arizona. DHS allocates these monies to the Arizona Board of Regents (ABOR) and community college districts based on the number of nursing students graduating in FY 2022, which includes programs for nursing assistants, licensed practical nurses, registered nurses, and advanced practice nurses. Recipients may use the monies to pay operating costs necessary to increase the number of faculty members teaching in nursing programs and for capital expenses directly related to additional faculty and students.

The 3-year spending plan associated with the enacted FY 2023 budget included \$15,000,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025. Of this amount, the Arizona Board of Regents (ABOR) expects the universities to receive \$5.7 million annually through FY 2025, with \$3.0 million for ASU, \$1.4 million for NAU, and \$1.3 million for UA. The remaining \$9.3 million will go to community college programs.

These monies are one-time through FY 2025. Any monies remaining in the fund at the end of FY 2026 will revert to the General Fund.

Preceptor Grant Program for Graduate Students

The Baseline includes \$500,000 from the General Fund in FY 2025 for a Preceptor Grant Program for Graduate Students. This amount is unchanged from FY 2024.

A.R.S. § 36-1806 establishes this program to expand the capacity of preceptor training for graduate students pursuing degrees as physicians in allopathic or osteopathic medicine, advanced practice nurses, physician assistants, or dentists. In the nursing profession, preceptors are licensed clinicians who supervise nursing students completing their clinical hours. DHS is required to allocate the monies to the 5 largest statewide nonprofit organization representing these professions in proportion to the number of active licenses within each.

The organizations will distribute monies to physicians, certified nurse midwives, registered nurse anesthetists, clinical nurse specialists, registered nurses, physician

assistants, and dentists who serve as volunteer preceptors who provide sufficient evidence of completing a preceptorship with a graduate student. Awards will be distributed on a first-come first-serve basis at a maximum of \$1,000 per preceptor per calendar year, with priority given to primary care preceptorships in rural areas of the state.

The 3-year spending plan associated with the enacted FY 2023 budget included \$500,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025.

The 2025 Baseline includes a footnote making these monies non-lapsing through FY 2026. Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.

Long-Term Budget Impacts

As part of the FY 2025 Baseline's 3-year spending plan, DHS's General Fund costs are projected to decrease by \$(15,500,000) in FY 2026 below FY 2025.

The FY 2026 estimate is based on:

- \$(15,000,000) for the removal of one-time nurse education investment pilot program funding.
- \$(500,000) for the removal of one-time grants for preceptor training programs.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Alzheimer's Disease Research Fund (HSA2255/A.R.S. § 36-123.02)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Alzheimer's Disease Research Fund.		
Purpose of Fund: To distribute monies to charitable organizations in Arizona that have been operating for at least 10 years and have member institutions working to end Alzheimer's Disease and educate Arizona residents about Alzheimer's Disease.		
Funds Expended	0	32,000
Year-End Fund Balance	28,300	8,600
Arizona Nurse Education Investment Pilot Program Fund (HSA4200/A.R.S. § 36-1802)		Non-Appropriated
Source of Revenue: Legislative appropriations, private donations, grants and federal monies.		
Purpose of Fund: To increase the capacity of nursing education programs in this state by fostering collaboration among this state's education and health care communities and the state and federal governments. Any monies remaining in the fund on July 1, 2026, will revert to the General Fund. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	9,019,700	4,509,900
Arizona State Hospital Charitable Trust Fund (HSA9985/A.R.S. § 36-218)		Non-Appropriated
Source of Revenue: Monies received from contracts and lease agreements on Arizona State Hospital property.		
Purpose of Fund: To benefit persons with mental illness in this state.		
Funds Expended	12,200	100,000
Year-End Fund Balance	170,300	226,300
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, county payments, and other monies collected for services to clients at the state hospital.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	3,022,400	3,145,800
Year-End Fund Balance	2,975,600	3,393,600
ASH Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	589,300	650,000
Year-End Fund Balance	3,245,900	4,052,100
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	51,600	550,300
Year-End Fund Balance	1,111,600	693,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$200,000. Any revenue collected in excess of \$200,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Child Safety.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	175,700	196,500
Year-End Fund Balance	263,100	266,200
Childhood Cancer and Rare Childhood Disease Research Fund (HSA2560/A.R.S. § 36-121)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited to the Childhood Cancer and Rare Childhood Disease Research Fund.		
Purpose of Fund: To support childhood cancer research.		
Funds Expended	0	30,000
Year-End Fund Balance	89,600	89,600
Collaborative Care Uptake Fund (HSA4270/Laws 2023, Chapter 139)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For grants to primary care physicians to cover the initial costs of implementing behavioral health integration services through a collaborative care model, and for technical assistance grants. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Congenital Heart Defect Special Plate Fund (HSA2258/A.R.S. § 36-123.03)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited to the Congenital Heart Defect Special Plate Fund.		
Purpose of Fund: Distribution to a foundation that supports a hospital with a focus on pediatric patient care and has a heart center.		
Funds Expended	0	32,000
Year-End Fund Balance	22,800	20,400
Coronavirus Relief Fund (HSA2975/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the pandemic public health emergency.		
Funds Expended	12,202,600	0
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (HSA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	4,427,900	5,083,300
Year-End Fund Balance	200	100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To provide funding for AIDS Reporting and Surveillance. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	798,200	1,000,000
Year-End Fund Balance	4,911,300	4,075,700
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,596,100	3,000,300
Year-End Fund Balance	4,911,300	4,075,700
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	1,233,000	710,700
Year-End Fund Balance	1,385,500	885,200
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	4,800	5,500
Year-End Fund Balance	9,200	9,200
Drug Disposal Education and Awareness Fund (HSA2230/A.R.S. § 36-123.01)		Non-Appropriated
Source of Revenue: Donations and contributions from private persons and organizations.		
Purpose of Fund: To pay for the cost of administering an education and awareness program regarding the disposal of prescription drugs, including controlled substances, nonprescription drugs, needles, and sharps.		
Funds Expended	0	0
Year-End Fund Balance	10,000	10,000
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	3,714,900	4,209,500
Year-End Fund Balance	988,100	190,900
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	707,300	995,500
Year-End Fund Balance	860,200	571,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Child Care and Development Block Grant (HSA2008/U.S. P.L 104-193)		Federal Funds
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide reduced licensing fees for child care centers, via an intergovernmental service agreement with the Department of Economic Security. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	6,655,200	5,000,100
Year-End Fund Balance	485,000	504,500
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities. Please see the Federal Funds portion of the fund for additional information.		
Funds Expended	998,500	992,500
Year-End Fund Balance	485,000	504,500
Federal Funds (HSA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Grants and reimbursements from the federal government.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	501,821,900	473,599,400
Year-End Fund Balance	10,013,400	10,013,500
Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Fees for health care institution licensing services, monies from the examination and licensing of hearing and speech professionals, and fees collected for regulation of individuals utilizing radiological materials.		
Purpose of Fund: To fund regulatory actions for health care institutions, hearing and speech professionals, and radiation regulation. A total of 90% of assurance and licensure fees are deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	16,656,100	17,416,400
Year-End Fund Balance	2,117,200	(2,449,100)
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund grants for homeless pregnant women services. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	149,700	0
Year-End Fund Balance	5,769,100	4,518,700
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	7,354,300	8,973,300
Year-End Fund Balance	5,769,100	4,518,700
IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from intergovernmental agreements and interagency services agreements between the Department of Health Services and other state and local entities. The fund receives annual revenue from the Department of Economic Security (DES) to provide nutrition education in schools for grades 1-6 using funds from the Supplemental Nutrition Assistance Program (SNAP).		
Purpose of Fund: To fund services which DHS has agreed to perform in IGAs and ISAs with state and local public agencies.		
Funds Expended	14,870,900	12,046,400
Year-End Fund Balance	17,446,100	10,680,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	11,906,800	12,673,500
Year-End Fund Balance	4,176,300	3,801,500
Internal Services Fund (HSA4202/A.R.S. § 36-104)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	14,800	0
Year-End Fund Balance	23,600	23,600
Justice Reinvestment Fund (HSA1121/A.R.S. § 36-2863)		Non-Appropriated
Source of Revenue: The fund receives 10% of revenues from the Smart and Safe Arizona Fund after state agencies pay administrative costs for implementing the provisions of Proposition 207, which legalized the adult use of recreational marijuana.		
Purpose of Fund: To pay administrative costs incurred by the State Treasurer and Arizona Department of Health Services (DHS). After administrative costs are paid, the remaining funds are distributed 35% to county public health departments, 35% to DHS for justice reinvestment program grants, and 30% to DHS for addressing public health issues.		
Funds Expended	2,958,900	12,747,400
Year-End Fund Balance	18,130,600	16,690,000
Laser Safety Fund (HSA2388/A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health-related purposes.		
Funds Expended	6,900	0
Year-End Fund Balance	120,200	140,200
Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: To enforce provisions of Proposition 203 (Arizona Medical Marijuana Act) enacted in the 2010 General Election. The Arizona Medical Marijuana Act regulates dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	21,226,800	25,899,800
Year-End Fund Balance	36,081,900	16,682,100
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Fees paid to DHS for newborn screening services.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	8,494,900	12,802,900
Year-End Fund Balance	1,597,100	1,594,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-431.02)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	0	238,200
Year-End Fund Balance	2,392,600	2,154,400
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	73,500	581,200
Year-End Fund Balance	783,200	328,300
Public Health Emergencies Fund (HSA2775/A.R.S. § 36-122)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund public health emergency responses in the state following an emergency declaration by the Governor.		
Funds Expended	434,100	0
Year-End Fund Balance	958,600	958,600
Smart and Safe Arizona Fund (HSA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	6,960,200	11,000,000
Year-End Fund Balance	3,106,200	1,806,200
Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke-Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	1,129,900	2,604,800
Year-End Fund Balance	1,788,400	1,332,100
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	12,263,400	18,000,000
Year-End Fund Balance	18,513,600	14,000,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Non-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
Funds Expended	2,569,200	9,550,300
Year-End Fund Balance	9,789,000	6,774,900
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account.		
Purpose of Fund: To fund the Folic Acid Program and Renal Dental Care and Nutrition Supplements line items.		
Funds Expended	435,500	700,000
Year-End Fund Balance	511,700	511,700
Trauma Recovery Center Fund (HSA4260/A.R.S. § 36-4102)		Appropriated
Source of Revenue: Legislative appropriations, grants and contributions.		
Purpose of Fund: The department, in consultation with a national alliance that supports trauma recovery centers, establishes priorities for the fund to provide grants to trauma recovery centers. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. DHS is authorized by A.R.S. § 36-341 to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	3,638,800	3,872,900
Year-End Fund Balance	(13,100)	(832,300)

Arizona Historical Society

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,296,700	1,296,700	1,296,700
Employee Related Expenditures	556,300	556,300	556,300
Professional and Outside Services	1,000	800	800
Travel - In State	5,300	5,300	5,300
Travel - Out of State	1,800	1,800	1,800
Other Operating Expenditures	724,000	560,000	560,000
OPERATING SUBTOTAL	2,585,100	2,420,900	2,420,900
SPECIAL LINE ITEMS			
Field Services and Grants	65,700	65,400	65,400
Papago Park Museum	563,400	559,500	559,500
AGENCY TOTAL	3,214,200	3,045,800	3,045,800 ^{2/}
FUND SOURCES			
General Fund	3,214,200	3,045,800	3,045,800
SUBTOTAL - Appropriated Funds	3,214,200	3,045,800	3,045,800
Other Non-Appropriated Funds	974,600	1,892,400	1,892,400
Federal Funds	42,900	30,000	30,000
TOTAL - ALL SOURCES	4,231,700	4,968,200	4,968,200

AGENCY DESCRIPTION — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

FOOTNOTES

1/ Includes 10.5 GF FTE Positions funded from Special Line Items in FY 2025.

2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,420,900 and 40.4 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Field Services and Grants

The Baseline includes \$65,400 and 0.5 FTE Positions from the General Fund in FY 2025 for Field Services and Grants. These amounts are unchanged from FY 2024.

Papago Park Museum

The Baseline includes \$559,500 and 10 FTE Positions from the General Fund in FY 2025 for the Papago Park Museum. These amounts are unchanged from FY 2024.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Grants (HIA2000/A.R.S. § 41-821)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	42,900	30,000
Year-End Fund Balance	36,500	131,500
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	559,300	404,300
Year-End Fund Balance	621,300	452,000
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	21,800	0
Year-End Fund Balance	92,000	92,000
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	393,500	1,488,100
Year-End Fund Balance	3,564,400	2,560,500
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	0	0
Year-End Fund Balance	153,300	153,300

Prescott Historical Society of Arizona

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	562,000	619,800	619,800
Employee Related Expenditures	226,800	247,000	247,000
Other Operating Expenditures	227,200	146,100	146,100
AGENCY TOTAL	1,016,000	1,012,900	1,012,900 ^{1/}
FUND SOURCES			
General Fund	1,016,000	1,012,900	1,012,900
SUBTOTAL - Appropriated Funds	1,016,000	1,012,900	1,012,900
Other Non-Appropriated Funds	926,600	1,074,500	1,074,500
TOTAL - ALL SOURCES	1,942,600	2,087,400	2,087,400

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving, and publicly exhibiting archival and museum objects pertaining to the history, geological, and anthropological life of Arizona and the West.

FOOTNOTES

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

Operating Budget

The Baseline includes \$1,012,900 and 13 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		Non-Appropriated
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	926,600	1,074,500
Year-End Fund Balance	(67,100)	32,900

Arizona Department of Homeland Security

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	20.0	20.0	20.0 ^{1/}
OPERATING SUBTOTAL	0	0	0
SPECIAL LINE ITEMS			
Arizona State Nonprofit Security Grant Program Fund Deposit	0	5,000,000	0
Statewide Information Security and Privacy Operations and Controls	9,617,600	11,319,400	11,094,400
Antihuman Trafficking Grant Fund Deposit	0	10,000,000	0
Cybersecurity Software	1,741,500	0	0
Statewide Cybersecurity Grants	9,885,600	10,000,000	10,000,000 ^{2/}
AGENCY TOTAL	21,244,700	36,319,400	21,094,400 ^{3/}
FUND SOURCES			
General Fund	11,627,100	25,000,000	10,000,000
<u>Other Appropriated Funds</u>			
Information Technology Fund	9,617,600	11,319,400	11,094,400
SUBTOTAL - Other Appropriated Funds	9,617,600	11,319,400	11,094,400
SUBTOTAL - Appropriated Funds	21,244,700	36,319,400	21,094,400
Federal Funds	24,849,000	25,000,000	25,000,000
TOTAL - ALL SOURCES	46,093,700	61,319,400	46,094,400

AGENCY DESCRIPTION — The Arizona Department of Homeland Security distributes funding received from the U.S. Department of Homeland Security to state agencies and local governments to prevent and mitigate acts of terrorism and natural disasters. The department publishes the Arizona Homeland Security Strategy and provides planning assistance to aid in the development of regional response plans for natural disasters or terrorism incidents. In FY 2023, the department took responsibility of Statewide Information Security and Privacy Operations and Controls.

FOOTNOTES

- ^{1/} Includes 20 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} Of the amount appropriated for statewide cybersecurity grants, the Arizona department of homeland security may spend up to \$310,000 for grant administration. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum with Special Line Items by Agency.

Statewide Information Security and Privacy Operations and Controls

The Baseline includes \$11,094,400 and 20 FTE Positions from the Information Technology (IT) Fund in FY 2025 for Statewide Information Security and Privacy Operations and Controls. Adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(225,000) from the IT Fund in FY 2025 to remove additional cyber security resources.

The Statewide Information Security and Privacy Office (SISPO) in the department performs strategic planning, policy development, risk assessment, facilitation, and coordination to protect the state's information resources. The IT Fund receives revenue from a 0.61% pro-rata charge on agency payroll.

Antihuman Trafficking Grant Fund Deposit

The Baseline includes no funding in FY 2025 for an Antihuman Trafficking Grant Fund Deposit. Adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 to remove a one-time deposit into the Antihuman Trafficking Grant Fund.

The FY 2024 Criminal Justice Budget Reconciliation Bill (BRB) establishes the nonappropriated Antihuman Trafficking Grant Fund in the department.

A budget footnote specifies that of the \$10,000,000 deposited in the Antihuman Trafficking Grant Fund, \$2,000,000 shall be distributed to the Department of Public Safety (DPS) Arizona Counter Terrorism Information Center (ACTIC) and \$8,000,000 shall be distributed as grants to local law enforcement agencies, not to exceed \$500,000 per agency.

Monies in the line item provide grants to antihuman trafficking programs that work to reduce human trafficking by providing assistance to law enforcement agencies, providing series to victims, or training law enforcement and prosecutorial agencies.

Arizona State Nonprofit Security Grant Program Fund Deposit

The Baseline includes no funding in FY 2025 for an Arizona State Nonprofit Security Grant Program Fund Deposit. Adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove a one-time deposit

into the Arizona State Nonprofit Security Grant Program Fund.

The FY 2024 Criminal Justice BRB establishes the nonappropriated Nonprofit Security Grant Program Fund to provide safety and security grants for projects at nonprofit organizations that are at a high risk of terrorist attacks or hate crimes.

The line item funds a grant program to provide eligible nonprofits with safety and security grants. The department shall award up to \$1,000,000 in any grant year and a nonprofit may not receive more than \$100,000 in any grant year. Priority shall be given to organizations that are unable to apply for other funding. A budget footnote allows the department to spend up to 5% of the monies deposited in the fund to administer the grant program.

Statewide Cybersecurity Grants

The Baseline includes \$10,000,000 from the General Fund in FY 2025 for statewide cybersecurity grants. This amount is unchanged from FY 2024.

The line item funds a grant program to provide local political subdivisions with resources for cybersecurity readiness and tools. A budget footnote allows the department to use up to \$310,000 of the appropriation to administer the grant program.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Antihuman Trafficking Grant Fund (HLA9999/Laws 2023, Chapter 137)		Non-Appropriated
Source of Revenue: Monies appropriated by the legislature.		
Purpose of Fund: To provide grants to reduce human trafficking in the state. To be eligible for grant monies, an antihuman trafficking program must do either of the following: 1. Work to reduce human trafficking by providing assistance and analytical services to law enforcement agencies. 2. Provide services to victims and training to law enforcement agencies, prosecutorial agencies and the public on preventing and identifying human trafficking. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona State Nonprofit Security Grant Program Fund (HLA8888/Laws 2023, Chapter 137)		Non-Appropriated
Source of Revenue: Grants, gifts, donations and legislative appropriations.		
Purpose of Fund: To provide funding for safety and security projects to nonprofit organizations that are at high risk of a terrorist attack or at risk of hate crimes or attacks because of the nonprofit's ideology, beliefs or mission for target hardening and other security enhancements and activities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Funds (HLA2000/A.R.S. § 41-4254)		Federal Funds
Source of Revenue: Grants received from the U.S. Department of Homeland Security.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grand total to be used for administrative costs.		
Funds Expended	24,849,000	25,000,000
Year-End Fund Balance	(100)	(100)
Information Technology Fund (HLA2152/A.R.S. § 18-401)		Appropriated
Source of Revenue: A pro rata share of 0.61% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Monies from the Information Technology (IT) Fund support the operation of the Statewide Information Security and Privacy Office (SISPO). Monies also provide personnel funding for statewide IT planning, coordinating, oversight, and consulting at the Arizona Department of Administration.		
Funds Expended	9,617,600	11,319,400
Year-End Fund Balance	0	0

Board of Homeopathic and Integrated Medicine Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	22,000	24,900	24,900
Employee Related Expenditures	12,600	19,900	19,900
Other Operating Expenditures	16,300	16,600	16,600
Equipment	400	0	0
AGENCY TOTAL	51,300	61,400	61,400 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Homeopathic and Integrated Medicine Examiners' Fund	51,300	61,400	61,400
SUBTOTAL - Other Appropriated Funds	51,300	61,400	61,400
SUBTOTAL - Appropriated Funds	51,300	61,400	61,400
TOTAL - ALL SOURCES	51,300	61,400	61,400

AGENCY DESCRIPTION — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$61,400 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopathists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopathists, and for board administration.		
Funds Expended	51,300	61,400
Year-End Fund Balance	49,500	33,800

Arizona Department of Housing

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	237,900	309,300	309,300
Employee Related Expenditures	0	61,800	61,800
OPERATING SUBTOTAL	237,900	371,100	371,100
SPECIAL LINE ITEMS			
Homeless Services Grant Pilot	10,000,000	0	0
Homeless Shelter and Services	20,000,000	0	0
Homeless Shelter and Services Fund Deposit	0	40,000,000	0
Housing Trust Fund Deposit	60,000,000	150,000,000	0
Military Transitional Housing Fund Deposit	0	1,900,000	0
Mobile Home Relocation Fund Deposit	0	5,000,000	0
AGENCY TOTAL	90,237,900	197,271,100	371,100 ^{1/}
FUND SOURCES			
General Fund	90,000,000	196,900,000	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	237,900	371,100	371,100
SUBTOTAL - Other Appropriated Funds	237,900	371,100	371,100
SUBTOTAL - Appropriated Funds	90,237,900	197,271,100	371,100
Other Non-Appropriated Funds	15,020,400	16,722,300	16,722,300
Federal Funds	251,707,600	177,767,500	177,767,500
TOTAL - ALL SOURCES	356,965,900	391,760,900	194,860,900

AGENCY DESCRIPTION — The department annually administers approximately \$180 million in federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Industrial Development Authority. The department's responsibilities include the Office of Manufactured Housing.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum.

Operating Budget

The Baseline includes \$371,100 and 3 FTE Positions from the Housing Trust Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Homeless Shelter and Services Fund Deposit

The Baseline includes no funding in FY 2025 for a Homeless Shelter and Services Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(40,000,000) from the General Fund in FY 2025 for the elimination of a one-time deposit into the Homeless Shelter and Services Fund.

Background —The FY 2024 Human Services Budget Reconciliation Bill (BRB) established the Homeless Shelter and Services Fund. Monies from the fund shall be used to award grants to counties, cities, towns, Indian tribes and nonprofit organizations for programs that provide shelter and services to unsheltered persons who are experiencing homelessness.

The FY 2024 General Appropriations Act included an FY 2023 supplemental appropriation of \$20,000,000 for Homeless Shelter and Services. That amount was not deposited in the Homeless Shelter and Services Fund, as it did not yet exist.

Housing Trust Fund Deposit

The Baseline includes no funding in FY 2025 for a Housing Trust Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(150,000,000) from the General Fund in FY 2025 for the elimination of a one-time deposit into the Housing Trust Fund.

An FY 2024 General Appropriation Act footnote required the department to submit an expenditure plan report to the Joint Legislative Budget Committee on or before September 1, 2023. The report submitted by the department outlined the plan for stakeholder meetings but did not include planned expenditures. The report was not consistent with the legislative intent of the expenditure plan report requirement.

Another FY 2024 General Appropriation Act footnote allowed the department to use a portion of the deposited monies to invest in a long-term lease that creates a campus for transitional housing, workforce affordable housing, crisis response, detox and recover, workforce development programs, and wrap-around services; the footnote also specifies eligibility characteristics for the campus's lead provider.

The Housing Trust Fund develops projects and programs providing housing opportunities for low- and moderate-income households and housing affordability programs.

Military Transitional Housing Fund Deposit

The Baseline includes no funding in FY 2025 for a Military Transitional Housing Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,900,000) from the General Fund in FY 2025 for the elimination of a one-time deposit into the Military Transitional Housing Fund.

The Military Transitional Housing Fund provides transitional housing opportunities for military members separating from the military in newly constructed houses.

Mobile Home Relocation Fund Deposit

The Baseline includes no funding in FY 2025 for a Mobile Home Relocation Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 for the elimination of a one-time deposit into the Mobile Home Relocation Fund.

The Mobile Home Relocation Fund pays for relocations of mobile homeowners due to rental increases and pays premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
CDBG-CV CARES Act Fund (HDA2976/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal COVID-19 response legislation for the Community Development Block Grant program.		
Purpose of Fund: To provide housing, permanent jobs, public services, or new or improved infrastructure to prevent, prepare for and respond to the COVID-19 pandemic.		
Funds Expended	9,284,000	9,285,000
Year-End Fund Balance	2,100	17,100
Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	0	0
Year-End Fund Balance	759,800	809,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Coronavirus State and Local Fiscal Recovery Fund (HDA2985/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal COVID-19 response legislation for the State and Local Fiscal Recovery program.		
Purpose of Fund: Provides funding to respond to the pandemic and its negative economic impacts, provide premium pay to workers performing essential work, restore cuts in public services caused by pandemic-induced revenue losses and avoid additional cuts, and invest in water, sewer, or broadband infrastructure.		
Funds Expended	23,488,800	15,000,000
Year-End Fund Balance	6,927,600	6,927,600
DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Revenues include fees collected from fingerprint clearance cards.		
Purpose of Fund: Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards.		
Funds Expended	6,100	6,100
Year-End Fund Balance	3,200	3,900
Federal Funds (HDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	97,379,300	97,729,700
Year-End Fund Balance	2,943,700	2,623,800
Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Federal Funds
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	0	0
Year-End Fund Balance	1,363,300	1,497,700
HOME ARPA Fund (HDA8610/A.R.S. § 41-3955)		Federal Funds
Source of Revenue: Monies received by the state from the Federal HOME-American Recover Plan Act (HOME-ARP).		
Purpose of Fund: To assist in providing supportive services, non-congregate shelter, rental housing, nonprofit operating an capacity building assistance, and planning and administration.		
Funds Expended	2,600	2,700
Year-End Fund Balance	900	1,200
Home Investment Partnership Act Fund (HDA1410/A.R.S § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the U.S. Department of Housing and Urban development (HUD).		
Purpose of Fund: Provide decent affordable housing to lower income households, expand the capacity of nonprofit housing providers, strengthen the ability of state and local governments to provide housing, leverage private sector participation.		
Funds Expended	5,158,400	0
Year-End Fund Balance	11,484,100	12,309,900
Homeless Shelter and Services Fund (HDA9999/Laws 2023, Ch. 141)		Appropriated
Source of Revenue: Legislative appropriation		
Purpose of Fund: To award grants to counties, cities, towns, Indian tribes, and nonprofit organizations for programs that provide shelter and services to unsheltered persons who are experiencing homelessness.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Homeowner's Assistance Fund (HDA2986/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds appropriated in the American Rescue Plan Act		
Purpose of Fund: To assist homeowners experiencing financial hardship due to the Coronavirus. Funds may be used for assisted payments for mortgages, utilities, insurance and other specified purposes.		
Funds Expended	115,982,400	55,321,700
Year-End Fund Balance	55,321,700	0
Housing Choice Voucher Emergency Housing Fund (HDA3202/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds for housing assistance		
Purpose of Fund: To provide rental assistance to individuals and families who are experiencing homelessness or are at risk of experiencing homelessness.		
Funds Expended	147,700	160,000
Year-End Fund Balance	70,800	35,800
Housing Program Fund (HDA2200/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, fees from the Section 8 project-based contract administration program, administrative reimbursements from Federal Hardest Hit Funds, utility grants from Southwest Gas for the state's Weatherization Program, and services fees related to the Office of Manufactured Housing.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs.		
Funds Expended	8,584,500	10,402,600
Year-End Fund Balance	36,335,500	44,433,800
Housing Stability Counseling Fund (HDA9919/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal American Rescue Plan.		
Purpose of Fund: To support housing counseling for households facing housing instability.		
Funds Expended	264,400	268,400
Year-End Fund Balance	34,600	21,200
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 35-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund.		
Purpose of Fund: The appropriated portion pays for administration expenses and may not exceed 10% of the Housing Trust monies. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	237,900	371,100
Year-End Fund Balance	86,248,500	155,272,600
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Non-Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 35-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund.		
Purpose of Fund: The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	218,900	190,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
IGA and ISA Fund (HDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
Purpose of Fund: To enable the department to administer a portion of the LIHEAP which provides direct weatherization and energy improvements to homes owned by low-income homeowners.		
Funds Expended	6,037,600	6,088,000
Year-End Fund Balance	0	12,000
Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	687,700	707,700
Military Transitional Housing Fund (HDA9999/A.R.S. § 41-3955.02)		Non-Appropriated
Source of Revenue: Federal monies.		
Purpose of Fund: To provide transitional housing opportunities for military members separating from the military in newly constructed housing facilities. The department may not use more than 10% of fund monies to administer the fund. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000. The fund received a \$5,000,000 appropriation in FY 2024. General Fund expenditures are not displayed to avoid double counting.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.		
Funds Expended	173,300	34,900
Year-End Fund Balance	7,734,300	7,940,500

Independent Redistricting Commission

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	6.0	0.0	0.0
Personal Services	295,200	0	0
Employee Related Expenditures	95,300	0	0
Professional and Outside Services	763,400	0	0
Travel - In State	1,000	0	0
Other Operating Expenditures	93,400	0	0
AGENCY TOTAL	1,248,300 ^{1/}	0	0
FUND SOURCES			
General Fund	1,248,300	0	0
SUBTOTAL - Appropriated Funds	1,248,300	0	0
TOTAL - ALL SOURCES	1,248,300	0	0

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission (IRC). The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who cannot be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona's legislative and congressional districts based on the 10-year census.

FOOTNOTES

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2022 General Appropriation Act footnote)

Operating Budget

The Baseline includes no funding in FY 2025 for the operating budget. This amount is unchanged from FY 2024.

The Baseline includes no new funding for IRC in FY 2025 and subsequent years given that the Commission has no outstanding litigation and monies remain from the non-lapsing FY 2022 appropriation.

The Commission resumed its constitutional duties in CY 2021, the start of the CY 2020 10-year redistricting cycle. The Commission approved the current redistricting maps in December 2021. For the CY 2020 redistricting cycle, the Independent Redistricting Commission received a total of \$8,400,000 in appropriations from the General Fund as shown in Table 1. (See the FY 2023 Appropriations Report for background on the CY 2010 redistricting cycle funding)

Through November 2023, the Commission has expended \$7,747,300 in total for the CY 2020 redistricting cycle: 1) All \$500,000 from the initial FY 2021 appropriation has been expended; and 2) The Commission has expended \$7,247,300 from the non-lapsing appropriation made in FY 2022, which leaves \$652,700 of funding currently available to the Commission.

Table 1

CY 2020 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2021 (Laws 2020, Ch. 58)	\$ 500,000
FY 2022 (Laws 2021, Ch. 408)	<u>7,900,000</u>
Subtotal	\$8,400,000

Industrial Commission of Arizona

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	236.6	236.6	236.6 ^{1/}
Personal Services	10,341,400	10,703,900	10,703,900
Employee Related Expenditures	4,018,300	4,024,300	4,024,300
Professional and Outside Services	1,688,100	1,635,000	1,635,000
Travel - In State	152,300	171,500	171,500
Travel - Out of State	36,000	40,600	40,600
Other Operating Expenditures	4,740,000	5,196,600	5,196,600
Equipment	336,800	213,600	213,600
OPERATING SUBTOTAL	21,312,900	21,985,500	21,985,500
SPECIAL LINE ITEMS			
Municipal Firefighter Reimbursement Administration	84,600	84,700	84,700 ^{2/}
AGENCY TOTAL	21,397,500	22,070,200	22,070,200 ^{3/}
FUND SOURCES			
General Fund	84,600	84,700	84,700
<u>Other Appropriated Funds</u>			
Administrative Fund	21,312,900	21,985,500	21,985,500
SUBTOTAL - Other Appropriated Funds	21,312,900	21,985,500	21,985,500
SUBTOTAL - Appropriated Funds	21,397,500	22,070,200	22,070,200
Other Non-Appropriated Funds	17,588,200	19,112,500	19,112,500
Federal Funds	3,622,900	23,532,500	23,532,500
TOTAL - ALL SOURCES	42,608,600	64,715,200	64,715,200

AGENCY DESCRIPTION — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, and providing workers' compensation coverage for claimants of uninsured and self-insured employers.

FOOTNOTES

- ^{1/} Includes 1 GF FTE Position funded from Special Line Items in FY 2025.
- ^{2/} The legislature intends that the state general fund appropriation be used only for administrative costs of title 23, chapter 11, Arizona Revised Statutes, and that this appropriation does not convey any responsibility for firefighter cancer compensation and benefits claims on to this state. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$21,985,500 and 235.6 FTE Positions from the Administrative Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Municipal Firefighter Reimbursement Administration

The Baseline includes \$84,700 and 1 FTE Position from the General Fund in FY 2025 for the Municipal Firefighter Reimbursement Administration line item. These amounts are unchanged from FY 2024.

A.R.S. § 23-1702 and § 23-1703 require the Industrial Commission to assess an annual fee on cities and towns and to proportionally distribute the revenue based on the actual amount paid by municipalities for the cost of cancer-related treatments for firefighters and fire investigators.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that cannot exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	21,312,900	21,985,500
Year-End Fund Balance	2,757,200	2,889,700
Coronavirus State and Local Fiscal Recovery Fund (ICA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	20,000,000
Year-End Fund Balance	0	0
Federal Grants (ICA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	3,622,900	3,532,500
Year-End Fund Balance	499,200	499,200
Municipal Firefighters Cancer Reimbursement Fund (ICA2182/A.R.S § 23-1702)		Non-Appropriated
Source of Revenue: Fees collected from cities and towns that receive state shared revenues. Total fees collected may not exceed \$15,000,000		
Purpose of Fund: To reimburse municipal payors for the compensation and benefits paid to firefighters and fire investigators for partial disability, lost earning capacity, total disability, medical fees, and death benefits.		
Funds Expended	2,636,400	5,000,000
Year-End Fund Balance	28,298,500	39,698,500
Proposition 206 Fair Wages and Healthy Families Fund (ICA2185/A.R.S § 23-364)		Non-Appropriated
Source of Revenue: Fees levied against violators of minimum wage and paid sick leave.		
Purpose of Fund: To enforce minimum wage and paid sick leave requirements.		
Funds Expended	0	31,700
Year-End Fund Balance	42,500	74,200
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	170,800	156,200
Year-End Fund Balance	223,400	223,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Special Fund (ICA2180/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	14,781,000	13,924,600
Year-End Fund Balance	1,461,900	2,340,900

Department of Insurance and Financial Institutions

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	152.4	155.4	155.4 ^{1/}
Personal Services	6,774,600	7,448,700	7,448,700
Employee Related Expenditures	2,671,600	2,861,900	2,861,900
Professional and Outside Services	415,700	230,200	230,200
Travel - In State	11,300	76,000	76,000
Travel - Out of State	40,000	116,300	116,300
Other Operating Expenditures	1,151,700	1,328,600	1,328,600
Equipment	124,000	126,900	126,900
OPERATING SUBTOTAL	11,188,900	12,188,600 ^{2/3/}	12,188,600
SPECIAL LINE ITEMS			
Insurance Fraud Unit	1,839,500	1,849,800	1,849,800
Reimbursable Programs	0	50,000	50,000 ^{4/}
Local Grants	940,300	1,388,900	1,388,900 ^{5/}
Arizona Vehicle Theft Task Force	4,452,600	4,521,200	4,452,600 ^{6/}
ATA Operating Budget	617,700	698,700	698,700
AGENCY TOTAL	19,039,000	20,697,200	20,628,600 ^{7/8/}
FUND SOURCES			
General Fund	7,751,700	8,298,500	8,298,500
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	6,110,700	6,809,500	6,740,900
Financial Services Fund	5,126,300	5,538,900	5,538,900
Revolving Fund	50,300	50,300	50,300
SUBTOTAL - Other Appropriated Funds	11,287,300	12,398,700	12,330,100
SUBTOTAL - Appropriated Funds	19,039,000	20,697,200	20,628,600
Other Non-Appropriated Funds	19,462,000	18,916,100	18,916,100
Federal Funds	123,700	28,700	28,700
TOTAL - ALL SOURCES	38,624,700	39,642,000	39,573,400

AGENCY DESCRIPTION — The Department of Insurance and Financial Institutions (DIFI) licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department also regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions, banks, and real estate appraisal entities. The department also is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona.

FOOTNOTES

- ^{1/} Includes 9 GF and 6 OF FTE Positions from Special Line Items in FY 2025.
- ^{2/} Includes \$135,200 in expenditures for Mental Health Omnibus from non-lapsing appropriation authorized by Laws 2020, Chapter 4. The department plans to spend \$157,300 for this purpose in each of FY 2023 and FY 2024.
- ^{3/} Of the monies appropriated to the department of insurance and financial institutions in the operating lump sum appropriation, \$250,000 shall be used to administer the provisions of a bill addressing insurance provider claims against insurers if the bill becomes law in the first regular session of the fifty-sixth legislature. These monies revert to the state general fund if a bill addressing provider claims against insurers does not become law in the first regular session of the fifty-sixth legislature. (FY 2024 General Appropriation Act footnote) The bill did not become law during the first regular session of the 56th Legislature. As a result, we have removed \$250,000 from the department's FY 2024 appropriation.

- 4/ The department of insurance and financial institutions shall submit a report to the joint legislative budget committee before spending any monies for the reimbursable programs line item. The department shall show sufficient monies collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- 5/ Local grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations. (General Appropriation Act footnote)
- 6/ Monies in the Arizona vehicle theft task force line item shall be used by the department of insurance and financial institutions to pay seventy-five percent of the personal services and employee related expenditures for city, town and county sworn officers who participate in the Arizona vehicle theft task force. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ Of the department fees required to be deposited in the state general fund by statute, the legislature intends that the department of insurance and financial institutions shall assess and set the fees at a level to ensure that the monies deposited in the state general fund will equal or exceed the department's expenditure from the state general fund. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$12,188,600 and 140.4 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$6,448,700
Financial Services Fund	5,538,900
Automobile Theft Authority (ATA) Fund	150,700
Department Revolving Fund	50,300

These amounts are unchanged from FY 2024.

Conditional One-Time Funding

The FY 2024 budget included a one-time increase of \$250,000 from the General Fund to pay for the anticipated costs of a bill addressing provider claims against insurers should such a bill pass during the First Regular Session of the 56th Legislature. The bill, HB 2290, was not ultimately enacted, and therefore the monies will revert to the General Fund pursuant to an FY 2024 General Appropriation Act footnote. For this reason, the \$250,000 appropriation is not reflected in the FY 2024 operating subtotal.

Insurance Fraud Unit

The Baseline includes \$1,849,800 and 9 FTE Positions from the General Fund in FY 2025 for the Insurance Fraud Unit. These amounts are unchanged from FY 2024.

The department levies a \$1,050 assessment on all licensed insurers to prosecute insurance fraud in the state. A.R.S. § 20-466(J) requires that this assessment be deposited into the General Fund to be appropriated exclusively for the DIFI Fraud Unit in a separate line item. All monies appropriated to the fraud unit shall be used exclusively for insurance fraud prevention.

Reimbursable Programs

The Baseline includes \$50,000 from the ATA Fund in FY 2025 for Reimbursable Programs. This amount is unchanged from FY 2024.

This line item funds programs such as training seminars, Arizona Vehicle Theft Task Force expenses and "bait car" projects. This line item is funded from donations and grants from the private sector. Since the inception of this program, only \$25,000 for the reimbursement of salary and operational costs of the Arizona Vehicle Theft Task Force has been expended from this line item.

Local Grants

The Baseline includes \$1,388,900 from the ATA Fund in FY 2025 for Local Grants. This amount is unchanged from FY 2024.

This line item provides funding for the 4 categories of local grants that the DIFI administers: 1) Vertical Prosecution; 2) Law Enforcement; 3) Professional Training; and 4) Public Awareness grants. DIFI issues Vertical Prosecution Grants to county attorneys that are solely dedicated to auto-theft cases, Law Enforcement Grants to local law enforcement agencies for equipment and supplies, Professional Training Grants to pay travel and registration costs associated with going to conferences, and Public Awareness Grants for public education and vehicle identification number etching.

Arizona Vehicle Theft Task Force

The Baseline includes \$4,452,600 from the ATA Fund in FY 2025 for the Arizona Vehicle Theft Task Force. Adjustments are as follows:

Remove One-Time Increased Fuel Costs

The Baseline includes a decrease of \$(68,600) from the ATA Fund in FY 2025 to remove one-time funding for increased fuel costs.

Monies in this line item are transferred to the Department of Public Safety which oversees the Arizona Vehicle Theft Task Force. The Arizona Vehicle Theft Task Force is a multi-agency group that works specifically on combating auto-theft related crimes.

ATA Operating Budget

The Baseline includes \$698,700 and 6 FTE Positions from the ATA Fund in FY 2025 for the Automobile Theft Authority Operating Budget. These amounts are unchanged from FY 2024.

Monies in this line item cover the operating expenditures of the Automobile Theft Authority, which works to combat auto theft-related crime.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance, reimbursements from the sale of insolvent companies' assets by the department's Receivership Division, and investment income on the fund balance.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance and Financial Institutions. Within the fund there are 3 separate accounts: automobile insurance account, workers' compensation insurance account and an other account, which includes all other types of property and casualty insurance other than automobile and workers' compensation.		
Funds Expended	7,926,100	7,926,100
Year-End Fund Balance	208,013,700	208,013,700
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		Non-Appropriated
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	0	0
Year-End Fund Balance	94,200	94,200
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds. In addition, 50% of civil penalties assessed against a scrap metal dealer who does not submit vehicle title information to the ADOT records system within 48 hours after the completion of a transaction.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	6,110,700	6,809,500
Year-End Fund Balance	10,407,300	11,242,500
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)		Non-Appropriated
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry and related administrative costs. Up to \$100,000 may be used annually to cover the department's administrative costs.		
Funds Expended	877,100	800,800
Year-End Fund Balance	522,100	617,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Federal Funds (IDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies from federal grants.		
Purpose of Fund: To provide State Appraiser Regulatory Agencies with funds to advance the appraiser regulatory field, including, but not limited to, developing and attending trainings, improving appraiser credentialing and investigation and complaint processes, and expanding credentialing opportunities in under-served markets and other activities.		
Funds Expended	123,700	28,700
Year-End Fund Balance	0	95,200
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
Purpose of Fund: To supervise and regulate loan originators and to be used for the general operating expenses of the department.		
Funds Expended	5,126,300	5,538,900
Year-End Fund Balance	23,842,100	24,630,800
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)		Non-Appropriated
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	529,700	545,400
Year-End Fund Balance	546,300	524,400
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	232,500	145,100
Year-End Fund Balance	231,700	354,100
IGA and ISA Fund (IDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To pay for promotional materials in collaboration with the Department of Public Safety Arizona Vehicle Theft Task Force relating to vehicle theft prevention.		
Funds Expended	0	0
Year-End Fund Balance	700	700
Insurance Department Fingerprinting Fund (IDA2163/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Fees charged for fingerprint collection and identification processes.		
Purpose of Fund: To pay for fingerprint identification services and database management.		
Funds Expended	0	0
Year-End Fund Balance	102,400	106,400
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance and Financial Institutions. Monies are also used to cover the department's related administrative costs.		
Funds Expended	2,646,800	2,226,700
Year-End Fund Balance	786,100	830,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Insurance Premium Tax Clearing Fund (IDA3727/A.R.S. § 20-224)		Non-Appropriated
Source of Revenue: Insurance Premium Tax revenue collected from insurance companies, AHCCCS contractors, surplus lines brokers and industrial insured.		
Purpose of Fund: Used as a repository for insurance premium tax revenues that become ultimately transferred to the Department of Public Safety Personnel Retirement System per A.R.S. § 20-224.01 and to a municipality or fire district per A.R.S. §§ 20-224(B)(J) and 9-951.		
Funds Expended	0	0
Year-End Fund Balance	11,578,900	17,778,900
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of Insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance and Financial Institutions.		
Funds Expended	6,703,300	6,703,300
Year-End Fund Balance	31,724,200	31,724,100
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	11,500	13,200
Year-End Fund Balance	3,642,400	3,908,600
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	131,600	140,200
Year-End Fund Balance	126,300	88,600
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships.		
Funds Expended	6,200	3,000
Year-End Fund Balance	949,700	1,021,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Revolving Fund (BDA2126/A.R.S. § 6-135)		Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. The Appropriated portion of the fund is used for an interagency service agreement with the Attorney General's office to help oversee real estate appraisers. (Please see the Non-Appropriated portion of the fund for additional information.)		
Funds Expended	50,300	50,300
Year-End Fund Balance	316,900	368,500
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. (Please see the Appropriated portion of the fund for additional information.)		
Funds Expended	397,200	412,300
Year-End Fund Balance	316,900	368,500
Settlement Fund (ATA1991/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenues from settlements issued by the courts.		
Purpose of Fund: To provide grants to law enforcement agencies for mental management training.		
Funds Expended	0	0
Year-End Fund Balance	1,400	1,400

Judiciary - Supreme Court

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	202.0	203.0	203.0 ^{1/}
Personal Services	7,354,500	8,796,600	8,796,600
Employee Related Expenditures	3,196,500	3,810,100	3,810,100
Professional and Outside Services	277,500	952,400	952,400
Travel - In State	197,200	213,100	213,100
Travel - Out of State	42,300	39,600	39,600
Other Operating Expenditures	6,021,700	4,355,400	4,355,400
OPERATING SUBTOTAL	17,089,700	18,167,200	18,167,200 ^{2/}
SPECIAL LINE ITEMS			
State Aid	3,275,900	5,931,900	5,931,900
County Reimbursements	187,400	187,900	187,900 ^{3/}
Automation	15,395,400	23,760,000	22,462,000 ^{4/5/}
Arizona Trial and Digital Evidence Fund Deposit	1,620,000	1,620,000	1,620,000
Digital Evidence Software	0	280,000	280,000
State Foster Care Review Board	3,523,100	3,504,900	3,504,900
Court Appointed Special Advocate	4,979,900	5,046,700	5,026,700
Model Court	659,700	658,800	658,800
Domestic Relations	692,400	685,900	685,900
Judicial Nominations and Performance Review	605,800	608,500	608,500
Commission on Judicial Conduct	608,800	603,700	603,700
Juvenile Monetary Sanctions Funding Backfill	0	250,000	250,000
Courthouse Security	749,800	750,000	750,000
AGENCY TOTAL	49,387,900	62,055,500	60,737,500 ^{6/}
FUND SOURCES			
General Fund	28,789,000	28,930,400	27,612,400
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	515,200	682,800	682,800
Court Appointed Special Advocate Fund	5,245,200	5,226,000	5,226,000
Criminal Justice Enhancement Fund	2,063,400	4,691,900	4,691,900
Defensive Driving School Fund	2,605,500	4,464,000	4,464,000
Judicial Collection Enhancement Fund	8,427,000	15,114,200	15,114,200
State Aid to the Courts Fund	1,742,600	2,946,200	2,946,200
SUBTOTAL - Other Appropriated Funds	20,598,900	33,125,100	33,125,100
SUBTOTAL - Appropriated Funds	49,387,900	62,055,500	60,737,500
Other Non-Appropriated Funds	25,660,200	31,468,700	31,468,700
TOTAL - ALL SOURCES	75,048,100	93,524,200	92,206,200

AGENCY DESCRIPTION — The Supreme Court consists of 7 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

FOOTNOTES

- ^{1/} Includes 56.5 GF and 36.8 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} Included in the operating lump sum appropriation for the supreme court is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- ^{3/} Of the \$187,900 appropriated for county reimbursements, state grand jury is limited to \$97,900 and capital postconviction relief is limited to \$90,000. (General Appropriation Act footnote)

- 4/ On or before September 1, 2024, the supreme court shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on current and future automation projects coordinated by the administrative office of the courts. The report shall include a list of court automation projects that receive or are anticipated to receive state monies in the current or next two fiscal years as well as a description of each project, the number of FTE positions, the entities involved and the goals and anticipated results for each automation project. The report shall be submitted in one summary document. The report shall indicate each project's total multiyear cost by fund source and budget line item, including any prior-year, current-year and future-year expenditures. (General Appropriation Act footnote)
- 5/ Automation expenses of the judiciary shall be funded only from the automation line item. Monies in the operating lump sum appropriation or other line items intended for automation purposes shall be transferred to the automation line item before expenditure. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$18,167,200 and 109.7 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$13,901,400
Confidential Intermediary and Fiduciary Fund	682,800
Criminal Justice Enhancement Fund (CJEF)	7,700
Defensive Driving School Fund	891,700
Judicial Collection Enhancement Fund (JCEF)	2,683,600

State Aid

The Baseline includes \$5,931,900 and 3.3 FTE Positions in FY 2025 for State Aid. These amounts consist of:

CJEF	2,985,700
State Aid to the Courts Fund	2,946,200

These amounts are unchanged from FY 2024.

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries, and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts.

County Reimbursements

The Baseline includes \$187,900 from the General Fund in FY 2025 for County Reimbursements. This amount is unchanged from FY 2024.

The County Reimbursements line item provides reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital postconviction relief proceedings. Statute limits reimbursements to counties for grand jury expenses and state-funded representation of indigent

defendants in first-time capital postconviction relief proceedings to the amount appropriated for those purposes.

A General Appropriation Act footnote limits the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000.

Automation

The Baseline includes \$22,462,000 and 15 FTE Positions in FY 2025 for Automation. These amounts consist of:

General Fund	5,311,300
Court Appointed Special Advocate (CASA) Fund	199,300
CJEF	1,698,500
Defensive Driving School Fund	3,572,300
JCEF	11,680,600

Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,298,000) from the General Fund in FY 2025 for the elimination of one-time funding to address a shortfall in revenues that support the Automation line.

The Automation line item provides funding for court automation projects throughout the state. Automation costs are to be solely funded from the Automation line item. As required by a General Appropriation Act footnote, any additional monies expended from other line items for automation projects are to be transferred to the Automation line item prior to expenditure.

Arizona Trial and Digital Evidence Fund Deposit

The Baseline includes \$1,620,000 from the General Fund in FY 2025 for the Arizona Trial and Digital Evidence Fund Deposit line item. This amount is unchanged from FY 2024.

Monies in this line item are used for replacement and supplemental earnings for petit jurors in the Superior Court eligible after 1 day of jury service.

Digital Evidence Software

The Baseline includes \$280,000 from the General Fund in FY 2025 for the Digital Evidence Software line item. Adjustments are as follow:

Digital Evidence Software Funding

The Baseline continues a one-time increase of \$280,000 from the General Fund in FY 2025 for digital evidence software. The FY 2024 3-year spending plan originally included one-time funding for this project in FY 2024 and continues this one-time appropriation in FY 2025.

Monies in this line item fund digital evidence software portal costs for all case types.

State Foster Care Review Board

The Baseline includes \$3,504,900 and 40 FTE Positions from the General Fund in FY 2025 for the State Foster Care Review Board. These amounts are unchanged from FY 2024:

The State Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The Baseline includes \$5,026,700 and 20.5 FTE Positions from the CASA Fund in FY 2025 for CASA. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(20,000) from the General Fund in FY 2025 for eliminating additional one-time funding to support the CASA program.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System.

Model Court

The Baseline includes \$658,800 and 1 FTE Position from the General Fund in FY 2025 for Model Court. These amounts are unchanged from FY 2024:

Monies in this line item fund a Dependency Alternative Program (DAP) coordinator in the AOC and the remaining monies are passed through to counties to improve processing of dependency cases. DAP is a voluntary program for eligible families that provides access to legal and child welfare services to quickly determine the best option for a child's custody and prevent a dependency case.

Domestic Relations

The Baseline includes \$685,900 and 4.9 FTE Positions from the General Fund in FY 2025 for Domestic Relations. These amounts are unchanged from FY 2024.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The Baseline includes \$608,500 and 4.6 FTE Positions from the General Fund in FY 2025 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2024.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, Pinal, Coconino and Yavapai Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The Baseline includes \$603,700 and 4 FTE Positions from the General Fund in FY 2025 for the Commission on Judicial Conduct. These amounts are unchanged from FY 2024.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Juvenile Monetary Sanctions Funding Backfill

The Baseline includes \$250,000 from the General Fund in FY 2025 for the Juvenile Monetary Sanctions Funding Backfill line item. Adjustments are as follows:

Continued Backfill Funding

The Baseline continues a one-time increase of \$250,000 from the General Fund in FY 2025 for juvenile monetary

sanctions backfill funding. The FY 2024 3-year spending plan originally included one-time funding for this project in FY 2024 and continues this one-time appropriation in FY 2025 and FY 2026.

A General Appropriation Act footnote specifies that the Supreme Court may only spend monies from this line item if the legislation eliminating certain court fees for juvenile is signed into law. Laws 2023, Chapter 162 was signed into law in May 2023.

Monies in this line item provide backfill funding to replenish revenues lost from the repeal of juvenile monetary sanctions. Laws 2023, Chapter 162 repeals certain court-ordered fees for juveniles, exempts juveniles from court surcharges and assessments, and prohibits courts from charging a juvenile or the juvenile's parent or guardian for the costs of court-ordered treatment, counseling, and other services.

Courthouse Security

The Baseline includes \$750,000 from JCEF in FY 2025 for Courthouse Security. This amount is unchanged from FY 2024.

The Courthouse Security line item includes funding for training, assistance, and grants to courts to meet the minimum standards of courthouse security as adopted by the Supreme Court.

Other Issues

Court Surcharges and Assessments

A.R.S. § 41-1273 requires the JLBC Staff to submit a report to the Committee on or before December 1, 2019 and once every 7 years thereafter detailing all statutory

surcharges and assessments imposed on criminal and civil fines, penalties, forfeitures, traffic violations and local ordinances. Statute requires that the report include the current amount of each surcharge and assessment authorized by statute, the amounts collected, and the purposes for which these monies were used.

According to the most recent JLBC Staff report published in August 2019, statute imposed surcharges totaling 78.0% and assessments totaling \$44.00 per fine. Additional specific statutory surcharges and assessments are not included in the report, for example, statute imposes a \$250 assessment on DUI charges.

The August 2019 report included FY 2018 collection data from the courts totaling \$75.8 million. The largest surcharge collected the Criminal Justice Enhancement Fund (CJEF) Surcharge which accounted for \$33.7 million in FY 2018, making up 44.4% of the total. CJEF collections fund a variety of programs in state and local law enforcement. The largest assessment imposed by the courts is the Probation Assessment. The Probation Assessment is \$20 on each fine or penalty and accounted for \$9.7 million in collections in FY 2018, or 12.8% of total collections. Revenue from the Probation Assessment is deposited into the Judicial Collections Enhancement Fund (JECF) to support county probation departments.

SUMMARY OF FUNDS

**FY 2023
Actual**

**FY 2024
Estimate**

Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)

Non-Appropriated

Source of Revenue: The fund consists of 0.32% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 1.69% of civil filings in Justice of the Peace Courts in counties with populations greater than 500,000 people and 1.89% of civil filings in Justice of the Peace Courts in counties with populations less than 500,000 people.

Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.

Funds Expended	223,500	648,400
Year-End Fund Balance	834,400	552,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Trial and Digital Evidence Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror replacement and supplemental earnings after 1 day of service. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.		
Funds Expended	725,200	1,950,900
Year-End Fund Balance	2,646,500	3,087,400
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	98,700	107,600
Year-End Fund Balance	0	0
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependent child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	515,200	682,800
Year-End Fund Balance	787,700	577,400
Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	5,245,200	5,226,000
Year-End Fund Balance	14,835,700	15,651,000
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	2,063,400	4,691,900
Year-End Fund Balance	2,830,300	1,567,100
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state.		
Funds Expended	2,605,500	4,464,000
Year-End Fund Balance	1,161,300	(56,300)

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty per cent of the monies deposited in the Judiciary Drug Treatment and Education Fund shall be distributed to the Arizona Parents Commission on Drug Education and Prevention established by A.R.S. § 41-1604.17		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	632,100	1,740,000
Year-End Fund Balance	0	0
General Adjudication Personnel and Support Fund (SPA1098/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: For the Supreme Court to provide additional personnel for general adjudication, case management, and other support equipment and the Department of Water Resources for additional personnel, equipment, and services related to general adjudication. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	23,624,500	26,668,700
Year-End Fund Balance	20,285,200	16,685,700
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	8,427,000	15,114,200
Year-End Fund Balance	6,065,200	1,240,600
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	3,800	3,800
Peace Officer Training Equipment Fund (SPA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: For the purchase of peace officer training equipment.		
Funds Expended	0	0
Year-End Fund Balance	124,800	124,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	356,200	353,100
Year-End Fund Balance	2,700	2,700
Smart and Safe Arizona Fund (SPA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	1,742,600	2,946,200
Year-End Fund Balance	564,600	(684,000)
State Court Fleet Operations and Replacement Fund (SPA3800/A.R.S. § 12-102.04)		Non-Appropriated
Source of Revenue: Proceeds from sales of the Supreme Court's surplus motor vehicles, legislative appropriations, and revenues received from fees.		
Purpose of Fund: To make payments to ADOT to acquire vehicles and maintain the state court motor vehicle fleet.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Judiciary - Court of Appeals

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
PROGRAM BUDGET			
Division I	14,691,300	16,212,600	16,212,600
Division II	7,155,500	8,498,200	8,498,200
AGENCY TOTAL	21,846,800	24,710,800	24,710,800
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	162.8	162.8	162.8 ^{1/}
Personal Services	12,305,200	14,800,000	14,800,000
Employee Related Expenditures	5,847,900	6,320,400	6,320,400
Professional and Outside Services	163,400	355,500	355,500
Travel - In State	192,300	171,200	171,200
Travel - Out of State	5,300	6,700	6,700
Other Operating Expenditures	2,593,100	2,536,500	2,536,500
Equipment	739,600	520,500	520,500
AGENCY TOTAL	21,846,800	24,710,800	24,710,800 ^{2/}
FUND SOURCES			
General Fund	21,846,800	24,710,800	24,710,800
SUBTOTAL - Appropriated Funds	21,846,800	24,710,800	24,710,800
TOTAL - ALL SOURCES	21,846,800	24,710,800	24,710,800

AGENCY DESCRIPTION — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

FOOTNOTES

- 1/ Of the 162.8 FTE positions for fiscal year 2024-2025, 111.3 FTE positions are for division one and 51.5 FTE positions are for division two. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The Baseline includes \$24,710,800 and 162.8 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts include \$16,212,600 and 111.3 FTE Positions for Division I and \$8,498,200 and 51.5 FTE Positions for Division II. These amounts are unchanged from FY 2024.

Judiciary - Superior Court

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	240.5	240.5	240.5 ^{1/2/}
Personal Services	2,692,700	2,762,300	2,762,300
Employee Related Expenditures	902,700	968,500	968,500
Professional and Outside Services	23,900	61,000	61,000
Travel - In State	54,600	18,200	18,200
Travel - Out of State	23,300	16,600	16,600
Other Operating Expenditures	1,308,000	1,783,000	1,783,000
OPERATING SUBTOTAL	5,005,200	5,609,600	5,609,600 ^{3/}
SPECIAL LINE ITEMS			
Judges Compensation			
Judges Compensation	25,641,800	28,777,900	29,913,900 ^{4/}
Administrative Costs			
Centralized Service Payments	4,130,800	4,696,900	4,696,900 ^{5/}
Probation Programs			
Adult Standard Probation	22,117,700	22,297,500	22,297,500 ^{6/}
Adult Intensive Probation	12,764,700	13,150,200	13,150,200 ^{6/}
Community Punishment	1,111,900	2,310,300	2,310,300 ^{6/}
Interstate Compact	466,800	513,700	513,700 ^{6/}
Drug Court	1,096,400	1,096,400	1,096,400
Juvenile Standard Probation	3,631,800	3,781,800	3,781,800 ^{6/}
Juvenile Intensive Probation	6,087,200	6,087,200	6,087,200 ^{6/}
Juvenile Treatment Services	20,803,000	20,803,000	20,803,000 ^{6/7/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,569,800	9,088,500	9,088,500 ^{6/7/}
Juvenile Crime Reduction	2,345,700	3,313,700	3,313,700 ^{6/}
Probation Incentive Payments	1,000,000	1,000,000	1,000,000 ^{6/}
Probation Salary Increase Backfill	0	6,749,200	0
Other Programs			
Special Water Master	505,200	511,100	511,100
General Adjudication Personnel and Support Fund Deposit	1,875,300	2,000,000	2,000,000
Court-Ordered Removals	315,000	315,000	315,000
AGENCY TOTAL	117,968,300	132,602,000	126,988,800 ^{8/-11/}
FUND SOURCES			
General Fund	109,609,900	120,586,300	114,973,100
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	3,017,900	5,496,100	5,496,100
Drug Treatment and Education Fund	500,200	504,200	504,200
Judicial Collection Enhancement Fund	4,840,300	6,015,400	6,015,400
SUBTOTAL - Other Appropriated Funds	8,358,400	12,015,700	12,015,700
SUBTOTAL - Appropriated Funds	117,968,300	132,602,000	126,988,800
Other Non-Appropriated Funds	5,533,100	4,755,000	4,755,000
Federal Funds	11,348,200	2,777,400	2,777,400
TOTAL - ALL SOURCES	134,849,600	140,134,400	134,521,200

AGENCY DESCRIPTION — The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and

ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.

FOOTNOTES

- 1/ Of the 240.5 FTE positions, 182 FTE positions represent superior court judges. This FTE position clarification does not limit the counties' ability to add judges pursuant to section 12-121, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ Includes 185 GF FTE Positions funded from Special Line Items in FY 2025.
- 3/ All expenditures made by the administrative office of the courts to administer superior court line items shall be funded only from the superior court operating budget. Monies in superior court line items intended for this purpose shall be transferred to the superior court operating budget before expenditure. (General Appropriation Act footnote)
- 4/ All monies in the judges' compensation line item shall be used to pay for fifty percent of superior court judges' salaries, elected officials' retirement plan costs and related state benefit costs for judges pursuant to section 12-128, Arizona Revised Statutes. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the judges' compensation line item before expenditure. (General Appropriation Act footnote)
- 5/ All centralized service payments made by the administrative office of the courts on behalf of counties shall be funded only from the centralized service payments line item. Centralized service payments include only training, motor vehicle payments, CORP review board funding, LEARN funding, research, operational reviews and GPS vendor payments. This footnote does not apply to treatment or counseling services payments made from the juvenile treatment services and juvenile diversion consequences line items. Monies in the operating lump sum appropriation or other line items intended for centralized service payments shall be transferred to the centralized service payments line item before expenditure. (General Appropriation Act footnote)
- 6/ All monies in the adult standard probation, adult intensive probation, community punishment, interstate compact, juvenile standard probation, juvenile intensive probation, juvenile treatment services, juvenile diversion consequences, juvenile crime reduction and probation incentive payments line items shall be used only as pass-through monies to county probation departments. Monies in the operating lump sum appropriation or other line items intended as pass-through for the purpose of administering a county probation program shall be transferred to the appropriate probation line item before expenditure. (General Appropriation Act footnote)
- 7/ Monies appropriated to juvenile treatment services and juvenile diversion consequences shall be deposited in the juvenile probation services fund established by section 8-322, Arizona Revised Statutes. (General Appropriation Act footnote)
- 8/ Receipt of state probation monies by the counties is contingent on the county maintenance of fiscal year 2019-2020 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act footnote)
- 9/ On or before November 1, 2024, the administrative office of the courts shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting the fiscal year 2023-2024 actual, fiscal year 2024-2025 estimated and fiscal year 2025-2026 requested amounts for each of the following:
 1. On a county-by-county basis, the number of authorized and filled case carrying probation positions and non-case carrying probation positions, distinguishing between adult standard, adult intensive, juvenile standard and juvenile intensive. The report shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
 2. Total receipts and expenditures by county and fund source for the adult standard, adult intensive, juvenile standard and juvenile intensive probation line items, including the amount of personal services spent from each revenue source of each account. (General Appropriation Act footnote)
- 10/ On or before November 1, 2024, the administrative office of the courts shall submit a report to the joint legislative budget committee on the county-approved salary adjustments provided to probation officers since the last report on November 1, 2023. The administrative office shall also submit a copy of the report to the governor's office of strategic planning and budgeting. The report shall include, for each county, the:
 1. Approved percentage salary increase by year.
 2. Net increase in the amount allocated to each probation department by the administrative office of the courts for each applicable year.
 3. Average number of probation officers by applicable year.
 4. Average salary of probation officers for each applicable year. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$5,609,600 and 55.5 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$5,219,900
Criminal Justice Enhancement Fund (CJEF)	372,300
Drug Treatment and Education Fund	4,000
Judicial Collection Enhancement Fund (JCEF)	13,400

These amounts are unchanged from FY 2024.

Background – These monies represent the administrative costs incurred by the Administrative Office of the Courts (AOC) while overseeing the various line items of the Superior Court budget.

Judges Compensation

Judges Compensation

The Baseline includes \$29,913,900 and 182 FTE Positions from the General Fund in FY 2025 for Judges Compensation. These amounts are unchanged from FY 2024.

Judicial Salary Increase

The Baseline includes an increase of \$1,136,000 from the General Fund in FY 2025 for full implementation of the pay increase for Superior Court judges included in the FY 2023 budget's 3-year spending plan. The FY 2023 General Appropriation Act increased the Superior Court judge salary from \$149,400 to \$164,700 on January 1, 2023 and to \$180,000 on January 1, 2024.

Background – This line item provides funding for the state's 50% share of salary and non-health benefits. The line item also funds 100% of the costs of Superior Court Judges that elect state benefits, although some opt to participate in county programs. In the latter circumstance, the county pays 100% of the employer cost.

Pursuant to A.R.S. § 12-121, each county receives one judge for the first 30,000 of population. Additional judges may be created for every additional 30,000-person increment upon approval by the Governor.

Administrative Costs

Centralized Service Payments

The Baseline includes \$4,696,900 in FY 2025 for Centralized Service Payments. This amount consists of:

General Fund	4,247,000
JCEF	449,900

These amounts are unchanged from FY 2024.

Background – In order to facilitate payment for services that are offered by all Superior Courts, AOC pays for various services centrally. These services include training, motor vehicle payments, Corrections Officer Retirement Plan Review Board funding, Literacy Education and Resource Network program funding (an online G.E.D. preparation program), research, operational reviews and GPS vendor payments.

Probation Programs

The state and non-Maricopa Counties share the costs of probation. The state pays 100% of salary and benefits for all state-funded probation officers. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state's share of its probation costs.

As required by a General Appropriation Act footnote, the monies in the Probation, Drug Court, Juvenile Treatment Services, Juvenile Diversion Consequences, and Juvenile Crime Reduction line items shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

(Please see the Other Issues section for more information on probation funding.)

Adult Standard Probation

The Baseline includes \$22,297,500 in FY 2025 for Adult Standard Probation. This amount consists of:

General Fund	18,523,400
JCEF	3,774,100

These amounts are unchanged from FY 2024.

Background – This line item provides funding for community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 12-251A, an adult probation officer shall not supervise more than 65 adults on standard probation at one time. (Please see Table 2)

Adult Intensive Probation

The Baseline includes \$13,150,200 in FY 2025 for Adult Intensive Probation. This amount consists of:

General Fund	11,615,000
JCEF	1,535,200

These amounts are unchanged from FY 2024

Background – This line item provides funding for a sentencing alternative intended to divert serious, non-violent offenders from prison. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 13-916, 1 team shall not supervise more than 25 intensive probationers at one time. (Please see Table 2.)

Community Punishment

The Baseline includes \$2,310,300 in FY 2025 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2024.

Background – This line item provides behavioral treatment services for adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs, excluding Maricopa County.

Interstate Compact

The Baseline includes \$513,700 in FY 2025 for Interstate Compact. This amount consists of:

General Fund	420,900
JCEF	92,800

These amounts are unchanged from FY 2024.

Background – This line item provides funding for supervision and intervention to probationers transferring to Arizona and monitors the supervision of probationers transferred to other states from Arizona. As of October 2023, AOC reported 185 active probationers under supervision under the Interstate Compact line item.

Drug Court

The Baseline includes \$1,096,400 from the General Fund in FY 2025 for Drug Court programs. This amount is unchanged from FY 2024.

Background – This line item provides funding for juvenile and adult drug courts within the Superior Court throughout the state. It provides funding for prosecuting, adjudicating and treating drug-dependent offenders. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Juvenile Standard Probation

The Baseline includes \$3,781,800 in FY 2025 for Juvenile Standard Probation. This amount consists of:

General Fund	3,631,800
JCEF	150,000

These amounts are unchanged from FY 2024.

Background – This line item provides funding for community supervision services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-203B, a juvenile probation officer shall not supervise more than an average of 35 juveniles on standard probation at one time. (Please see Table 2).

Juvenile Intensive Probation

The Baseline includes \$6,087,200 from the General Fund in FY 2025 for Juvenile Intensive Probation. This amount is unchanged from FY 2024.

Background – This line item provides funding for a sentencing alternative to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-

353B, 1 JIPS team shall not supervise more than an average of 25 juveniles on intensive probation at one time. (Please see Table 2)

Juvenile Treatment Services

The Baseline includes \$20,803,000 from the General Fund in FY 2025 for Juvenile Treatment Services. This amount is unchanged from FY 2024.

Background – This line item provides funding to the juvenile courts to meet the requirements of A.R.S. § 8-321 relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care and other programs.

Juvenile Family Counseling

The Baseline includes \$500,000 from the General Fund in FY 2025 for Juvenile Family Counseling. This amount is unchanged from FY 2024.

Background – This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The Baseline includes \$9,088,500 from the General Fund in FY 2025 for Juvenile Diversion Consequences. This amount is unchanged from FY 2024.

Background – This program diverts youth from formal court proceedings to reduce court costs and prevent re-offending. A juvenile diversion probation officer assigns consequences for the juvenile to complete, such as substance abuse education, graffiti abatement, counseling, or other community service programs. According to the AOC's most recent Juvenile Court Annual Report, there were approximately 5,268 juveniles diverted from formal court proceedings in FY 2022. Monies in this line item are distributed to all counties.

Juvenile Crime Reduction

The Baseline includes \$3,313,700 from CJEF in FY 2025 for Juvenile Crime Reduction. This amount is unchanged from FY 2024.

Background – This line item provides funding for the design and implementation of community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Through a grant process, AOC distributes monies in this line item to approximately 25 public and private entities.

Probation Incentive Payments

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for probation incentive payments. This amount is unchanged from FY 2024.

The monies in this line item pay for 2 funding programs to reward counties for reducing the number of probationers that are returned to state prison:

- Probation success incentive payments: Payments are distributed to counties if they return fewer probationers to prison in a fiscal year compared to a baseline (the average number returned in FY 2008, FY 2015 and FY 2019). Incentive payments are equal to 50% of the marginal incarceration cost in the Arizona Department of Corrections.
- Probation success incentive grants: The total grant funding is calculated in the same way as the incentive payments, but is equal to 25% of the marginal incarceration cost. Distribution of the grant funding amongst counties is determined by a board consisting of the chief probation officers of each county.

The amount distributed to each county from these programs is subject to available funding.

Probation Salary Increase Backfill

The Baseline includes no funding in FY 2025 for the Probation Salary Increase Backfill line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(6,749,200) from the General Fund in FY 2025 to remove one-time backfill funding for probation office salary increases.

An FY 2024 General Appropriation Act footnote specifies that monies in this line item are to be used as backfill funding to cover the remaining share of probation officer salary increase approved by county Boards of Supervisors for FY 2023.

Other Programs

Special Water Master

The Baseline includes \$511,100 and 3 FTE Positions from the General Fund in FY 2025 for the Special Water Master line item. This amount is unchanged from FY 2024.

Background – This line item provides funding for the Special Water Master assigned by the court to the Little Colorado River and Gila River water rights adjudications. In FY 2023, 1,888 water rights claims were filed by individuals, communities, governments, and companies. The Special Water Master conducts hearings for each claimant and makes recommendations to a Superior Court judge.

Pursuant to statute, the costs of the Water Master are funded from claimant fees. If claimant fees are insufficient, statute requires the state General Fund to pay for these expenses in a line item within the Superior Court budget. *(Please see Table 1 for more information.)*

Table 1

Special Water Master Funding

	FY 2023 Actual	FY 2024 Estimated ^{1/}	FY 2025 Estimated ^{1/}
Gila River			
Beginning Balance	\$206,200	\$236,200	\$238,500
Revenues ^{2/}	343,200	346,800	346,800
Expenditures	<u>313,200</u>	<u>344,500</u>	<u>344,500</u>
Ending Balance	\$236,200	\$238,500	\$240,800
Little Colorado River			
Beginning Balance	\$183,000	\$191,200	\$182,400
Revenues ^{2/}	200,200	202,400	202,400
Expenditures	<u>192,000</u>	<u>211,200</u>	<u>211,200</u>
Ending Balance	\$191,200	\$182,400	\$173,600

^{1/} As reported by the Administrative Office of the Courts and adjusted by the JLBC.

^{2/} Includes annual General Fund appropriation plus filing fees and interest.

General Adjudication Personnel and Support Fund Deposit

The Baseline includes \$2,000,000 from the General Fund in FY 2025 for a General Adjudication Personnel and Support Fund Deposit. This amount is unchanged from FY 2024.

The courts and the Department of Water Resources may use the General Adjudication Personnel and Support Fund for water adjudication staff, equipment, and services.

Court-Ordered Removals

The Baseline includes \$315,000 from the General Fund in FY 2025 for Court-Ordered Removals. This amount is unchanged from FY 2024.

These monies help fund the costs associated with the Superior Court's processing and issuance of temporary orders of custody for juveniles removed from their home.

Other Issues

Probation Caseloads

AOC counts certain probationers as more than 1 case. For example, adult probationers charged with crimes against children are counted as 3 cases. As a result, reported probation counts do not represent actual headcounts. The Courts' caseload estimate also includes the pre-release population who are inmates that will be released directly into probation supervision within 90 days. This time is commonly known as a "probation tail."

Non-Maricopa County weighted probation caseloads from all categories increased by 0.28% from June 2022 to June 2023. The JLBC Staff estimates total FY 2024 and 2025 caseloads of 18,808 and 18,803 from all categories, respectively. This would represent a decrease of (0.3)% in FY 2024 and effectively flat caseload growth in FY 2025 *(Please see Table 2).*

Table 2

End of Year Non-Maricopa Probation Caseloads ^{1/}

<u>Probation Category</u>	<u>FY 2021 Actual</u>	<u>FY 2022 Actual</u>	<u>FY 2023 Actual</u>	<u>FY 2024 Estimate</u>	<u>FY 2025 Estimate</u>
Adult Standard ^{2/}	15,860	16,607	16,474	16,536	16,616
Adult Intensive	1,275	1,181	1,260	1,222	1,212
Juvenile Standard	1,020	821	945	900	850
Juvenile Intensive	264	186	169	150	125
Total Caseload	18,419	18,795	18,848	18,808	18,803

^{1/} Numbers represent June probation caseloads. FY 2024 and FY 2025 represent JLBC Staff estimates.

^{2/} Does not include Interstate Compact participants.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)	Non-Appropriated	
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	7,000	52,000
Year-End Fund Balance	307,000	286,900
Coronavirus State and Local Fiscal Recovery Fund (SPA2985/U.S. P.L 117-2)	Federal Funds	
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	10,275,000	1,771,800
Year-End Fund Balance	2,670,500	1,335,300
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)	Appropriated	
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	3,017,900	5,496,100
Year-End Fund Balance	5,381,000	2,508,900
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)	Non-Appropriated	
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	5,381,000	2,508,900

Drug and Gang Enforcement Fund (SPA2074/A.R.S. § 41-2402)**Federal Funds**

Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.

Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.

Funds Expended	1,073,200	1,005,600
Year-End Fund Balance	233,400	230,200

Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)**Appropriated**

Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.

Purpose of Fund: The Community Punishment Program receives an annual appropriation from the fund. Please see the Non-Appropriated portion of the fund for additional information.

Funds Expended	500,200	504,200
Year-End Fund Balance	5,122,400	3,563,300

Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)**Non-Appropriated**

Source of Revenue: Fifty per cent of the monies deposited in the Judiciary Drug Treatment and Education Fund shall be distributed to the Arizona Parents Commission on Drug Education and Prevention established by A.R.S. § 41-1604.17

Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.

Funds Expended	3,829,800	4,021,800
Year-End Fund Balance	5,122,400	3,563,300

Grants and Special Revenue (SPA2084/A.R.S. § 35-142)**Non-Appropriated**

Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.

Purpose of Fund: To expend grants as required by the contribution.

Funds Expended	1,696,300	681,200
Year-End Fund Balance	439,200	221,400

Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)**Appropriated**

Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.

Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.

Funds Expended	4,840,300	6,015,400
Year-End Fund Balance	1,196,900	(747,600)

Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)**Non-Appropriated**

Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.

Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.

Funds Expended	0	0
Year-End Fund Balance	18,795,400	16,210,500

Department of Juvenile Corrections

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	25,241,300	27,688,300	27,688,300
Employee Related Expenditures	16,116,500	9,648,500	9,648,500
Professional and Outside Services	872,900	1,211,100	1,211,100
Travel - In State	397,800	644,200	644,200
Travel - Out of State	60,300	14,800	14,800
Other Operating Expenditures	8,142,600	5,268,400	5,268,400
Equipment	738,700	21,400	21,400
AGENCY TOTAL	51,570,100	44,496,700	44,496,700 ^{1/2/}
FUND SOURCES			
General Fund	37,954,000	31,820,800	31,820,800
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	538,400	429,000	429,000
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900	6,724,000	6,724,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,682,200	4,075,100	4,075,100
State Education Fund for Committed Youth	944,600	1,447,800	1,447,800
SUBTOTAL - Other Appropriated Funds	13,616,100	12,675,900	12,675,900
SUBTOTAL - Appropriated Funds	51,570,100	44,496,700	44,496,700
Other Non-Appropriated Funds	199,200	198,900	198,900
Federal Funds	1,483,200	758,800	758,800
TOTAL - ALL SOURCES	53,252,500	45,454,400	45,454,400

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

FOOTNOTES

- 1/ Twenty-five percent of land earnings and interest from the state charitable, penal and reformatory institutions land fund shall be distributed to the department of juvenile corrections, in compliance with section 25 of the enabling act and the Constitution of Arizona, to be used to support state juvenile institutions and reformatories. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$44,496,700 and 738.5 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

State Charitable, Penal and Reformatory Institutions Land Fund 4,075,100
State Education Fund for Committed Youth 1,447,800

These amounts are unchanged from FY 2024.

	FY 2025
General Fund	\$31,820,800
Criminal Justice Enhancement Fund (CJEF)	429,000
Department of Juvenile Corrections Local Cost Sharing Fund	6,724,000

Other Issues

Local Cost Sharing

Under permanent law, Maricopa County is required to pay \$6,724,000 into the DJC Local Cost Sharing Fund to defray a portion of the department's operating expenses. The FY 2024 Criminal Justice Budget Reconciliation Bill repealed the requirement for Pima County to contribute \$1,726,900 to DJC for these purposes. *(Please see the FY 2023 Appropriations Report for the history of this fund.)*

Population Counts

Table 1 lists the DJC population by category since FY 2020. From FY 2020 to FY 2023, the housed population decreased from 223 to 133, or (40.4)% while the parole population has decreased from 116 to 114, or (1.7)%.

Through October 2023, the housed population in DJC has remained flat relative to the FY 2023 average monthly population, while the parole population has decreased from an average of 114 in FY 2023 to 93 in October, a decrease of (18.4).

Table 1

DJC Census

	FY 2020 Average Population	FY 2021 Average Population	FY 2022 Average Population	FY 2023 Average Population	Population as of Oct. 31, 2023
Housed Population					
Adobe Mountain	223	182	144	133	133
Parole Population					
Parole	41	62	45	31	19
Interstate Compact (Inside Arizona) ^{1/}	75	68	70	84	74
Total Parole Population	116	130	115	114	93
Total DJC Population	339	312	259	247	226

^{1/} The Interstate Compact is an agreement between states to supervise parolees in each other's state. "Inside Arizona" means parolees from other states living in Arizona and "Outside Arizona" means Arizona parolees living in other states. There were no reported Arizona parolees outside of Arizona in FY 2023 or the first 4 months of FY 2024.

SUMMARY OF FUNDS

FY 2023
Actual

FY 2024
Estimate

Coronavirus State and Local Fiscal Recovery Fund (DJA2985/U.S. P.L. 117-2)

Federal Funds

Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).

Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.

Funds Expended	405,300	0
Year-End Fund Balance	0	0

Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)

Appropriated

Source of Revenue: Receives 3.57% of state Criminal Justice Enhancement Fund (CJEF) revenues. CJEF consists of a 42% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.

Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.

Funds Expended	538,400	429,000
Year-End Fund Balance	991,900	1,263,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Department of Juvenile Corrections Local Cost Sharing Fund (DJA3007/A.R.S. § 41-2833)		Appropriated
Source of Revenue: Maricopa and Pima Counties are required to pay a proportional share of \$8,450,900 based on their share of the state population according to the 2010 decennial census.		
Purpose of Fund: To fund the operational costs of DJC.		
Funds Expended	8,450,900	6,724,000
Year-End Fund Balance	177,200	177,200
DJC Career and Technical Education Fund (DJA2326/A.R.S. § 41-2828)		Non-Appropriated
Source of Revenue: Proceeds generated by any department educational, vocational, treatment, training, or work program, including the sale of unneeded equipment or supplies.		
Purpose of Fund: To pay expenses that are required for any educational, vocational, treatment, training or work program established by the department.		
Funds Expended	0	0
Year-End Fund Balance	827,000	443,100
DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)		Non-Appropriated
Source of Revenue: Federal, state, and local appropriations distributed by the director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.		
Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.		
Funds Expended	8,300	8,100
Year-End Fund Balance	102,800	96,300
Employee Recognition Fund (DJA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	5,500	5,400
Year-End Fund Balance	6,300	11,200
Federal Funds (DJA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Grants.		
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Career Technology Education, substance abuse, and other federal programs.		
Funds Expended	1,077,900	758,800
Year-End Fund Balance	9,200	14,000
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	0	0
Year-End Fund Balance	206,600	206,600
Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming received through the Arizona Department of Education (ADE). The ADE Instructional Improvement Fund receives 56% of total shared revenue, as authorized by Proposition 202 from the 2002 General Election. (See ADE section for more information.)		
Purpose of Fund: To fund teacher compensation increases, class size reduction, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)	Non-Appropriated	
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	12,700	12,600
Year-End Fund Balance	30,400	27,000
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)	Appropriated	
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund. As approved by voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the Permanent Land Fund from 2.5% to 6.9% from FY 2016 to FY 2025.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	3,682,200	4,075,100
Year-End Fund Balance	2,909,100	2,362,900
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)	Appropriated	
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	944,600	1,447,800
Year-End Fund Balance	0	0
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)	Non-Appropriated	
Source of Revenue: Classroom Site Fund monies received from the ADE, pursuant to A.R.S. § 15-977. The Classroom Site Fund receives monies from a 0.6% sales tax.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	172,300	172,400
Year-End Fund Balance	467,200	444,200
Statewide Donations Fund (DJA2025/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	400	400
Year-End Fund Balance	200	100

State Land Department

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	131.7	131.7	131.7
Personal Services	7,223,000	7,480,000	7,480,000
Employee Related Expenditures	2,913,400	3,005,000	3,005,000
Professional and Outside Services	3,691,300	4,127,800	4,127,800
Travel - In State	190,200	15,000	15,000
Travel - Out of State	10,500	8,800	8,800
Other Operating Expenditures	2,258,400	2,650,400	2,650,400
Equipment	251,900	0	0
OPERATING SUBTOTAL	16,538,700	17,287,000	17,287,000
SPECIAL LINE ITEMS			
CAP User Fees	1,700,000	1,700,000	1,521,500 ^{1/}
Due Diligence Fund Deposit	816,400	0	0
Due Diligence Program	0	5,000,000	5,000,000
Natural Resource Conservation Districts	569,400	650,000	650,000 ^{2/}
Streambed Navigability Litigation	0	220,000	220,000
AGENCY TOTAL	19,624,500	24,857,000	24,678,500 ^{3/}
FUND SOURCES			
General Fund	13,728,900	12,980,100	12,801,600
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	5,000,000	5,000,000
Environmental Special Plate Fund	180,000	260,600	260,600
Trust Land Management Fund	5,715,600	6,616,300	6,616,300
SUBTOTAL - Other Appropriated Funds	5,895,600	11,876,900	11,876,900
SUBTOTAL - Appropriated Funds	19,624,500	24,857,000	24,678,500
Other Non-Appropriated Funds	2,569,900	4,468,700	4,468,700
TOTAL - ALL SOURCES	22,194,400	29,325,700	29,147,200

AGENCY DESCRIPTION — The agency manages the state's 9.2 million acres of trust land on behalf of its 13 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from trust land minerals and other natural products.

FOOTNOTES

- 1/ The appropriation includes \$1,521,500 for CAP user fees in fiscal year 2024-2025. For fiscal year 2024-2025, from municipalities that assume their allocation of central Arizona project water for every dollar received as reimbursement to this state for past central Arizona water conservation district payments, \$1 reverts to the state general fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- 2/ Of the amount appropriated for natural resource conservation districts in fiscal year 2024-2025, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$17,287,000 and 131.7 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$10,670,700
Trust Land Management Fund	6,616,300

These amounts are unchanged from FY 2024.

CAP User Fees

The Baseline includes \$1,521,500 from the General Fund in FY 2025 for Central Arizona Project (CAP) User Fees. Adjustments are as follows:

CAP Rate Adjustment

The Baseline includes a decrease of \$(178,500) from the General Fund in FY 2025 for revised CAP water allocations. This assumes that the department will be billed for "capital charges" of \$54 per acre foot on 28,176 acre feet of water in FY 2025 for a total charge of \$1,521,500 in FY 2025.

Pursuant to A.R.S. § 37-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase CAP water annually for municipal and industrial uses on state trust lands. Since 1997, the department has made a number of reductions to the contracted allocation of CAP water held for state trust lands as the lands are sold. During recent years, the department has been responsible for costs associated with 32,076 acre-feet of CAP water.

Most recently, in November 2021, the department signed an agreement to release 3,900 acre-feet to the City of Phoenix, reducing the department's total allocation from 32,076 to 28,176 beginning in FY 2024.

The Central Arizona Project board determines a final rate for the upcoming year and a provisional rate for the following year each June. The FY 2024 budget enacted in May 2023 funded this line item at \$1,700,000, based on the prior allocation of 32,076 acre-feet and an assumed rate of \$53 (the provisional rate from June 2022).

On June 1, 2023, the CAP Board set the final rate for FY 2024 at \$53 (matching the assumption noted above) and the provisional rate for FY 2025 at \$54. The FY 2025 Baseline amount for this line item is \$1,521,500, based on the new water allocation of 28,176 acre feet and the \$54 provisional rate for FY 2025.

The Baseline includes an ex-appropriation from the General Fund to reflect FY 2024 savings from the lower acre-feet CAP water allocation. *(Please see Other Issues for more information.)*

Background - The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the state General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C&G. *(Please see related General Appropriation Act footnote.)*

Due Diligence Program

The Baseline includes \$5,000,000 from the Due Diligence Fund in FY 2025 for the Due Diligence Program. This amount is unchanged from FY 2024.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of state trust land then reimburse the State Land Department for the cost of the studies.

Natural Resource Conservation Districts

The Baseline includes \$650,000 in FY 2025 for Natural Resource Conservation Districts (NRCDS). This amount consists of:

General Fund	389,400
Environmental Special Plate Fund	260,600

These amounts are unchanged from FY 2024.

This line item funds natural resource research, activities, and staff at the state's 32 NRCDS. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$40,000 for each NRCDS and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCDS be used to provide grants to NRCDS environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by the 32 NRCDS. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

Streambed Navigability Litigation

The Baseline includes \$220,000 from the General Fund in FY 2025 for Streambed Navigability Litigation. This amount is unchanged from FY 2024.

Pursuant to A.R.S. § 37-1123 and A.R.S. § 37-1124, the State Land Department is required to provide evidence to the Arizona Navigable Stream Adjudication Commission (ANSAC) to help resolve litigation regarding the navigability of watercourses in the state.

The State Land Department uses this line item to fund expert witness services, technical examinations, and associated legal costs incurred in connection with ongoing hearings and appeals processes.

Other Issues

FY 2024 Ex-Appropriation

The Baseline includes an FY 2024 ex-appropriation of \$(206,700) from the General Fund for lower-than-expected CAP User Fees. The FY 2024 budget funded the CAP User Fees line item at \$1,700,000, based on the prior allocation of 32,076 acre-feet and an assumed rate of \$53 (the provisional rate from June 2022).

While the final rate established by CAP conformed to the \$53 assumption, the state's CAP water allocation has been reduced to 28,176 acre-feet. This would result in an FY 2024 funding level of \$1,493,300 for the CAP User Fees line item. *(Please see CAP User Fees line item for more information.)*

Proposition 123

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1st Special Session, Chapters 1 and 2 and HCR 2001) to increase the annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

Proposition 123 provided \$256,632,600 in incremental land trust funds to K-12 schools in FY 2023 and \$270,534,400 in FY 2024. The 4.4% incremental funding increase will provide \$285,333,600 in incremental funds in FY 2025. *(Please see the October 2015 Special Session and Proposition 123 section of the Department of Education narrative in the FY 2017 Appropriations Report for more information on Proposition 123.)*

Proposition 123 also increases distributions to other public institutions *See Table 1.*

Table 1

State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority

<u>Beneficiary/Fund</u>	<u>FY 2015 Total Revenue</u> ^{1/}	<u>FY 2024 Ending Balance</u>	<u>FY 2025 Total Revenue</u> ^{2/}	<u>FY 2025 Baseline</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 109,600	
Normal Schools ASU/NAU	296,600		765,800	
A & M Colleges	445,100		2,082,800	
School of Mines	499,800		1,320,600	
University Fund	2,175,400		5,744,100	
U of A Land - 1881	<u>1,659,400</u>		<u>9,451,300</u>	
Subtotal	\$ 5,160,100		\$19,474,200	
Schools for the Deaf and the Blind ^{4/}	\$ 424,400		\$ 811,000	
State Hospital	\$ 701,000	\$ 4,052,100	\$ 1,354,200	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 5,568,600	\$ 1,008,700	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 3,685,400	\$ 3,534,300	\$ 2,743,600
State Charitable (25%)	<u>1,452,500</u>	<u>3,987,600</u>	<u>3,969,000</u>	<u>2,665,600</u>
Subtotal	\$ 2,835,100	\$ 7,673,000	\$ 7,503,300	\$ 5,409,200
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 17,414,000	\$ 4,681,800	\$ 2,301,300
State Charitable (50%)	<u>2,905,000</u>	<u>\$ 18,361,500</u>	<u>7,938,000</u>	<u>6,078,900</u>
Subtotal	\$ 4,886,400	\$ 35,775,500	\$12,619,800	\$ 8,380,200
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 2,362,900	\$ 3,969,000	\$ 4,075,100
Non-K-12 Beneficiaries Total	\$15,845,800		\$46,740,200	

^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2015 revenues reflect the 2.5% Treasurer's distribution rate in effect prior to Proposition 123.

^{2/} Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2025 lease revenues reflect actual FY 2023 amounts.

^{3/} University land trust funds are non-appropriated. As a result, budget appropriations and balance amounts are not included. (Please see ABOR section for more information.) An FY 2024 budget footnote allocates 100% of the Universities School of Mines Land Fund revenue to the University of Arizona School of Mining and Mineral Resources.

^{4/} Arizona State Schools for the Deaf and the Blind (ASDB) land trust monies are appropriated as part of the Schools for the Deaf and the Blind Fund, which also receives revenues from the Arizona Department of Education. The FY 2024 General Appropriation Act allows monies in this fund to be expended in excess of the appropriated amount. As a result, the FY 2024 ending balance and FY 2025 Baseline amounts are not included.

^{5/} The expenditure for the Legislative, Executive, and Judicial Buildings land trust monies requires a legislative appropriation. A.R.S § 35-142 requires land fund monies to be expended only as authorized, regulated, and controlled by the General Appropriation Act or other act of the Legislature. A.R.S § 35-154 also requires that no person shall incur, order, or vote for the incurrence of any obligation against the state or for any expenditure not authorized by an appropriation and an allotment.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)	Non-Appropriated	
Source of Revenue: Reimbursements to the state for water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	9,900	9,900
Due Diligence Fund (LDA2526/A.R.S. § 37-110)	Appropriated	
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies. In addition, the FY 2022 budget allocated one-time deposits of \$1,500,000 from the General Fund to the Due Diligence Fund in FY 2022 and FY 2023.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits. Any fund balance in excess of \$5,000,000 at any time during the fiscal year reverts to the General Fund.The FY 2022 Environment Budget Reconciliation Bill permanently increased this fund balance limit from \$500,000 to \$5,000,000.		
Funds Expended	0	5,000,000
Year-End Fund Balance	1,326,100	(2,023,900)
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)	Appropriated	
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCDS) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRCDS that sponsors an education center. Additionally, funds are distributed to NRCDS and education centers based on appropriation.		
Funds Expended	180,000	260,600
Year-End Fund Balance	123,500	106,200
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)	Non-Appropriated	
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	0	0
Year-End Fund Balance	47,900	48,400
IGA and ISA Fund (LDA2500/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	24,000	24,000
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)	Non-Appropriated	
Source of Revenue: Revenue comes from other agencies that use State Land Department services or products and is used for services or products provided by other agencies.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	0	0
Year-End Fund Balance	136,200	136,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Land Clearance Fund (LDA3732/A.R.S. § 37-521)		Non-Appropriated
Source of Revenue: Any revenue collected by the State Land Department is held in the fund until the end of a given month, at that time the revenue is distributed to beneficiaries or permanent funds.		
Purpose of Fund: To create efficiency by limiting the number of transfers within a given year.		
Funds Expended	1,620,000	3,662,100
Year-End Fund Balance	39,965,300	36,303,200
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The State Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	205,300	140,500
Year-End Fund Balance	796,500	971,100
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	96,300	91,100
Year-End Fund Balance	135,800	107,700
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
State Land Department Fund (LDA2451/A.R.S. § 37-107)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	648,300	575,000
Year-End Fund Balance	2,801,800	2,798,800
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Fees charged by the department. The total balance of the fund is capped at 2 times the trust land management budget for the following fiscal year.		
Purpose of Fund: To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
Funds Expended	5,715,600	6,616,300
Year-End Fund Balance	43,792,100	44,867,500

Legislature - Auditor General

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	224.8	224.8	224.8
Personal Services	13,104,600	17,314,000	17,314,000
Employee Related Expenditures	4,575,700	6,273,300	6,273,300
Professional and Outside Services	642,100	1,381,500	1,381,500
Travel - In State	32,800	112,800	112,800
Travel - Out of State	11,200	5,500	5,500
Other Operating Expenditures	1,243,000	3,144,500	1,144,500
Equipment	74,900	85,000	85,000
OPERATING SUBTOTAL	19,684,300	28,316,600	26,316,600 ^{1/}
SPECIAL LINE ITEMS			
Adult Protective Services Audit	161,100	0	0
AGENCY TOTAL	19,845,400	28,316,600	26,316,600 ^{2/3/}
FUND SOURCES			
General Fund	19,845,400	28,316,600	26,316,600
SUBTOTAL - Appropriated Funds	19,845,400	28,316,600	26,316,600
Other Non-Appropriated Funds	1,719,500	1,289,200	1,289,200
TOTAL - ALL SOURCES	21,564,900	29,605,800	27,605,800

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

FOOTNOTES

- 1/ Of the amount appropriated for the lump sum appropriation, the auditor general shall use \$3,300,000 for additional agency performance audits and school district audits. (General Appropriation Act footnote)
- 2/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$26,316,600 and 224.8 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for the elimination of one-time additional funding in FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	1,719,500	1,289,200
Year-End Fund Balance	2,249,500	2,249,500

Legislature - House of Representatives

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	23,113,400	23,951,500	21,951,500
AGENCY TOTAL	23,113,400	23,951,500	21,951,500 ^{1/2/3/}
FUND SOURCES			
General Fund	23,113,400	23,951,500	21,951,500
SUBTOTAL - Appropriated Funds	23,113,400	23,951,500	21,951,500
TOTAL - ALL SOURCES	23,113,400	23,951,500	21,951,500

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$21,951,500 for fiscal year 2024-2025 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$21,951,500 from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding.

Legislature - Joint Legislative Budget Committee

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,984,300	2,088,400	2,088,400
Employee Related Expenditures	625,100	603,700	808,300
Professional and Outside Services	77,000	125,000	125,000
Travel - In State	100	500	500
Travel - Out of State	5,600	0	0
Other Operating Expenditures	38,700	98,500	98,500
Equipment	800	2,000	2,000
AGENCY TOTAL	2,731,600	2,918,100	3,122,700 ^{1/2/}
FUND SOURCES			
General Fund	2,731,600	2,918,100	3,122,700
SUBTOTAL - Appropriated Funds	2,731,600	2,918,100	3,122,700
TOTAL - ALL SOURCES	2,731,600	2,918,100	3,122,700

AGENCY DESCRIPTION — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$3,122,700 and 29 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Retirement Cost Technical Adjustment

The Baseline includes an increase of \$204,600 from the General Fund in FY 2025 for a retirement cost technical adjustment. This increase corrects an error from the enacted FY 2024 budget. *(Please see the Other Issues section for additional information.)*

Other Issues

FY 2024 Supplemental

The FY 2025 Baseline includes an FY 2024 supplemental appropriation of \$204,600 from the General Fund for a retirement cost technical adjustment.

Section 123 of the FY 2024 General Appropriation Act adjusts individual agency budgets either up or down for

changes in statewide charges, such as state employer health insurance contributions, risk management charges and state employer retirement contributions. The Act requires Joint Legislative Budget Committee (JLBC) Staff, in consultation with the Governor's Office of Strategic Planning and Budgeting (OSPB), to determine an amount for each state agency's adjustments.

Section 123 appropriated \$359,600 from the General Fund for changes in employer retirement rate contributions. In the process of implementing the individual agency shares of the \$359,600, JLBC Staff found that its own budget's share of this amount would have been a \$(409,100) reduction. This amount was accidentally derived as the Executive compiled its \$359,600 estimate and the error was identified after the FY 2024 budget was enacted. The correct adjustment would have been an increase of \$2,500.

To address this issue, the JLBC Staff and OSPB agreed to the following:

- In implementing the statewide retirement adjustment in FY 2024, JLBC's budget was reduced by \$(204,600) and OSPB's budget was reduced by

\$(204,600) in lieu of the JLBC-only reduction of \$(409,100).

- The JLBC FY 2025 Baseline and the Executive's January 2025 budget both propose \$204,600 FY 2024 supplementals for each office to correct the error. These two \$204,600 adjustments will be continued as ongoing in the FY 2025 budget.

Legislature - Legislative Council

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	56.0	56.0	56.0
Personal Services	4,347,300	3,597,500	3,597,500
Employee Related Expenditures	1,625,700	1,371,400	1,371,400
Professional and Outside Services	36,600	1,110,000	1,110,000
Travel - In State	0	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	2,730,600	1,883,300	1,883,300
Equipment	0	1,527,000	1,527,000
AGENCY TOTAL	8,740,200	9,507,700	9,507,700 ^{1/2/}
FUND SOURCES			
General Fund	8,740,200	9,507,700	9,507,700
SUBTOTAL - Appropriated Funds	8,740,200	9,507,700	9,507,700
Other Non-Appropriated Funds	32,100	42,800	42,800
TOTAL - ALL SOURCES	8,772,300	9,550,500	9,550,500

AGENCY DESCRIPTION — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$9,507,700 and 56 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Museum Gift Shop Revolving Fund (LCA4008/A.R.S. § 41-1307)		Non-Appropriated
Source of Revenue: Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop. Laws 2022, Chapter 211 transferred the administration of this fund to Legislative Council.		
Funds Expended	32,100	42,800
Year-End Fund Balance	53,300	53,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
State Monument and Memorial Repair Fund (LCA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall. Laws 2022, Chapter 357 transferred the fund to Legislative Council.		
Funds Expended	0	0
Year-End Fund Balance	216,100	216,100

Legislature - Ombudsman-Citizens Aide Office

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	878,300	928,500	928,500
Employee Related Expenditures	329,000	348,200	348,200
Professional and Outside Services	23,900	62,100	62,100
Travel - In State	200	300	300
Travel - Out of State	5,000	5,000	5,000
Other Operating Expenditures	142,100	203,100	203,100
Equipment	16,200	14,000	14,000
AGENCY TOTAL	1,394,700	1,561,200	1,561,200 ^{1/2/3/4/}
FUND SOURCES			
General Fund	1,394,700	1,561,200	1,561,200
SUBTOTAL - Appropriated Funds	1,394,700	1,561,200	1,561,200
TOTAL - ALL SOURCES	1,394,700	1,561,200	1,561,200

AGENCY DESCRIPTION — The Ombudsman-Citizens Aide Office assists persons with a complaint about the actions of a state administrator, agency, department, board or commission. The office investigates, seeks resolution between the parties, and reports to the legislature about such complaints. The office also has special charges to investigate Department of Child Safety actions as well as complaints about Empowerment Scholarship Accounts or the violation of public access laws.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ The legislature intends that the ombudsman-citizens aide prioritize investigating and processing complaints relating to the department of child safety. (General Appropriation Act footnote)
- 3/ The operating budget includes \$137,500 and 1 FTE position to address complaints relating to the administration of the Arizona empowerment scholarship account program established by section 15-2402, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,561,200 and 12 FTE Positions from the General Fund in FY 2025. These amounts are unchanged from FY 2024.

Legislature - Senate

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	20,237,800	20,374,500	18,374,500
AGENCY TOTAL	20,237,800	20,374,500	18,374,500 ^{1/2/3/}
FUND SOURCES			
General Fund	20,237,800	20,374,500	18,374,500
SUBTOTAL - Appropriated Funds	20,237,800	20,374,500	18,374,500
TOTAL - ALL SOURCES	20,237,800	20,374,500	18,374,500

AGENCY DESCRIPTION — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$18,374,500 for fiscal year 2024-2025 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$18,374,500 from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding.

Department of Liquor Licenses and Control

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	51.2	58.2	58.2
Personal Services	2,680,900	2,945,000	2,945,000
Employee Related Expenditures	2,114,500	1,678,000	1,678,000
Professional and Outside Services	110,200	50,500	50,500
Travel - In State	225,100	281,300	281,300
Travel - Out of State	6,600	70,000	70,000
Other Operating Expenditures	1,165,600	724,500	724,500
Equipment	681,200	0	0
AGENCY TOTAL	6,984,100	5,749,300	5,749,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Liquor Licenses Fund	6,984,100	5,749,300	5,749,300
SUBTOTAL - Other Appropriated Funds	6,984,100	5,749,300	5,749,300
SUBTOTAL - Appropriated Funds	6,984,100	5,749,300	5,749,300
Other Non-Appropriated Funds	915,800	1,647,400	1,647,400
Federal Funds	410,600	0	0
TOTAL - ALL SOURCES	8,310,500	7,396,700	7,396,700

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

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

Operating Budget

The Baseline includes \$5,749,300 and 58.2 FTE Positions from the Liquor Licenses Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	89,100	0
Year-End Fund Balance	0	0
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	90,500	244,400
Year-End Fund Balance	421,100	384,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B)		Non-Appropriated
Source of Revenue: Fees charged by the director for the issuance of a direct shipment license.		
Purpose of Fund: Administrative costs associated with the direct shipment license.		
Funds Expended	36,000	69,400
Year-End Fund Balance	224,700	175,100
Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D)		Non-Appropriated
Source of Revenue: Fees charged by the director for the renewal of a direct shipment license.		
Purpose of Fund: Administrative costs associated with the direct shipment licensing, auditing, and enforcement.		
Funds Expended	0	383,500
Year-End Fund Balance	869,600	696,000
DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112)		Non-Appropriated
Source of Revenue: Fingerprint fees collected as part of the application process.		
Purpose of Fund: Fingerprint fees are transferred to the Department of Public Safety.		
Funds Expended	0	0
Year-End Fund Balance	1,900	0
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	355,400	475,300
Year-End Fund Balance	253,100	190,700
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$35 surcharge on liquor license renewals.		
Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	334,800	449,900
Year-End Fund Balance	465,100	499,000
Federal Grants (LLA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety.		
Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	410,600	0
Year-End Fund Balance	1,600	1,600
Growlers Fund (LLA1997/A.R.S. § 4-116.01)		Non-Appropriated
Source of Revenue: Fees received from growler permit applications.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	10,000	0
Year-End Fund Balance	150,700	182,800
IGA and ISA Fund (LLA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	0	24,900
Year-End Fund Balance	49,800	24,900

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Liquor License and Special Collections Fund (LLA3008/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: This fund is a non-appropriated fund used for collecting fees from license renewals and new licenses.		
Purpose of Fund: This fund collects funds that are transferred to other state agencies and to the Arizona counties that receive one third of the renewal fees for their county. Maricopa and Pima counties receive 3,000 dollars for each license that is issued in an unincorporated area. Funds are distributed into the surcharge funds. The remaining funds are transferred into the general fund.		
Funds Expended	0	0
Year-End Fund Balance	765,000	1,465,000
Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)		Appropriated
Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year.		
Funds Expended	6,984,100	5,749,300
Year-End Fund Balance	460,100	476,100
Sampling Privileges Fund (LLA1998/A.R.S. § 4-116.01)		Non-Appropriated
Source of Revenue: Fees received from sampling privilege permit applications.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	0	0
Year-End Fund Balance	159,800	192,800

Arizona State Lottery Commission

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,859,200	5,218,300	5,218,300
Employee Related Expenditures	1,931,400	2,186,200	2,186,200
Professional and Outside Services	580,800	386,800	386,800
Travel - In State	35,800	271,600	271,600
Travel - Out of State	45,800	16,800	16,800
Other Operating Expenditures	2,208,800	2,395,500	2,395,500
Equipment	166,000	0	0
OPERATING SUBTOTAL	9,827,800	10,475,200	10,475,200
SPECIAL LINE ITEMS			
Advertising	14,006,700	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,830,300	1,868,500	1,994,900 ^{2/}
Instant Tickets ^{1/}	27,416,500	40,411,800	42,399,600 ^{3/}
On-Line Vendor Fees ^{1/}	18,388,600	17,838,800	20,729,900 ^{4/}
Retailer Commissions ^{1/}	100,366,000	102,667,600	110,876,200 ^{5/}
AGENCY TOTAL	171,835,900	188,761,900	201,975,800 ^{6/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	171,835,900	188,761,900	201,975,800
SUBTOTAL - Other Appropriated Funds	171,835,900	188,761,900	201,975,800
SUBTOTAL - Appropriated Funds	171,835,900	188,761,900	201,975,800
Other Non-Appropriated Funds	1,002,910,300	1,144,479,700	1,144,479,700
TOTAL - ALL SOURCES	1,174,746,200	1,333,241,600	1,346,455,500

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. In addition to Arizona-specific games, the state also participates in multi-state Powerball and Mega-Millions on-line games.

FOOTNOTES

- 1/ Charitable Commissions, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- 2/ An amount equal to twenty percent of tab ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,994,900 in fiscal year 2024-2025. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6 percent of actual instant ticket sales is appropriated to print instant tickets or to pay contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$42,399,600 in fiscal year 2024-2025. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual online game sales as determined by contract is appropriated to pay online vendor fees. This amount is currently estimated to be \$20,729,900, or 4.256 percent of actual online ticket sales, in fiscal year 2024-2025. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5 percent of gross lottery game sales, minus charitable tab tickets, is appropriated to pay sales commissions to ticket retailers. An additional amount not to exceed 0.5 percent of gross lottery game sales is appropriated to pay sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7 percent of total ticket sales, or \$110,876,200, in fiscal year 2024-2025. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$10,475,200 and 98.8 FTE Positions from the State Lottery Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Advertising

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2025 for Advertising. This amount is unchanged from FY 2024.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The Baseline includes \$1,994,900 from the State Lottery Fund in FY 2025 for Charitable Commissions. Adjustments are as follows:

Tab Ticket Increase

The Baseline includes an increase of \$126,400 from the State Lottery Fund in FY 2025 to realign spending with projected revenues.

Monies in this line item are used to compensate charities for selling lottery 'Tab Tickets.' Tab Tickets are games sold exclusively by charitable organizations, who receive a 20% commission for selling the games. The displayed amount is derived by applying the approved percentage, 20%, to the forecasted Tab Ticket sales. A.R.S. § 5-555 also allows the department to collect up to 35% of total Tab Ticket sales (which includes the 20% commission) for their operating budget, with the remainder distributed as prizes.

Instant Tickets

The Baseline includes \$42,399,600 from the State Lottery Fund in FY 2025 for Instant Tickets. Adjustments are as follows:

Instant Ticket Sales Increase

The Baseline includes an increase of \$1,987,800 from the State Lottery Fund in FY 2025 for Instant Tickets due to higher projected sales.

Monies in this line item are used to pay for instant ticket printing and distribution costs. The amount displayed is derived by applying the approved spending percentage of 3.6% to the forecasted sales total.

On-Line Vendor Fees

The Baseline includes \$20,729,900 from the State Lottery Fund in FY 2025 for On-Line Vendor Fees. Adjustments are as follows:

One-Line Sales Increase

The Baseline includes an increase of \$2,891,100 from the State Lottery Fund in FY 2025 for One-Line Vendor Fees due to Higher projected sales.

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor, which is 4.256%.

Retailer Commissions

The Baseline includes \$110,876,200 from the State Lottery Fund in FY 2025 for Retailer Commissions. Adjustments are as follows:

Retailer Commissions Increase

The Baseline includes an increase of \$8,208,600 from the State Lottery Fund in FY 2025 for Retailer Commissions due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to compensate retailers for selling lottery tickets. A.R.S. § 5-555 specifies that compensation to retailers will be at least 5.5% but not more than 8% of non-charitable Tab Ticket sales. Based on a General Appropriation Act footnote, the actual appropriation is equal to 6.5% of these sales. Pursuant to statute, an additional 0.5% of total non-charitable Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Other Issues

Lottery Forecast and Distributions

The Baseline assumes a 4.5% increase in overall Lottery ticket sales in FY 2024, followed by a 5.0% increase in FY 2025. For FY 2024 and FY 2025, the Baseline assumes

Lottery ticket sales of \$1,585,565,200 and \$1,664,843,500, respectively.

The FY 2024 forecasted sales and Special Line Items expenditures are revised from the amounts included as part of the *FY 2024 Appropriations Report* due to an updated FY 2024 sales forecast. These revised amounts are estimates based on the current sales forecast and the line-item percentages included in the FY 2024 General Appropriation Act footnotes. The final FY 2024 expenditures will be determined by the actual Lottery ticket sales during FY 2024.

Sources and Uses of Lottery Profit Distribution

Table 1 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2023 and the JLBC Staff projected distributions for FY 2024 and FY 2025. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-534 and 5-572.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,413,800 in both FY 2024 and FY 2025.

Laws 1993, 6th Special Session, Chapter 1 allocated not less than 31.5% of multi-state Powerball revenues to public transportation programs, otherwise known as Local Transportation Assistance Fund (LTAF) II. This allocation was capped at \$18,000,000 and was contingent upon the General Fund receiving \$45,000,000 in Lottery revenues. Laws 2010, 7th Special Session, Chapter 12 redirected these monies to the General Fund. In September 2011, the U.S. District Court in the case of *Paisley v. Darwin* ruled that the Arizona Legislature must restore the distribution of mass transit monies to Maricopa County because the distribution was part of the state implementation plan to ensure compliance with the Clean Air Act. As a result, the state must calculate Maricopa County's share of 31.5% of statewide Powerball proceeds and distribute those monies to the county regional public transportation agency.

General Fund - Part 1

The statutory distribution requires the General Fund to receive up to \$84,150,000. The General Fund - Part 2 would receive up to an additional \$15,490,000 (for a total of \$99,640,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. After all other statutory obligations have

been met, the General Fund - Part 3 would receive all remaining revenues.

The profit distributions in FY 2024 and FY 2025 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2.

Heritage Fund

Statute caps annual distributions to the Arizona Game and Fish Commission's Heritage Fund at \$10,000,000. The funds are used to promote wildlife habitat and education programs and to rehabilitate historic buildings. In FY 2024 and FY 2025, the fund is projected to receive its entire allocation.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The revised allocation cap is \$23,702,500 in FY 2024 and \$24,301,400 in FY 2025. These amounts are distributed among the following agencies:

- 29.4% to the Department of Child Safety for the Healthy Families program.
- 23.5% to the Arizona Board of Regents (ABOR) for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to DHS for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2024 and FY 2025.

Homeless Shelters

Under the statutory distribution, DES would receive up to \$1,000,000 for Homeless Shelters. The department shall use the funding to distribute grants to nonprofit organizations, including faith-based organizations, for homeless emergency and transitional shelters and related support services. The fund is estimated to receive its full allocation in both FY 2024 and FY 2025.

General Fund - Part 2

As noted above, the General Fund would receive up to an additional \$15,490,000 after all prior allocations have been met. In FY 2024 and FY 2025, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. Allotments to this fund are used for

administering grants to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state. This fund is estimated to receive its full allocation in both FY 2024 and FY 2025.

University Capital Improvement (UCI) Fund

This fund serves as the source for up to 80% of the annual debt service associated with \$800,000,000 of University Capital construction Stimulus Plan for Economic and Educational Development (SPEED) bonds. This fund received \$37,798,800 in FY 2023. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$37,783,200 in FY 2024 and \$43,185,400 in FY 2025 to make the expected 80% level of debt service payments. *(Please see the FY 2023 Arizona Board of Regents Capital Outlay section for more details.)*

Deferred General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. Due to the timing of Lottery profit transfers and the current level of ticket sales, the Lottery Commission's recent practice is to defer the entire Part 3 distribution to the following fiscal year.

The Baseline forecast assumes that for each forecast year's ticket sales (FY 2024 and FY 2025), the Lottery

Commission will transfer 100% of the Part 3 profits in a deferred transfer during the next fiscal year.

Total Distributions to the General Fund

Total FY 2024 distributions to the General Fund consist of the FY 2024 General Fund Part 1, Part 2, and partial Part 3 profit transfers plus the delayed prior year Part 3 transfer from FY 2023. With a FY 2024 Part 1 transfer of \$84,150,000, a Part 2 FY 2024 transfer of \$15,490,000, and a forecasted FY 2023 Part 3 delayed transfer of \$122,645,200, total FY 2024 distributions to the General Fund are forecast to be \$222,285,200.

Total FY 2025 distributions to the General Fund are forecast to be \$234,637,800, which includes: a FY 2025 Part 1 transfer of \$84,150,000, a Part 2 FY 2025 transfer of \$15,490,000, and a FY 2024 Part 3 delayed transfer of \$134,997,800. *(See Table 1 for more information).*

Table 1

Forecast of Lottery Revenue Distribution
(\$ in Millions) ^{1/}

Sales	FY 2023	FY 2024	FY 2025
Instant Sales	\$1,078.4	\$1,121.7	\$1,177.8
On-Line Sales	438.3	463.9	487.1
Total Sales	\$1,516.7	\$1,585.6	\$1,664.8
Less:			
Operating Budget	\$ 171.8	\$ 188.8	\$ 202.0
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer ^{2/}	0.9	0.9	0.9
Prizes ^{3/}	1,033.8	1,073.5	1,117.9
Net Profit ^{4/ 5/}	\$309.9	\$322.1	\$343.7
Profit Transfers ^{5/}			
Maricopa County Mass Transit	11.4	11.4	11.4
General Fund - Part 1	84.2	84.2	84.2
Heritage	10.0	10.0	10.0
Health and Welfare Programs	23.9	23.7	24.3
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	37.8	37.8	43.2
Deferred General Fund - Part 3	122.6	135.0	150.6
Total Transfers	\$309.9	\$322.1	\$343.7
General Fund			
Delayed Prior Year Transfer ^{5/}	76.2	122.6	135.0
General Fund - Part 1	84.2	84.2	84.2
General Fund - Part 2	15.5	15.5	15.5
Total General Fund ^{2/}	\$175.8	\$222.2	\$234.6

^{1/} Totals may not sum due to rounding.

^{2/} A.R.S. § 5-554H allows the commission to sell tab tickets from vending machine in age-restricted areas. Profits from these sales are distributed to the Internet Crimes Against Children Enforcement Fund (ICACEF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICACEF Fund receives up to \$900,000 and the VREF receives up to \$100,000. If net profits from age-restricted tab tickets are less than \$1.0 million, then the difference will be paid to ICACEF and VREF from unclaimed prize monies in the State Lottery Fund. An estimated \$903,400 and \$948,600 will be distributed in FY 2024 and FY 2025, respectively. (See Footnote 4.)

^{3/} Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICACEF/VREF sales transfer from total Lottery sales.

^{4/} To derive the profit transfer amounts, the historical rate of return for each game was applied to the current budget forecast. The estimated total profit margin is 20.5% in both FY 2024 and FY 2025.

^{5/} In addition to these listed transfers, the following monies are distributed:

- 30% of unclaimed prizes to the Court Appointed Special Advocates program.
- 15% of unclaimed prizes, not to exceed \$325,000 to the Tribal College Dual Enrollment Program Fund (This distribution was \$160,000 in FY 2016, but was increased to \$250,000 pursuant to Laws 2016, Chapter 124 and increased again to \$325,000 pursuant to Laws 2021, Chapter 404).

^{6/} Due to the timing of Lottery profit transfers, the General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. As such, the General Fund total reflects deposits that actually occur within the fiscal year, whereas the Net Profit and Total Transfers lines reflect figures reported by the Lottery that are derived from ticket sales that occur during the fiscal year.

^{7/} Under the forecast, total General Fund revenue in FY 2026 would be \$250.2 million. This amount includes \$150.6 million from the General Fund - Part 3 transfer deferred from FY 2025, \$84.2 million for the FY 2026 General Fund - Part 1 and \$15.5 million for they FY 2026 General Fund - Part 2.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: To pay for all costs of the Arizona State Lottery Commission. After all Lottery Commission expenses are paid, including the prize monies displayed in the Non-Appropriated funds expended, Lottery profits are distributed to a number of different functions. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	171,835,900	188,761,900
Year-End Fund Balance	141,313,200	69,484,500
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Non-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: For payment of prizes to the holders of winning tickets from games administered by the Arizona State Lottery commission. After all Lottery Commission expenses are paid, including prize monies, Lottery profits are distributed to a number of different functions. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,002,910,300	1,144,479,700
Year-End Fund Balance	0	0

Board of Massage Therapy

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	300,700	258,000	258,000
Employee Related Expenditures	110,000	133,800	133,800
Professional and Outside Services	15,700	111,000	111,000
Travel - In State	0	1,500	1,500
Other Operating Expenditures	153,300	94,700	94,700
Equipment	3,600	0	0
AGENCY TOTAL	583,300	599,000	599,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	583,300	599,000	599,000
SUBTOTAL - Other Appropriated Funds	583,300	599,000	599,000
SUBTOTAL - Appropriated Funds	583,300	599,000	599,000
TOTAL - ALL SOURCES	583,300	599,000	599,000

AGENCY DESCRIPTION — The board licenses and regulates massage therapists. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$599,000 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of massage therapists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate massage therapists, and for board administration.		
Funds Expended	583,300	599,000
Year-End Fund Balance	1,282,000	1,391,100

Arizona Medical Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,420,000	3,629,600	3,629,600
Employee Related Expenditures	1,259,000	1,423,500	1,423,500
Professional and Outside Services	1,412,500	1,305,000	1,305,000
Travel - In State	4,900	13,000	13,000
Travel - Out of State	16,400	13,000	13,000
Other Operating Expenditures	1,371,500	1,581,500	1,581,500
Equipment	220,600	55,400	55,400
OPERATING SUBTOTAL	7,704,900	8,021,000	8,021,000
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	147,700	165,600	165,600
AGENCY TOTAL	7,852,600	8,186,600	8,186,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	7,852,600	8,186,600	8,186,600
SUBTOTAL - Other Appropriated Funds	7,852,600	8,186,600	8,186,600
SUBTOTAL - Appropriated Funds	7,852,600	8,186,600	8,186,600
TOTAL - ALL SOURCES	7,852,600	8,186,600	8,186,600

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician assistants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$8,021,000 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Employee Performance Incentive Program

The Baseline includes \$165,600 from the Arizona Medical Board Fund in FY 2025 for the Employee Performance Incentive Program. This amount is unchanged from FY 2024.

The program was previously funded by a footnote allowing the Arizona Medical Board to use up to 7% of the prior year balance from the Arizona Medical Board Fund. The FY 2019 General Appropriation Act removed that footnote and instead added a line item for the incentive program.

The board awards employees based on performance of certain agency-identified measures, such as the average number of days taken to approve a new license after receiving an application.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% into the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	7,852,600	8,186,600
Year-End Fund Balance	10,910,400	11,532,700

State Mine Inspector

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0 ^{1/}
Personal Services	543,700	1,002,500	1,002,500
Employee Related Expenditures	293,300	388,300	388,300
Professional and Outside Services	78,400	28,700	28,700
Travel - In State	111,500	72,600	22,600
Travel - Out of State	5,500	8,700	8,700
Other Operating Expenditures	169,100	277,500	27,500
Equipment	13,900	106,200	6,200
OPERATING SUBTOTAL	1,215,400	1,884,500	1,484,500
SPECIAL LINE ITEMS			
Abandoned Mines	912,500	825,400	825,400
Aggregate Mining Land Reclamation	54,500	181,800	181,800 ^{2/}
AGENCY TOTAL	2,182,400	2,891,700	2,491,700 ^{3/}
FUND SOURCES			
General Fund	2,127,900	2,778,800	2,378,800
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	54,500	112,900	112,900
SUBTOTAL - Other Appropriated Funds	54,500	112,900	112,900
SUBTOTAL - Appropriated Funds	2,182,400	2,891,700	2,491,700
Federal Funds	445,300	539,300	539,300
TOTAL - ALL SOURCES	2,627,700	3,431,000	3,031,000

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer and may serve 4 consecutive 4-year terms. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

FOOTNOTES

- 1/ Includes 6 GF FTE Positions funded from Special Line Items in FY 2025.
- 2/ All aggregate mining reclamation fund monies received by the state mine inspector in excess of \$112,900 in fiscal year 2024-2025 are appropriated to the aggregate mining land reclamation line item. Before spending any aggregate mining reclamation fund monies in excess of \$112,900 in fiscal year 2024-2025, the state mine inspector shall report the intended use of the monies to the joint legislative budget committee and the governor's office of strategic planning and budgeting. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,484,500 and 16 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Drone Purchase

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 for the elimination of one-time funding to purchase a drone capable of entering and mapping enclosed spaces.

Remove One-Time Administrative Costs

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2025 for the elimination of one-time monies for additional operating expenses in FY 2024. The FY 2024 appropriation is non-lapsing.

Abandoned Mines

The Baseline includes \$825,400 and 6 FTE Positions from the General Fund in FY 2025 for the Abandoned Mines line item. These amounts are unchanged from FY 2024.

This line item pays contractors to fill, plug, or fence abandoned mines. These monies are also used to pay administrative salaries and other costs. In addition to General Fund appropriations to the program, deposits can be made into the Abandoned Mines Safety Fund from sources such as intergovernmental agreements and donations.

	FY 2025
General Fund	\$68,900
Aggregate Mining Reclamation Fund	112,900

These amounts are unchanged from FY 2024.

Monies in this line item are used to review legally required plans to reclaim land damaged by aggregated mining and ensure compliance with those plans. Aggregate mining is a process whereby earth moving equipment is used to mine an area close to the surface for crushed rock or stone, granite, and sand. Aggregate Mining Reclamation Fund revenues come from fees paid by owners or operators of aggregate mining sites upon submitting a reclamation plan.

Aggregate Mining Land Reclamation

The Baseline includes \$181,800 in FY 2025 for the Aggregate Mining Land Reclamation line item. This amount consists of:

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
Source of Revenue: Gifts, grants and contributions. The Legislature may appropriate matching monies.		
Purpose of Fund: To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	0	0
Year-End Fund Balance	134,800	134,800
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
Source of Revenue: Fees collected from exploration and aggregate mining operations.		
Purpose of Fund: To review aggregate mining land reclamation plans and to enforce compliance with the plans.		
Funds Expended	54,500	112,900
Year-End Fund Balance	151,300	61,200
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		Federal Funds
Source of Revenue: Fees for education and training of mine employees required under federal regulation.		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	61,900	56,800
Year-End Fund Balance	289,700	328,900
Federal Grants (MIA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	383,400	482,500
Year-End Fund Balance	0	179,700

Naturopathic Physicians Medical Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	92,200	100,000	100,000
Employee Related Expenditures	38,400	40,000	40,000
Professional and Outside Services	21,100	22,000	22,000
Other Operating Expenditures	48,200	55,700	55,700
Equipment	10,800	0	0
AGENCY TOTAL	210,700	217,700	217,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	210,700	217,700	217,700
SUBTOTAL - Other Appropriated Funds	210,700	217,700	217,700
SUBTOTAL - Appropriated Funds	210,700	217,700	217,700
TOTAL - ALL SOURCES	210,700	217,700	217,700

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians and naturopathic medical assistants. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$217,700 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians and naturopathic medical assistants, and for board administration.		
Funds Expended	210,700	217,700
Year-End Fund Balance	2,124,000	2,331,500

Arizona Navigable Stream Adjudication Commission

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	94,600	80,900	80,900
Employee Related Expenditures	40,600	38,900	38,900
Professional and Outside Services	12,800	200,000	200,000
Other Operating Expenditures	20,200	24,200	24,200
Equipment	1,300	0	0
AGENCY TOTAL	169,500	344,000	344,000
FUND SOURCES			
General Fund	143,800	144,000	144,000
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	25,700	200,000	200,000
SUBTOTAL - Other Appropriated Funds	25,700	200,000	200,000
SUBTOTAL - Appropriated Funds	169,500	344,000	344,000
TOTAL - ALL SOURCES	169,500	344,000	344,000

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission (ANSAC) is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

FOOTNOTES

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

Operating Budget

The Baseline includes \$344,000 and 2 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$144,000
Arizona Water Banking Fund	200,000

These amounts are unchanged from FY 2024.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

Background

The commission is responsible for determining the navigability of state watercourses at the time of statehood. As of the last public data in November 2023, cases regarding the navigability of the Gila, Salt, and Verde Rivers have been decided in favor of the commission's findings of non-navigability, but they have all been appealed to the Arizona Court of Appeals. If they are ruled to have been navigable at the time of statehood, the watercourses are considered State Trust Land and any related proceeds from the waterbeds would be deposited in the Riparian Trust Fund, pursuant to A.R.S. § 37-1156. The monies in this fund are primarily used to acquire and maintain land adjacent to the waterbeds for conservation purposes. The agency is scheduled to sunset at the end of FY 2028, but the commission expects final court orders to be delivered in the Gila, Salt, and Verde River cases before the end of FY 2024. As a result, the need for FY 2025 resources is unclear at this point.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Water Banking Fund (NSA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users.		
Purpose of Fund: To fund outside legal counsel and court reporters for court hearings.		
Funds Expended	25,700	200,000
Year-End Fund Balance	0	0

State Board of Nursing

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	52.0	55.0	55.0
Personal Services	3,347,000	3,526,000	3,526,000
Employee Related Expenditures	1,235,300	1,301,400	1,301,400
Professional and Outside Services	218,300	230,000	230,000
Travel - In State	5,900	6,400	6,400
Travel - Out of State	4,400	4,600	4,600
Other Operating Expenditures	493,800	495,200	495,200
Equipment	28,700	30,200	17,900
OPERATING SUBTOTAL	5,333,400	5,593,800	5,581,500
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	487,500	538,400	538,400
Student Registered Nurse Anesthetist Clinical Rotation Program	0	450,000	0
AGENCY TOTAL	5,820,900	6,582,200	6,119,900 ^{1/}
FUND SOURCES			
General Fund	0	450,000	0
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	5,820,900	6,132,200	6,119,900
SUBTOTAL - Other Appropriated Funds	5,820,900	6,132,200	6,119,900
SUBTOTAL - Appropriated Funds	5,820,900	6,582,200	6,119,900
Federal Funds	976,700	24,443,400	24,443,400
TOTAL - ALL SOURCES	6,797,600	31,025,600	30,563,300

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

FOOTNOTES

1/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$5,581,500 and 55 FTE Positions from the Board of Nursing Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(12,300) from the Board of Nursing Fund in FY 2025 to remove one-time funding for equipment purchases.

Certified Nursing Assistant Credentialing Program

The Baseline includes \$538,400 from the Board of Nursing Fund in FY 2025 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2024.

The board registers CNAs at no charge to the individual and with no fingerprinting requirement. This policy meets federal requirements for having a nurse assistant (aide) registry.

Monies in this line item fund CNA Credentialing Program costs not paid by federal monies.

Student Registered Nurse Anesthetist Clinical Rotation Program

The Baseline includes no funding in FY 2025 for the Student Registered Nurse Anesthetist Clinical Rotation Program line item. Adjustments are as follows:

Remove One-Time Grant Program

The Baseline includes a decrease of \$(450,000) from the General Fund in FY 2025 to remove one-time funding for the Student Registered Nurse Anesthetist Clinical Rotation Program.

The FY 2024 budget included a one-time increase of \$450,000 from the General Fund for a grant program to expand or develop clinical training placements for nurse anesthetist students. The initial grant application deadline was December 15th, 2023, and the Board expects to begin distributing grants in early 2024.

Other Issues

Healthcare Workforce Development Funding

The 3-year spending plan associated with the enacted FY 2023 budget assumed the Executive would spend \$27,000,000 in each of FY 2023, FY 2024, and FY 2025 from federal American Rescue Plan Act (ARPA) State and

Local Fiscal Recovery monies for the Student Nurse Clinical Rotation and Licensed or Certified Nurse Training Program established by Laws 2022, Chapter 330. The program provides grants to hospitals, nursing facilities, and assisted living facilities to expand or create clinical training placements for undergraduate nursing students and licensed or certified nurses.

AHCCCS designated the Arizona State Board of Nursing as the administrator of the program in December 2022 and transferred the ARPA monies to the Nursing Board. The Nursing Board opened the grant cycle for the program in January 2023. At the time of this writing, the grant's advisory board has approved 17 award recipients, encompassing 25 total programs.

These monies do not appear in the General Appropriations Act because they are non-appropriated Federal Funds.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	5,820,900	6,132,200
Year-End Fund Balance	13,053,900	14,247,200
Coronavirus State and Local Fiscal Recovery Fund (BNA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal American Rescue Plan Act (P.L. 117-2) monies allocated to AHCCCS by the Executive. AHCCCS designated the Board of Nursing as the recipient of these funds.		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	562,000	24,028,700
Year-End Fund Balance	0	0
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	414,700	414,700
Year-End Fund Balance	7,100	7,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)		Non-Appropriated
Source of Revenue: Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
Purpose of Fund: To assist in carrying out the purposes of the agency.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	295,500	328,200	328,200
Employee Related Expenditures	116,600	165,600	165,600
Professional and Outside Services	24,700	15,100	15,100
Travel - In State	3,300	5,000	5,000
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	118,100	75,500	75,500
Equipment	11,700	13,500	13,500
AGENCY TOTAL	569,900	604,900	604,900^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	569,900	604,900	604,900
SUBTOTAL - Other Appropriated Funds	569,900	604,900	604,900
SUBTOTAL - Appropriated Funds	569,900	604,900	604,900
TOTAL - ALL SOURCES	569,900	604,900	604,900

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$604,900 and 7 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	569,900	604,900
Year-End Fund Balance	309,000	228,700

Board of Occupational Therapy Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	118,400	113,500	113,500
Employee Related Expenditures	46,900	76,300	76,300
Professional and Outside Services	2,300	0	0
Travel - In State	0	1,300	1,300
Other Operating Expenditures	44,200	66,400	66,400
Equipment	22,300	2,000	2,000
AGENCY TOTAL	234,100	259,500	259,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	234,100	259,500	259,500
SUBTOTAL - Other Appropriated Funds	234,100	259,500	259,500
SUBTOTAL - Appropriated Funds	234,100	259,500	259,500
TOTAL - ALL SOURCES	234,100	259,500	259,500

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

FOOTNOTES

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

Operating Budget

The Baseline includes \$259,500 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	234,100	259,500
Year-End Fund Balance	1,099,900	1,172,800

State Board of Dispensing Opticians

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	94,300	97,400	97,400
Employee Related Expenditures	30,700	31,700	31,700
Professional and Outside Services	7,900	1,000	1,000
Travel - In State	0	8,500	8,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	28,800	57,600	57,600
Equipment	2,400	0	0
AGENCY TOTAL	164,100	198,200	198,200 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Dispensing Opticians Fund	164,100	198,200	198,200
SUBTOTAL - Other Appropriated Funds	164,100	198,200	198,200
SUBTOTAL - Appropriated Funds	164,100	198,200	198,200
TOTAL - ALL SOURCES	164,100	198,200	198,200

AGENCY DESCRIPTION — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$198,200 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	164,100	198,200
Year-End Fund Balance	372,700	338,700

State Board of Optometry

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	129,800	160,000	160,000
Employee Related Expenditures	49,600	55,000	55,000
Professional and Outside Services	8,600	10,000	10,000
Travel - In State	0	100	100
Travel - Out of State	0	1,600	1,600
Other Operating Expenditures	54,000	60,000	60,000
Equipment	2,300	2,500	2,500
AGENCY TOTAL	244,300	289,200	289,200 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Optometry Fund	244,300	289,200	289,200
SUBTOTAL - Other Appropriated Funds	244,300	289,200	289,200
SUBTOTAL - Appropriated Funds	244,300	289,200	289,200
TOTAL - ALL SOURCES	244,300	289,200	289,200

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments that do not require a licensed physician. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$289,200 and 2 FTE Positions from the Board of Optometry Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	244,300	289,200
Year-End Fund Balance	584,300	596,600

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	10.0	10.0
Personal Services	632,100	634,000	622,200
Employee Related Expenditures	223,600	285,200	282,500
Professional and Outside Services	102,100	161,700	161,700
Travel - In State	800	2,500	2,500
Travel - Out of State	4,000	5,500	5,500
Other Operating Expenditures	299,200	309,700	309,700
Equipment	33,700	0	0
AGENCY TOTAL	1,295,500	1,398,600	1,384,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	1,295,500	1,398,600	1,384,100
SUBTOTAL - Other Appropriated Funds	1,295,500	1,398,600	1,384,100
SUBTOTAL - Appropriated Funds	1,295,500	1,398,600	1,384,100
TOTAL - ALL SOURCES	1,295,500	1,398,600	1,384,100

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the interrelationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemical-based treatment.

FOOTNOTES

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

Operating Budget

The Baseline includes \$1,384,100 and 10 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Leave Payout

The Baseline includes a decrease of \$(14,500) from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2025 to remove one-time funding for an annual leave payout in FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% into the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	1,295,500	1,398,600
Year-End Fund Balance	3,610,400	3,616,300

Arizona State Parks Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	163.0	167.0	167.0 ^{1/}
Personal Services	7,347,200	7,366,000	7,366,000
Employee Related Expenditures	4,052,200	4,085,000	4,085,000
Professional and Outside Services	150,900	180,000	180,000
Travel - In State	14,100	15,000	15,000
Other Operating Expenditures	4,169,900	6,694,300	6,694,300
Equipment	85,700	85,000	(200,200)
OPERATING SUBTOTAL	15,820,000	18,425,300	18,140,100 ^{2/}
SPECIAL LINE ITEMS			
Arizona State Parks Heritage Fund Deposit	2,500,000	6,000,000	0
Arizona Trail Fund Deposit	28,700	500,000	0
Kartchner Caverns State Park	2,534,000	2,458,400	2,458,400
State Lake Improvement Fund Deposit	4,000,000	5,200,000	0
State Parks Store	1,006,000	1,013,100	1,013,100
AGENCY TOTAL	25,888,700	33,596,800	21,611,600 ^{3/}
FUND SOURCES			
General Fund	6,500,000	11,700,000	0
<u>Other Appropriated Funds</u>			
Off-Highway Vehicle Recreation Fund	16,700	16,700	16,700
State Park Store Fund	1,006,000	1,013,100	1,013,100
State Parks Revenue Fund	18,366,000	20,867,000	20,581,800
SUBTOTAL - Other Appropriated Funds	19,388,700	21,896,800	21,611,600
SUBTOTAL - Appropriated Funds	25,888,700	33,596,800	21,611,600
Other Non-Appropriated Funds	8,797,600	17,699,000	17,699,000
Federal Funds	998,800	8,790,000	8,790,000
TOTAL - ALL SOURCES	35,685,100	60,085,800	48,100,600

AGENCY DESCRIPTION — The Arizona State Parks Board (ASPB) is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, and historic preservation.

FOOTNOTES

- 1/ Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ In addition to the operating lump sum appropriation, an amount equal to the revenue share agreement with the United States forest service for Fool Hollow Lake recreation area is appropriated to the Arizona state parks board from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$18,140,100 and 131.2 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

FY 2025
State Parks Revenue Fund \$18,123,400
Off-Highway Vehicle Recreation Fund 16,700

Adjustments are as follows:

Remove One-Time Radio Purchases

The Baseline includes a decrease of \$(285,200) from the State Parks Revenue Fund (SPRF) in FY 2025 for removal of one-time funding for radio purchases.

Arizona State Parks Heritage Fund Deposit

The Baseline includes no funding in FY 2025 for the Arizona State Parks Heritage Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(6,000,000) from the General Fund in FY 2025 for removal of a one-time deposit to the Arizona State Parks Heritage Fund.

Pursuant to A.R.S. § 41-503, monies in the Arizona State Parks Heritage Fund are to be used as follows: 50% for local, regional or state parks for outdoor recreation and open space development, restoration or renovation; 30% for local, regional, and state historical projects; 10% for outdoor and environmental education; and 10% for local, regional, and state non-motorized trails. Statute directs the State Parks Board in consultation with the Historical Advisory Commission to establish criteria for the use of monies in the fund, and review and evaluate grant applications.

Arizona Trail Fund Deposit

The Baseline includes no funding in FY 2025 for the Arizona Trail Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of one-time funding for maintenance of the Arizona Trail.

Monies in the Arizona Trail Fund are for the sole purpose of maintaining and preserving the Arizona trail. The Arizona Trail is an 800 mile-long, non-motorized trail beginning at the U.S.-Mexican border and running north-south through the state into Utah.

Kartchner Caverns State Park

The Baseline includes \$2,458,400 and 35.8 FTE Positions from SPRF in FY 2025 for Kartchner Caverns State Park. These amounts are unchanged from FY 2024.

Kartchner Caverns is located in Benson, Arizona and was discovered in 1974. The State Parks Board acquired the property in 1988 and opened the caverns to the public in 1999.

State Lake Improvement Fund Deposit

The Baseline includes no funding in FY 2025 for the State Lake Improvement Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(5,200,000) from the General Fund in FY 2025 for removal of a one-time deposit to the State Lake Improvement Fund.

Monies in the State Lake Improvement Fund are used to fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites.

State Parks Store

The Baseline includes \$1,013,100 from the State Parks Store Fund in FY 2025 for the State Parks Store line item. This amount is unchanged from FY 2024.

Monies in the State Parks Store line item are used to operate and maintain state-owned giftshops.

Other Issues

State Parks Operations

As of October 2023, 31 state parks and natural areas are open to the public. Twenty-seven parks are funded and operated by the state with existing state funds. Four open parks are operated through agreements between the State Parks Board and local governments. *(Please see the State Parks Visitation and Revenue Program Summary available on the JLBC website for additional information on the parks, visitation, and operations.)*

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona State Parks' Heritage Fund (PRA3126/A.R.S. § 41-502)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants and donations.		
Purpose of Fund: Monies in the Heritage Fund are to be used as follows: 50% on parks for outdoor recreation and open space development, restoration or renovation; 30% on historic preservation, administered through the State Historic Preservation Officer; 10% on nonmotorized trails; and 10% on outdoor and environmental education. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	6,424,000	0
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona trail. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (PRA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	52,000	0
Year-End Fund Balance	0	0
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Federal Funds
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	946,800	8,790,000
Year-End Fund Balance	870,500	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: Appropriated monies are used to fund the Great Western Trail line item. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	16,700	16,700
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	769,300	2,107,000
Year-End Fund Balance	15,831,200	4,767,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; to operate the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	187,000	2,518,000
Year-End Fund Balance	1,480,100	1,480,100
State Lake Improvement Fund (PRA2106/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review (JCCR). Funds Expended totals exclude capital spending.		
Funds Expended	7,526,800	12,624,000
Year-End Fund Balance	19,613,900	10,715,500
State Park Store Fund (PRA4401/A.R.S. § 41-511.24)		Appropriated
Source of Revenue: Monies deposited pursuant to the fee schedule set by the agency to charge customers for gift shop items. Any balances above \$1,250,000 at the end of each fiscal year will be transferred to the State Parks Revenue Fund.		
Purpose of Fund: To operate and maintain state-owned gift shops.		
Funds Expended	1,006,000	1,013,100
Year-End Fund Balance	1,250,000	1,250,000
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	256,900	200,000
Year-End Fund Balance	603,000	503,000
State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21)		Appropriated
Source of Revenue: State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
Purpose of Fund: To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. Funds Expended totals exclude capital spending.		
Funds Expended	18,366,000	20,867,000
Year-End Fund Balance	76,100,800	24,383,900
Sustainable State Parks and Roads Fund (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)		Non-Appropriated
Source of Revenue: Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
Purpose of Fund: To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
Funds Expended	57,600	250,000
Year-End Fund Balance	721,200	621,200

State Personnel Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	82,700	135,000	135,000
Employee Related Expenditures	26,700	54,400	54,400
Professional and Outside Services	13,800	30,000	30,000
Travel - In State	200	2,000	2,000
Other Operating Expenditures	40,300	136,600	136,600
Equipment	2,300	3,000	3,000
AGENCY TOTAL	166,000	361,000	361,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	166,000	361,000	361,000
SUBTOTAL - Other Appropriated Funds	166,000	361,000	361,000
SUBTOTAL - Appropriated Funds	166,000	361,000	361,000
TOTAL - ALL SOURCES	166,000	361,000	361,000

AGENCY DESCRIPTION — The State Personnel Board hears appeals for covered state employees in the State Personnel System who have been dismissed, involuntarily demoted, or suspended for more than 80 hours. The board may recommend modifying or reversing the agency decision, but the agency makes the final determination. The board also hears “whistleblower” complaints concerning reprisals against employees or former employees who disclose information to a public body. If the Personnel Board finds a reprisal occurred, the employee who committed the reprisal shall be ordered by the board to pay a civil penalty of up to \$5,000, and the board shall rescind the personnel action and order all lost pay and benefits be restored to the “whistleblower.”

FOOTNOTES

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

Operating Budget

The Baseline includes \$361,000 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System. Only Personnel Division Fund monies in excess of \$500,000 revert to the State General Fund at the end of each fiscal year. The state comptroller pays any monies owed to the federal government from the Personnel Division Fund before calculating the reversion. Monies contributed by the Arizona State Retirement System and by the Public Safety Personnel Retirement System are separately accounted for, do not revert to the state General Fund, and are reverted to the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Officials Retirement Plan or the Corrections Officer Retirement Plan, as applicable.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	166,000	361,000
Year-End Fund Balance	509,500	808,500

Arizona State Board of Pharmacy

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.4	25.4	25.4
Personal Services	1,834,200	1,936,900	1,936,900
Employee Related Expenditures	684,300	747,100	747,100
Professional and Outside Services	77,900	157,000	157,000
Travel - In State	74,200	65,200	65,200
Travel - Out of State	3,500	4,200	4,200
Other Operating Expenditures	428,700	533,000	533,000
Equipment	48,200	33,300	33,300
OPERATING SUBTOTAL	3,151,000	3,476,700	3,476,700
SPECIAL LINE ITEMS			
Prescriber Report Card	50,000	50,000	50,000
AGENCY TOTAL	3,201,000	3,526,700	3,526,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona State Board of Pharmacy Fund	3,201,000	3,526,700	3,526,700
SUBTOTAL - Other Appropriated Funds	3,201,000	3,526,700	3,526,700
SUBTOTAL - Appropriated Funds	3,201,000	3,526,700	3,526,700
Other Non-Appropriated Funds	2,231,500	0	0
TOTAL - ALL SOURCES	5,432,500	3,526,700	3,526,700

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,476,700 and 25.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Prescriber Report Card

The Baseline includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2025 for the Prescriber

Report Card program. This amount is unchanged from FY 2024.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 up to \$1,000,000 may be transferred to the Arizona Poison and Drug Information Center. Additionally, \$500,000 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. These transfers are a "transfer out" and are not displayed in expenditures to avoid double counting.		
Funds Expended	3,201,000	3,526,700
Year-End Fund Balance	8,934,700	9,005,000
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Includes a distribution of CDC grant monies received through the Arizona Department of Health Services. Up to \$500,000 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907. The transfer is not displayed in the Arizona State Board of Pharmacy Fund expenditures to avoid double counting.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	2,231,500	0
Year-End Fund Balance	1,789,200	4,089,200
Federal Grants (PMA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Direct federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government.		
Funds Expended	0	0
Year-End Fund Balance	4,800	4,800

Board of Physical Therapy

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	226,200	220,800	220,800
Employee Related Expenditures	98,800	117,200	117,200
Professional and Outside Services	50,500	68,600	68,600
Travel - Out of State	800	2,100	2,100
Other Operating Expenditures	100,800	177,800	177,800
Equipment	40,100	5,000	5,000
AGENCY TOTAL	517,200	591,500	591,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	517,200	591,500	591,500
SUBTOTAL - Other Appropriated Funds	517,200	591,500	591,500
SUBTOTAL - Appropriated Funds	517,200	591,500	591,500
TOTAL - ALL SOURCES	517,200	591,500	591,500

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$591,500 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	517,200	591,500
Year-End Fund Balance	2,030,000	1,650,000

Arizona Pioneers' Home

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	107.3	107.3	107.3
Personal Services	4,401,700	4,576,800	4,576,800
Employee Related Expenditures	1,874,900	2,636,000	2,636,000
Professional and Outside Services	36,600	95,800	95,800
Travel - In State	37,500	26,700	26,700
Other Operating Expenditures	1,338,100	1,024,800	1,024,800
Equipment	91,500	20,100	20,100
AGENCY TOTAL	7,780,300	8,380,200	8,380,200 ^{1/2/}

FUND SOURCES

Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund	1,767,800	2,301,300	2,301,300
State Charitable Fund	6,012,500	6,078,900	6,078,900
SUBTOTAL - Other Appropriated Funds	7,780,300	8,380,200	8,380,200
SUBTOTAL - Appropriated Funds	7,780,300	8,380,200	8,380,200
Other Non-Appropriated Funds	14,400	14,600	14,600
TOTAL - ALL SOURCES	7,794,700	8,394,800	8,394,800

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home cares for, on average, 105 residents.

FOOTNOTES

- ^{1/} Earnings on state lands and interest on the investment of the permanent land funds are appropriated for the Arizona pioneers' home and the state hospital for miners with disabilities in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$8,380,200 and 107.3 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
Miners' Hospital for Miners with Disabilities Land Fund	\$2,301,300
State Charitable Fund	6,078,900

These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	1,767,800	2,301,300
Year-End Fund Balance	14,695,600	17,414,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	9,000	9,100
Year-End Fund Balance	381,700	472,600
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	5,400	5,500
Year-End Fund Balance	76,700	73,600
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
Purpose of Fund: For the operation of the Pioneers' Home.		
Funds Expended	6,012,500	6,078,900
Year-End Fund Balance	17,206,100	18,361,500

State Board of Podiatry Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	107,200	95,400	95,400
Employee Related Expenditures	33,800	36,100	36,100
Professional and Outside Services	3,000	5,500	5,500
Travel - In State	400	2,200	2,200
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	39,700	61,800	61,800
Equipment	1,500	0	0
AGENCY TOTAL	185,600	202,500	202,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Podiatry Fund	185,600	202,500	202,500
SUBTOTAL - Other Appropriated Funds	185,600	202,500	202,500
SUBTOTAL - Appropriated Funds	185,600	202,500	202,500
TOTAL - ALL SOURCES	185,600	202,500	202,500

AGENCY DESCRIPTION - The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$202,500 and 1 FTE Position from the Podiatry Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	185,600	202,500
Year-End Fund Balance	213,400	204,600

Arizona Power Authority

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SPECIAL LINE ITEMS			
Resource Planning and Needs Assessment	0	1,000,000	0
AGENCY TOTAL	0	1,000,000 ^{1/}	0
FUND SOURCES			
General Fund	0	1,000,000	0
SUBTOTAL - Appropriated Funds	0	1,000,000	0
Other Non-Appropriated Funds	20,024,000	20,833,400	20,833,400
TOTAL - ALL SOURCES	20,024,000	21,833,400	20,833,400

AGENCY DESCRIPTION - The Arizona Power Authority (APA) manages Arizona's allocation of hydroelectric power from Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Special Line Item by Agency.

Resource Planning and Needs Assessment

The Baseline includes no funding in FY 2025 for Resource Planning and Needs Assessment. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding to conduct resource planning and a needs assessment on behalf of Arizona Power Authority customers and other nonprofit electric service providers. A General Appropriation Act footnote made this appropriation non-lapsing.

APA has used \$12,900 from the appropriation to survey rural-electric cooperatives in terms of their needs related to the federal Empowering Rural America (New ERA) program. New ERA funding can be used on projects which would reduce air and water pollution with the goal of improving health outcomes and lowering energy costs.

APA has applied for the New ERA funding but has not yet received a response from the U.S. Department of Agriculture.

A General Appropriation Act footnote states that if the purpose for which the appropriation made in this line item is accomplished, then all remaining monies in this line item may be used for any action pursuant to Title 30, Arizona Revised Statutes.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Power Authority Fund (PAA9506/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	105,000	238,400
Year-End Fund Balance	0	0
Hoover Upgrading Fund (PAA1113/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: The sale of hydro-electricity from Hoover Dam to APA customers.		
Purpose of Fund: To purchase hydro-electricity from Hoover Dam for APA customers.		
Funds Expended	19,869,600	20,349,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Interest Income Fund (PAA1112/A.R.S. § 30-203)		Non-Appropriated
Source of Revenue: Interest income from investments with the Arizona State Treasurer,		
Purpose of Fund: To pay for the operating expenses of the Power Authority.		
Funds Expended	49,400	246,000
Year-End Fund Balance	0	0

State Board for Private Postsecondary Education

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	251,800	248,000	248,000
Employee Related Expenditures	100,600	74,700	74,700
Professional and Outside Services	21,300	28,000	28,000
Travel - In State	100	1,000	1,000
Travel - Out of State	1,900	6,000	6,000
Other Operating Expenditures	39,600	50,400	50,400
Equipment	10,100	40,000	40,000
AGENCY TOTAL	425,400	448,100	448,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	425,400	448,100	448,100
SUBTOTAL - Other Appropriated Funds	425,400	448,100	448,100
SUBTOTAL - Appropriated Funds	425,400	448,100	448,100
Other Non-Appropriated Funds	257,600	274,000	274,000
TOTAL - ALL SOURCES	683,000	722,100	722,100

AGENCY DESCRIPTION — The board licenses and regulates private postsecondary institutions throughout the state. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

FOOTNOTES

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

Operating Budget

The Baseline includes \$448,100 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	425,400	448,100
Year-End Fund Balance	389,000	446,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.		
Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
Funds Expended	257,600	274,000
Year-End Fund Balance	415,500	510,600

State Board of Psychologist Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.5	4.5	4.5
Personal Services	320,900	320,000	320,000
Employee Related Expenditures	154,700	154,200	154,200
Professional and Outside Services	57,700	76,500	76,500
Travel - In State	400	1,800	1,800
Travel - Out of State	13,400	11,500	11,500
Other Operating Expenditures	68,500	65,600	65,600
Equipment	16,900	10,400	10,400
AGENCY TOTAL	632,500	640,000	640,000^{1/}

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	632,500	640,000	640,000
SUBTOTAL - Other Appropriated Funds	632,500	640,000	640,000
SUBTOTAL - Appropriated Funds	632,500	640,000	640,000
TOTAL - ALL SOURCES	632,500	640,000	640,000

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency

Operating Budget

The Baseline includes \$640,000 and 4.5 FTE Positions from the Board of Psychologist Examiners Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	632,500	640,000
Year-End Fund Balance	1,414,200	1,621,000

Department of Public Safety

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,074.2	2,105.7	2,105.7 ^{1/}
Personal Services	140,627,300	152,313,200	152,313,200
Employee Related Expenditures	98,607,500	60,016,400	60,016,400
Professional and Outside Services	3,091,500	2,107,400	2,107,400
Travel - In State	563,200	524,900	524,900
Travel - Out of State	430,500	427,400	427,400
Other Operating Expenditures	52,724,700	42,677,500	39,721,100
Equipment	25,171,400	15,845,300	15,845,300
OPERATING SUBTOTAL	321,216,100	273,912,100	270,955,700
SPECIAL LINE ITEMS			
ACTIC	1,240,600	1,450,000	1,450,000
AZPOST	6,100,000	6,576,000	6,576,000
Border Drug Interdiction	15,908,600	17,295,200	17,295,200
Civil Air Patrol Infrastructure	23,500	10,000,000	0
Civil Air Patrol Maintenance and Operations	150,000	150,000	150,000
Commercial Vehicle Enforcement Consolidation	934,500	0	0
DPS Crime Lab Assistance	0	400,000	200,000
Fentanyl Prosecution, Diversion and Testing Fund Deposit	0	3,000,000	0
GIITEM	23,050,900	25,414,300	25,414,300 ^{2/3/}
GIITEM Subaccount	2,894,000	2,396,400	2,396,400
Land Mobile Radio Expansion and Upgrades	0	44,100,000	0
Law Enforcement Retention Initiatives	0	2,000,000	0
Local Border Support	6,286,500	12,232,900	12,232,900 ^{4/5/}
Major Incident Division	7,817,900	17,000,000	24,000,000
Microwave Backbone Project	4,514,400	0	0
Motor Vehicle Fuel	7,302,200	9,125,800	5,454,600
One-Time Helicopter Replacement	10,467,000	0	0
One-Time K-9 Support	198,900	0	0
One-Time Vehicle Bumper Tethers	1,050,000	0	0
One-Time Vehicle Replacement	4,242,200	11,709,300	0
Peace Officer Training Equipment	0	0	0
Pharmaceutical Diversion and Drug Theft Task Force	618,000	747,700	747,700
Public Safety Equipment	1,292,100	2,890,000	2,890,000
Real-Time Crime Centers	0	4,100,000	0
AGENCY TOTAL	415,307,400	444,499,700	369,762,800 ^{6/7/8/}
FUND SOURCES			
General Fund	333,637,100	366,140,600	298,074,900
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	38,234,400	31,017,700	24,096,500
Concealed Weapons Permit Fund	3,025,600	3,152,400	3,152,400
Criminal Justice Enhancement Fund	2,275,400	3,009,000	3,009,000
DPS Forensics Fund	17,235,100	22,888,300	22,888,300
Fingerprint Clearance Card Fund	1,581,100	1,581,100	1,581,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	2,894,000	2,396,400	2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	1,282,000	729,400	979,400
Motorcycle Safety Fund	198,900	198,900	198,900

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Parity Compensation Fund	4,088,100	3,022,200	3,022,200
Public Safety Equipment Fund	1,292,100	2,894,000	2,894,000
Risk Management Revolving Fund	1,396,900	1,102,500	1,102,500
State Highway Fund	8,166,700	6,367,200	6,367,200
SUBTOTAL - Other Appropriated Funds	81,670,300	78,359,100	71,687,900
SUBTOTAL - Appropriated Funds	415,307,400	444,499,700	369,762,800
Other Non-Appropriated Funds	48,274,200	48,623,900	42,323,900
Federal Funds	64,101,600	83,990,700	61,572,400
TOTAL - ALL SOURCES	527,683,200	577,114,300	473,659,100

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

FOOTNOTES

- 1/ Includes 226.8 GF FTE Positions and 6 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Of the \$25,414,300 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM fund established by section 41-1724, Arizona Revised Statutes, and is appropriated for the purposes of that section. The \$1,403,400 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriation Act footnote)
- 3/ Of the \$25,414,300 appropriated to the GIITEM line item, \$13,360,400 shall be used for one hundred department of public safety GIITEM personnel. The additional staff shall include at least fifty sworn department of public safety positions to be used for immigration enforcement and border security and fifty department of public safety positions to assist GIITEM in various efforts, including:
 1. Strictly enforcing all federal laws relating to illegal aliens and arresting illegal aliens.
 2. Responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens.
 3. Enforcing Arizona's law known as the Legal Arizona Workers Act, strictly enforcing Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act" and investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into this country.
 4. Taking strict enforcement action.

Any change in the GIITEM mission or allocation of monies shall be approved by the joint legislative budget committee. The department shall submit an expenditure plan to the joint legislative budget committee for review before expending any monies not identified in the department's previous expenditure plans. (General Appropriation Act footnote)
- 4/ The \$12,232,900 appropriated for the local border support line item shall be used to fund local law enforcement officer positions for border drug interdiction to deter and apprehend any individuals who are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. The monies shall also be used for grants to cities, towns and counties for costs associated with prosecuting and detaining individuals who are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. The department may fund all capital-related equipment. (General Appropriation Act footnote)
- 5/ On or before September 1, 2024, the department of public safety shall submit an expenditure plan for the local border support line item to the joint legislative budget committee and the governor's office of strategic planning and budgeting. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ Any monies remaining in the department of public safety joint account on June 30, 2025 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)
- 8/ Of the amount appropriated in the total appropriation for the department of public safety, \$180,489,000 is designated for personal services and \$72,174,700 is designated for employee-related expenditures. The department shall submit an expenditure plan to the joint legislative budget committee for review before spending these monies for other than personal services or employee-related expenditures. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$270,955,700 and 1,872.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$206,604,700
Arizona Highway Patrol Fund	22,180,300
Concealed Weapons Permit Fund	3,152,400
Criminal Justice Enhancement Fund (CJEF)	2,874,700
DPS Forensics Fund	22,888,300
Fingerprint Clearance Card Fund	1,581,100
Motor Vehicle Liability Insurance Enforcement Fund	979,400
Motorcycle Safety Fund	198,900
Parity Compensation Fund	3,022,200
Public Safety Equipment Fund	4,000
Risk Management Revolving Fund	1,102,500
State Highway Fund	6,367,200

Adjustments are as follows:

Remove One-Time DPS Administration Funding

The Baseline includes a decrease of \$(798,600) from the General Fund in FY 2025 to remove a one-time increase in administrative costs.

Remove One-Time Motor Vehicle Liability Insurance Enforcement Fund Budget Shift

The Baseline includes an increase of \$250,000 from the Motor Vehicle Liability Insurance Enforcement Fund and a corresponding decrease of \$(250,000) from the Arizona Highway Patrol Fund in FY 2025 to remove a one-time budget shift. The Motor Vehicle Liability Insurance Enforcement Fund has experienced a decline of revenues since the onset of the COVID-19 pandemic. The budget shift was intended to provide one-time relief to the fund.

Remove One-Time Rapid DNA Testing Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2025 to remove a one-time increase in the operating budget for rapid DNA testing and analysis.

Remove One-Time Uniform Allowance Funding

The Baseline includes a decrease of \$(657,800) from the General Fund in FY 2025 to remove a one-time uniform allowance increase. The funding increased the annual uniform allowance from \$1,000 to \$1,500 per sworn officer.

ACTIC

The Baseline includes \$1,450,000 from the General Fund in FY 2025 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount is unchanged from FY 2024.

Created in FY 2005, ACTIC is a joint effort between federal, state, and local law enforcement agencies to combat terrorism, gang violence, and other crimes through information sharing. The salaries of participants are funded by their respective agencies, but DPS pays for the operational costs of the 40,000 square foot building in which ACTIC is housed. These monies fund those costs.

AZPOST

The Baseline includes \$6,576,000 and 31 FTE Positions from the General Fund in FY 2025 for the Arizona Peace Officer Standards and Training Board (AZPOST). These amounts are unchanged from FY 2024.

Created in 1968, AZPOST consists of 13 members appointed by the Governor. The board was established to address the need for peace officer recruitment, selection, retention and training standards. AZPOST provides the curriculum and standards for all certified law enforcement training facilities. AZPOST services approximately 163 law enforcement agencies encompassing over 14,500 sworn peace officers and 14 police training academies throughout the state.

Border Drug Interdiction

The Baseline includes \$17,295,200 and 58.5 FTE Positions from the General Fund in FY 2025 for Border Drug Interdiction. These amounts are unchanged from FY 2024.

This line item was previously known as "Border Strike Task Force Ongoing." The Border Drug Interdiction program is a multi-agency law enforcement task force that targets drug and human trafficking organizations and activities along the Arizona-Mexico border.

Civil Air Patrol Infrastructure

The Baseline includes no funding in FY 2025 for the Civil Air Patrol (CAP) Infrastructure line item. Adjustments are as follows:

Remove One-Time Civil Air Patrol Infrastructure

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 to remove one-time funding for new CAP infrastructure.

This line item covers the cost to construct new facilities to house aircraft used by CAP to aid in search and rescue and other emergency missions. Pursuant to footnotes in the FY 2023 and FY 2024 General Appropriation Acts, monies from this line item are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The footnotes also require an annual report on expenditures until the monies have been expended.

Civil Air Patrol Maintenance and Operations

The Baseline includes \$150,000 from the General Fund in FY 2025 for funding of the CAP Maintenance and Operations. This amount is unchanged from FY 2024.

This line item partially offsets the costs of operations and maintenance of aircraft used by CAP to aid in search and rescue and other emergency missions. *(Please see the FY 2018 Appropriations Report for historical funding information.)*

DPS Crime Lab Assistance

The Baseline includes \$200,000 from the General Fund in FY 2025 for DPS Crime Lab Assistance. Adjustments are as follows:

Remove One-Time DPS Crime Lab Funding

The Baseline includes a decrease of \$(200,000) from the General Fund in FY 2025 to remove one-time funding for additional DPS crime lab funding.

This line item provides additional funding for the department's crime lab. The accredited crime lab provides forensic analysis of crimes occurring within the department's jurisdiction and on behalf of local governments. DPS has 4 crime labs located in the following cities: Phoenix, Flagstaff, Tucson, and Lake Havasu City.

Fentanyl Prosecution, Diversion and Testing Fund Deposit

The Baseline includes no funding in FY 2025 for the Fentanyl Prosecution, Diversion and Testing Fund Deposit. Adjustments are as follows:

Remove One-Time Fentanyl Prosecution, Diversion and Testing Fund Deposit

The Baseline includes a decrease of \$(3,000,000) and (0.5) FTE Positions from the General Fund in FY 2025 to remove one-time funding for a deposit into the newly established Fentanyl Prosecution, Diversion and Testing Fund.

Created by the FY 2024 Criminal Justice Budget Reconciliation Bill (BRB), the new fund will be used by the department to allocate to local jurisdictions on a first-come, first-serve basis to assist with costs related to fentanyl prosecution and testing. DPS may use up to \$50,000 from the fund for administrative costs.

GIITEM

The Baseline includes \$25,414,300 and 136.8 FTE Positions in FY 2025 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

General Fund	25,069,500
Arizona Highway Patrol Fund	344,800

These amounts are unchanged from FY 2024.

The GIITEM line item is comprised of monies for the following GIITEM functions, including: 1) \$10,050,500 for gang enforcement, investigation, and interdiction; 2) \$13,360,400 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM's public awareness, investigation, and intelligence efforts; 3) \$1,403,400 for local gang and immigration enforcement grants; and 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet).

Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity provides at least 25% of the cost of services.

Permanent law prohibits Maricopa County from receiving any monies from the fund and allocates \$500,000 in revenues to Pinal County. The remaining \$903,400 may be used for agreements with cities, counties, and other entities at a 3:1 match rate. Pinal County is excluded from the matching requirements.

Prior to distribution every year, DPS must submit an expenditure plan to JLBC for review regarding any monies not identified in the previous expenditure plans. *(For more information, please see the State Immigration*

Enforcement Assistance to Local Governments program summary on the JLBC website.)

GIITEM Subaccount

The Baseline includes \$2,396,400 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2025 for the GIITEM Subaccount, to be used for equipment and supplies for border security. This amount is unchanged from FY 2024.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,522,200 in FY 2025. The monies in the GIITEM Subaccount are for border security personnel and public safety equipment. The monies are to be provided directly to county sheriffs without approval by the respective Board of Supervisors.

The JLBC has given a favorable review of an FY 2024 GIITEM Subaccount expenditure plan. The plan includes \$458,300 for detention liaison officers, \$538,100 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit, \$350,000 for the Pima County Border Crimes Unit and \$1,050,000 for grants to county sheriffs for border security.

Land Mobile Radio Expansion and Upgrades

The Baseline includes no funding in FY 2025 for Land Mobile Radio (LMR) Expansion and Upgrades. Adjustments are as follows:

Remove One-Time Land Mobile Radio Expansion and Upgrades Funding

The Baseline includes a decrease of \$(41,100,000) from the General Fund and \$(3,000,000) from the Arizona Highway Patrol Fund in FY 2025 to remove one-time funding for expansion and upgrades to the department's LMR system.

This line item provides funding for the department's LMR system, which provides radio communication for multiple state agencies as well as local, state, tribal, and federal law enforcement. The LMR includes two-way radio communications, microwave backbone, dispatch console systems, site infrastructure, and cellular voice and data solutions. The department will use the funding to improve their master site, construct new trunk suites, replace radios, and construct new site builds. Monies from this line item are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Law Enforcement Retention Initiatives

The Baseline includes no funding in FY 2025 for Law Enforcement Retention Initiatives. Adjustments are as follows:

Remove One-Time Law Enforcement Retention Initiatives

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding for online coaching services for law enforcement personnel.

This line item provides funding for state and local law enforcement professionals to receive online coaching services. Of the allocated amount, \$1,000,000 is to be used by DPS for online coaching resources for law enforcement personnel within their department. The remaining \$1,000,000 is to be allocated to local law enforcement with the following matching requirement for recipients: 50% match for the cities of Phoenix and Tucson, 50% match for Maricopa and Pima counties, and 25% match for all other local entities. Monies from this line item must be used to acquire coaching resources with a special emphasis on improved retention and development of law enforcement professionals.

Local Border Support

The Baseline includes \$12,232,900 from the General Fund in FY 2025 for the costs of Local Border Support. This amount is unchanged from FY 2024.

This line item was previously known as Border Strike Task Force Local Support. The Local Border Support program is a multi-agency task force established to target drug and human trafficking organizations and activities along the Arizona-Mexico border. Monies in the line item may be used to fund local law enforcement officer positions for border drug interdiction to deter and apprehend any individuals who are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. The monies may also be used for grants to cities, towns and counties for costs associated with prosecuting and detaining individuals who are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes.

Major Incident Division

The Baseline includes \$24,000,000 from the General Fund in FY 2025 for the Major Incident Division (MID). Adjustments are as follows:

Major Incident Division Funding

The Baseline includes an increase of \$7,000,000 from the General Fund in FY 2025 to fund the Major Incident Division within DPS established by the FY 2023 budget. The funding will be used for startup costs associated with the establishment of the MID.

This line item funds the MID, which is charged with conducting independent investigations of critical force incidents. Investigators from the MID, along with the regional law enforcement task force, will investigate these incidents. Critical force incidents are defined as any time a peace officer discharges a firearm as a use of force encounter, any use of deadly force, or any use of force that results in death or serious bodily injury of an individual. The FY 2023 3-year budget plan assumed that the Division would receive ongoing funding of \$24,000,000 in FY 2025. Monies from this line item were exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations in FY 2023 and FY 2024.

Microwave Backbone Statewide Communication System

The Baseline includes no funding and 3 FTE Positions from the Arizona Highway Patrol Fund in FY 2025 for the Microwave Backbone Statewide Communication System line item. These amounts are unchanged from FY 2024.

The statewide microwave radio system is a series of towers situated on mountain tops and divided into 3 loops that allow DPS troopers and other state agencies to communicate with dispatch centers while in the field. This appropriation will fund the construction of the remaining digital upgrades to the northern loop, which is slated for completion by the end of FY 2024. The FY 2022 appropriation is non-lapsing until the project is complete or has been abandoned with no expenditure for a full fiscal year.

Motor Vehicle Fuel

The Baseline includes \$5,454,600 in FY 2025 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
Arizona Highway Patrol Fund	936,100
CJEF	134,300

Adjustments are as follows:

Remove One-Time Gas Inflation Funding

The Baseline includes a decrease of \$(3,671,200) from the Highway Patrol Fund in FY 2025 to remove one-time funding for inflationary costs. This funding is intended to

cover the increased cost of gas for the DPS fleet in FY 2024.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

One-Time Vehicle Replacement

The Baseline includes no funding in FY 2025 for the One-Time Vehicle Replacement line item. Adjustments are as follows:

Remove One-Time Vehicle Replacement Funding

The Baseline includes a decrease of \$(11,709,300) from the General Fund in FY 2025 to remove one-time funding to replace at least 276 vehicles.

This line item provides one-time funding for the department to replace at least 276 vehicles. The department intends to purchase 187 Highway Patrol vehicles and 89 vehicles for criminal investigations. The monies in this line item are exempt from lapsing through FY 2025.

Peace Officer Training Equipment

The Baseline includes no funding in FY 2025 for Peace Officer Training Equipment. This amount is unchanged from FY 2024.

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. The fund consists of a \$4 assessment on civil traffic violations, local motor vehicle citations, and criminal motor vehicle citations.

The \$3,073,000 amount includes the following non-lapsing allocations:

1. The first \$500,000 in revenue is appropriated to DPS for employee overtime pay;
2. The next \$2,300,000 in revenue is appropriated to DPS for 10 virtual firing ranges (one must be for the White Mountain Apache Police Department) and 3 virtual training simulators (Tucson Police Department, Pinal County Sheriff, Glendale Regional Training Academy);
3. The next \$203,000 in revenue is appropriated to DPS to maintain and service the 7 existing virtual training simulators;
4. The next \$50,000 in revenue is appropriated to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.

5. The next \$20,000 in revenue is appropriated to the Supreme Court to cover the programming costs of implementing the new fees.

The FY 2020 budget appropriated \$1,047,800 from the fund. The FY 2022 budget extended this appropriation through FY 2022.

Through FY 2023, DPS reports they have expended the full \$3,073,000 FY 2019 appropriation from the Peace Officer Training Equipment Fund. The FY 2024 budget made an appropriation of \$1,368,000 from the Peace Officer Training Equipment Fund to the Treasurer for firearm training simulators. *(Please see the Treasurer section for more information.)*

Pharmaceutical Diversion and Drug Theft Task Force

The Baseline includes \$747,700 and 3 FTE Positions in FY 2025 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	112,400
Arizona Highway Patrol Fund	635,300

These amounts are unchanged from FY 2024.

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The Baseline includes \$2,890,000 from the Public Safety Equipment Fund in FY 2025 to equip DPS officers. This amount is unchanged from FY 2024.

The Public Safety Equipment Fund receives \$4 of a \$13 surcharge on fines, violations and penalties for criminal offenses and civil motor vehicle violations. In addition, DPS receives another \$4 of the surcharge if its officer issued the citation. These revenue sources are subject to appropriation.

Additionally, the fund receives the first \$1,200,000 collected from an assessment of up to \$1,500 on driving under the influence (DUI) offenses. This \$1,200,000 is not subject to appropriation.

The Public Safety Equipment line item monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment for DPS officers.

Real-Time Crime Centers

The Baseline includes no funding in FY 2025 for Real-Time Crime Centers. Adjustments are as follows:

Remove One-Time Real-Time Crime Centers Funding

The Baseline includes a decrease of \$(4,100,000) from the General Fund in FY 2025 to remove one-time funding for the operation of real-time crime centers.

This line item provides funding for the department to allocate to local entities as follows: \$2,600,000 to the City of Peoria and \$1,500,000 to the City of Tucson. The local governments are to use the allocated funds to operate real-time crime centers that use technology to provide real-time information to law enforcement and fire districts.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	3,144,700	3,514,000
Year-End Fund Balance	4,125,300	2,091,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits of fees collected from towing impound hearings. In addition, the fund includes fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. Also, to fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. In the past, the fund has been used for IT projects.		
Funds Expended	38,234,400	31,017,700
Year-End Fund Balance	52,074,700	9,941,300
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
Funds Expended	672,700	730,900
Year-End Fund Balance	1,495,700	1,464,800
Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes.		
Funds Expended	1,100	1,200
Year-End Fund Balance	14,100	12,900
Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Fees for the application, renewal, and replacement of concealed weapons permits. These fees range from \$10 for a replacement permit to \$60 for a new permit.		
Purpose of Fund: Funds the costs associated with administering the concealed weapons permit process. In the past, the fund has been used for IT projects and DPS operating expenses.		
Funds Expended	3,025,600	3,152,400
Year-End Fund Balance	5,299,100	5,722,200
Coronavirus State and Local Fiscal Recovery Fund (PSA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	14,250,000
Year-End Fund Balance	303,100	303,100
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Appropriated
Source of Revenue: An 85% allocation of an 10.01% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	2,275,400	3,009,000
Year-End Fund Balance	822,700	(12,600)

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: An 85% allocation of an 10.01% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	822,700	(12,600)
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations.		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System.		
Funds Expended	12,186,000	11,262,000
Year-End Fund Balance	11,537,800	4,405,800
DPS Forensics Fund (PSA9990/A.R.S. § 41-1730)		Appropriated
Source of Revenue: A 20.81% allocation of the Criminal Justice Enhancement Fund, a 6% court surcharge for criminal offenses and civil traffic violations of motor vehicle statutes, and the first \$10.4 million of revenue generated from the defensive driving school fee.		
Purpose of Fund: Monies may be used by DPS to purchase and install fingerprint identification equipment; operate, maintain and administer the Arizona Automated Fingerprint Identification System; crime laboratory operations and enhanced services; educating and training forensic scientists; purchasing and maintaining scientific equipment for crime lab use; and implementing, operating and maintaining Arizona DNA Identification System. The department shall allocate monies in the fund to each full-service crime lab based on the proportion of crimes reported to DPS from their respective jurisdictions relative to the total number of crimes in the state. From FY 2024 through FY 2026, DPS shall calculate the number of crimes reported in accordance with the Federal Bureau of Investigation's (FBI) uniform crime reporting program summary reporting system classification criteria. In FY 2027 and thereafter, DPS shall calculate the number of crimes reported in accordance with the FBI's uniform crime reporting program national incident-based reporting system classification criteria.		
Funds Expended	17,235,100	22,888,300
Year-End Fund Balance	5,801,100	(422,700)
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	1,670,000	1,690,300
Year-End Fund Balance	406,500	378,700
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of either an extreme or aggravated driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater, while an aggravated DUI violation is defined as a DUI violation which occurs while an individual under the age of 15 is in the vehicle, while an individual's driver license is suspended or revoked, or a subsequent DUI violation that occurs within 7 years of the initial DUI violation.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	1,737,000	1,425,000
Year-End Fund Balance	1,322,800	1,031,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.		
Funds Expended	157,000	125,000
Year-End Fund Balance	36,400	123,700
Federal Grants (PSA2000/A.R.S. § 41-1713)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: To administer various federal awards including Federal Highway Administration grants, Homeland Security grants, the High Intensity Drug Trafficking Area program, the Motor Carrier Safety Assistance program, crime lab grants, and Department of Justice Victims of Crime Act monies.		
Funds Expended	64,101,600	69,740,700
Year-End Fund Balance	2,728,500	32,700
Fentanyl Prosecution, Diversion and Testing Fund (PSA2524/Laws 2023, Chapter 137)		Non-Appropriated
Source of Revenue: Legislative appropriations (FY 2024 General Fund deposit of \$3,000,000).		
Purpose of Fund: To reimburse county attorneys, county sheriffs, and courts for costs related to fentanyl prosecution on a first come, first serve basis. To reimburse law enforcement agencies for costs related to fentanyl testing and fentanyl diversion activities on a first come, first serve basis. Of the \$3,000,000 appropriation, DPS may use up to \$50,000 and 0.5 FTE Positions for costs associated with administering the fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Fingerprint Clearance Card Fund (PSA2433/A.R.S § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: Appropriated revenues may be used for DPS crime lab expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,581,100	1,581,100
Year-End Fund Balance	5,222,900	6,464,900
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Non-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Non-Appropriated revenues pay for the processing and issuance of fingerprint clearance cards. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	7,514,800	7,876,900
Year-End Fund Balance	5,222,900	6,464,900
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs and municipal police departments for law enforcement purposes relating to border security including border personnel. The fund is also used to cover costs related to increases in the employer contribution rate for the Public Safety Personnel Retirement System.		
Funds Expended	2,894,000	2,396,400
Year-End Fund Balance	2,568,300	3,194,600

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	10,104,500	11,313,900
Year-End Fund Balance	3,458,300	4,375,400
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,803,900	1,603,500
Year-End Fund Balance	2,321,900	1,218,400
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	34,400	34,700
Motor Vehicle Liability Insurance Enforcement Fund (PSA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the Arizona Department of Transportation (ADOT) pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For ADOT to enforce mandatory motor vehicle liability insurance laws. The fund is also used for DPS operating expenses.		
Funds Expended	1,282,000	729,400
Year-End Fund Balance	0	0
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	198,900	198,900
Year-End Fund Balance	20,100	300
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	4,088,100	3,022,200
Year-End Fund Balance	4,285,300	5,763,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Peace Officer Training Equipment Fund (PSA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: Revenues from a \$4 fee for any criminal violation of motor vehicle statutes relating to the stopping, standing or operation of a vehicle, civil traffic violations, and local motor vehicle citations.		
Purpose of Fund: To fund the purchase of peace officer training equipment. Laws 2018, Chapter 312 initially allocates these monies to DPS for: \$500,000 to employee overtime pay, \$2,300,000 for virtual firing ranges and virtual training simulators, \$203,000 to maintain existing virtual training simulators, and \$50,000 to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer. DPS reports that they have completed all these allocations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Previously received a 16.64% distribution of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations. Laws 2022, Chapter 311 removed the Peace Officers' Training Fund as a recipient of CJEF revenue and redistributed their allocation to all other CJEF recipients but did not specify a replacement funding source. The FY 2023 budget added \$6,100,000 in General Fund monies to fund the activities previously funded by the Fund.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board.		
Funds Expended	1,155,500	1,245,500
Year-End Fund Balance	3,853,500	2,608,000
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Appropriated
Source of Revenue: Revenues from a \$4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 as well as an additional \$4 per citation issued by DPS.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,292,100	2,894,000
Year-End Fund Balance	3,070,700	2,346,500
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Non-Appropriated
Source of Revenue: The first \$1,200,000 generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses, except for boating-related offenses. The Treasurer is required to deposit any revenues in excess of \$1,200,000 directly into the General Fund.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	820,300	1,200,000
Year-End Fund Balance	3,070,700	2,346,500
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	5,356,500	5,640,500
Year-End Fund Balance	712,200	665,700
Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the costs of a disaster recovery program for the DPS mainframe data center and the operational costs of the Capitol Police.		
Funds Expended	1,396,900	1,102,500
Year-End Fund Balance	19,000	19,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Smart and Safe Arizona Fund (PSA1120/A.R.S. § 36-2856)	Non-Appropriated	
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. The department is authorized to use the fund for administrative costs associated with expungement of marijuana offense records requests.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Highway Fund (PSA2030/A.R.S. § 28-6991)	Appropriated	
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	8,166,700	6,367,200
Year-End Fund Balance	0	0
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)	Non-Appropriated	
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	7,700	4,000
Year-End Fund Balance	6,000	4,000
Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)	Non-Appropriated	
Source of Revenue: A \$2 surcharge on criminal offenses and civil traffic violations and up to \$100,000 annually from the revenues of lottery games that are sold from vending machines.		
Purpose of Fund: To provide grants to non-profit entities that can demonstrate a 5-year history of providing legal representation and social services to crime victims. Up to 5% of the revenues into the fund can be used for administrative costs of the fund.		
Funds Expended	942,500	991,200
Year-End Fund Balance	1,377,700	1,316,500

Public Safety Personnel Retirement System

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SPECIAL LINE ITEMS			
EORP Fund Deposit (Laws 2022, Ch. 323)	60,000,000	0	0
EORP Fund Deposit (Statutory Appropriation)	5,000,000	5,000,000	5,000,000 ^{1/}
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 ^{2/}
AGENCY TOTAL	66,000,000	6,000,000	6,000,000
FUND SOURCES			
General Fund	66,000,000	6,000,000	6,000,000
SUBTOTAL - Appropriated Funds	66,000,000	6,000,000	6,000,000
Other Non-Appropriated Funds	18,454,800	23,595,700	23,595,700
TOTAL - ALL SOURCES	84,454,800	29,595,700	29,595,700

AGENCY DESCRIPTION - The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. The EORP was closed to new enrollees as of January 1, 2014, at which time newly-elected officials are to be enrolled in the Elected Officials Defined Contribution Retirement System (EODC System).

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- 2/ The FY 2020 General Appropriation Act appropriated \$1,000,000 from the state General Fund in each of FY 2020, FY 2021, FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026 to the Public Safety Personnel Retirement System to be deposited in the employer account of the Prescott Fire Department Group to offset increased pension liability.

EORP Fund Deposit (Laws 2022, Chapter 323)

The Baseline includes no funding from the General Fund in FY 2025 for deposit into the EORP Fund (under Laws 2022, Chapter 323).

Chapter 323 made a temporary exception to standard EORP provisions to allow a member to receive a normal retirement pension if they have either: 1) 55 years of age with 10 years of credited service; or 2) 59.5 years of age with 5 years of credited service. To qualify for this benefit, the member was required to make an irrevocable notice of resignation by July 29, 2022, with a date of resignation and retirement not later than September 30, 2022. PSPRS has reported that 4 EORP members utilized the early retirement provisions of Chapter 323.

Because of the limited use of the early retirement provision, the \$60,000,000 appropriation will effectively serve as an additional deposit to the EORP Fund, reducing the EORP unfunded liability. The additional funding from Chapter 323 will be reflected in the June 30, 2023 EORP actuarial valuation, which impacts the FY 2025 EORP contribution rate.

The official June 30, 2023 EORP valuation indicated a funded status of 39.0%, which represents an increase from the 32.6% funded status in the prior June 30, 2022 valuation. PSPRS actuaries noted this funded status increase was largely due to the Chapter 323 deposit.

EORP Fund Deposit (Statutory Appropriation)

The Baseline includes \$5,000,000 from the General Fund in FY 2025 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2024. *(Please see the FY 2017 Appropriations Report and the Consolidated Retirement Report section in the FY 2020 Appropriations Report for more information.)*

The annual \$5,000,000 General Fund appropriation is authorized in permanent law through FY 2043 (A.R.S. § 38-810). As a result, monies in the line item will not be included in the General Appropriation Act.

Prescott Fire Employer Group Deposit

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2024.

The FY 2020 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department each year from FY 2020 through FY 2026 to offset increased pension liabilities associated with the Yarnell Hill Fire. Because these funds were already appropriated in the FY 2020 budget, monies in the line item will not be included in the General Appropriation Act.

In June 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. The survivors of 10 firefighters ultimately qualified for PSPRS benefits. Their survivors qualify for

ongoing payments equal to 100% of the employees' average monthly wages, including overtime. The increased liability resulting from these benefit payments is funded from the PSPRS employer account of the Prescott Fire Department through an increase in employer contribution rates. The funding in the FY 2015, FY 2019, and FY 2020 budgets were intended to offset these increased pension liabilities.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, PSPRS's General Fund costs would decrease by \$(1,000,000) in FY 2027 below FY 2026 following the end of the multi-year appropriation for the Prescott Fire Employer Group Deposit.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)		Non-Appropriated
Source of Revenue: Employee and employer contributions for certain Tier 3 PSPRS and CORP members, abandoned Disability Program monies, and interest earnings.		
Purpose of Fund: Paying benefits and administration costs for the Defined Contribution Retirement Plan Disability Program established under Tier 3 of PSPRS and CORP. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program (PSP0000/A.R.S. § 38-643)		Non-Appropriated
Source of Revenue: Consists of employer contributions of \$50 per active employee participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year. Statute authorizes PSPRS to charge an employer premium of up to \$180 per active employee. Statute also authorizes Correctional Officers Retirement Plan (CORP) employer groups to opt-in to the plan.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters, peace officers, and correction officers for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS (or CORP). The plan benefits include an upfront cash payment upon diagnosis, along with coverage for various out-of-pocket medical expenses (after any primary insurance), with an overall maximum lifetime benefit limit of \$100,000. Insurance policy payouts are made from a separate fund. The plan is not a Worker's Compensation plan and does not satisfy any requirement for coverage by Worker's Compensation insurance. The displayed expenditures for this fund reflect PSPRS administrative expenses allocated to this fund. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses. The PSPRS estimate is adjusted to exclude \$1,500 of net fees applied to investments in FY 2023 and FY 2024.		
Funds Expended	211,300	260,200
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Investment and Administrative Expenses (PSP0001/A.R.S. § 38-846; 38-802; 38-882; 38-840.02) Non-Appropriated		
Source of Revenue: Public Safety Personnel Retirement System Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
Purpose of Fund: A 9-member governing board administers PSPRS, the Elected Officials Retirement Plan (EORP), the Elected Officials Defined Contribution Retirement System (EODC System), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute to spend monies from each fund to pay for necessary administration and investment expenses. The PSPRS estimate is adjusted to exclude \$33,773,900 of net fees applied to investments in FY 2023 and FY 2024.		
Funds Expended	18,243,500	23,335,500
Year-End Fund Balance	0	0
Retiree Pool Account (PSP0002/A.R.S. § 38-846.05) Non-Appropriated		
Source of Revenue: PSPRS employee and employer contributions for members that were hired on or after July 1, 2017 if the employer has 250 or less active members. The account shall remain 100% funded. In any fiscal year that the account is not 100% funded as of June 30, the amount necessary to adjust the account up or down to 100% funded shall be transferred from or to the investment earnings of the fund before those earnings are distributed to each employer's account.		
Purpose of Fund: To share the actuarial liability costs for the employers of Tier 3 members (those hired on or after July 1, 2017) and are eligible for a normal retirement pension, a disability pension, or for survivors of Tier 3 members eligible for a death benefit pension. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

State Real Estate Department

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,539,800	1,782,200	1,782,200
Employee Related Expenditures	564,400	712,900	712,900
Professional and Outside Services	91,900	210,000	210,000
Travel - In State	12,700	10,000	10,000
Travel - Out of State	2,200	30,000	30,000
Other Operating Expenditures	336,600	377,900	377,900
Equipment	15,800	75,000	75,000
AGENCY TOTAL	2,563,400	3,198,000	3,198,000 ^{1/}

FUND SOURCES			
General Fund	2,563,400	3,198,000	3,198,000
SUBTOTAL - Appropriated Funds	2,563,400	3,198,000	3,198,000
Other Non-Appropriated Funds	50,400	77,000	77,000
TOTAL - ALL SOURCES	2,613,800	3,275,000	3,275,000

AGENCY DESCRIPTION — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

FOOTNOTES

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

Operating Budget

The Baseline includes \$3,198,000 and 37 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Condominium and Planned Community Hearing Office Fund (REA2537/A.R.S. § 32-2199.05)		Non-Appropriated
Source of Revenue: Filing fees (\$500 per complaint) and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes		
Purpose of Fund: To reimburse the costs of HOA Dispute Process hearings administered by the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations. Prior to FY 2017, the Department of Fire, Building and Life Safety operated the fund and oversaw the HOA adjudication process.		
Funds Expended	41,600	41,600
Year-End Fund Balance	9,900	9,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the Real Estate Lawbook.		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	2,600	29,200
Year-End Fund Balance	25,600	14,300
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	6,200	6,200
Year-End Fund Balance	1,138,100	1,194,500

Residential Utility Consumer Office

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	838,200	926,300	926,300
Employee Related Expenditures	303,800	315,700	315,700
Travel - In State	5,600	8,600	8,600
Travel - Out of State	5,500	7,000	7,000
Other Operating Expenditures	186,200	189,600	189,600
Equipment	7,800	0	0
OPERATING SUBTOTAL	1,347,100	1,447,200	1,447,200
SPECIAL LINE ITEMS			
Professional Witnesses	9,800	145,000	145,000 ^{1/}
AGENCY TOTAL	1,356,900	1,592,200	1,592,200 ^{2/}

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	1,356,900	1,592,200	1,592,200
SUBTOTAL - Other Appropriated Funds	1,356,900	1,592,200	1,592,200
SUBTOTAL - Appropriated Funds	1,356,900	1,592,200	1,592,200
TOTAL - ALL SOURCES	1,356,900	1,592,200	1,592,200

AGENCY DESCRIPTION — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,447,200 and 12 FTE Positions from the RUCO Revolving Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2025 for Professional Witnesses. This amount is unchanged from FY 2024.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment levied on public service corporations with annual residential revenues in excess of \$500,000, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	1,356,900	1,592,200
Year-End Fund Balance	1,279,300	1,147,300

Board of Respiratory Care Examiners

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	201,400	197,400	197,400
Employee Related Expenditures	90,000	79,500	79,500
Professional and Outside Services	0	6,500	6,500
Travel - In State	1,100	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	64,600	134,500	134,500
AGENCY TOTAL	357,100	421,400	421,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	357,100	421,400	421,400
SUBTOTAL - Other Appropriated Funds	357,100	421,400	421,400
SUBTOTAL - Appropriated Funds	357,100	421,400	421,400
TOTAL - ALL SOURCES	357,100	421,400	421,400

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

FOOTNOTES

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

Operating Budget

The Baseline includes \$421,400 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	357,100	421,400
Year-End Fund Balance	343,200	299,800

Arizona State Retirement System

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	240.9	240.9	240.9
Personal Services	13,338,300	13,861,300	13,861,300
Employee Related Expenditures	5,248,100	5,382,400	5,382,400
Professional and Outside Services	4,511,900	4,487,300	4,487,300
Travel - In State	4,200	30,000	30,000
Travel - Out of State	32,700	49,000	49,000
Other Operating Expenditures	3,278,200	4,467,500	4,313,500
Equipment	456,600	389,500	389,500
AGENCY TOTAL	26,870,000	28,667,000	28,513,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Long-Term Disability Trust Fund Administration Account	1,472,300	1,800,000	1,800,000
State Retirement System Administration Account	25,397,700	26,867,000	26,713,000
SUBTOTAL - Other Appropriated Funds	26,870,000	28,667,000	28,513,000
SUBTOTAL - Appropriated Funds	26,870,000	28,667,000	28,513,000
Other Non-Appropriated Funds	21,617,000	31,394,000	31,394,000
TOTAL - ALL SOURCES	48,487,000	60,061,000	59,907,000

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

FOOTNOTES

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

Operating Budget

The Baseline includes \$28,513,000 and 240.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
Arizona State Retirement System Administration Account	\$26,713,000
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(154,000) from the Arizona State Retirement System Administration Account in FY 2025 to remove one-time funding associated with cloud migration costs and service management software.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. The ASRS estimate has been adjusted to exclude \$107,852,500 and \$161,965,200 of net external fees applied to investments in FY 2023 and FY 2024.		
Funds Expended	19,368,200	28,621,300
Year-End Fund Balance	0	0
ASRS Self-Insurance Administration Fund (RSA1409/A.R.S. § 38-782)		Non-Appropriated
Source of Revenue: Funds from the ASRS Self Insurance Program.		
Purpose of Fund: To pay administrative and actuarial costs of the program.		
Funds Expended	2,248,800	2,772,700
Year-End Fund Balance	0	0
Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)		Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Funds Expended	1,472,300	1,800,000
Year-End Fund Balance	0	0
State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	25,397,700	26,867,000
Year-End Fund Balance	0	0

Department of Revenue

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	892.8	892.8	892.8 ^{1/}
Personal Services	30,626,200	33,570,800	33,570,800
Employee Related Expenditures	12,749,500	14,188,700	14,188,700
Professional and Outside Services	7,796,100	8,832,300	8,832,300
Travel - In State	94,600	203,700	203,700
Travel - Out of State	30,100	49,700	49,700
Other Operating Expenditures	15,935,400	18,094,300	18,094,300
Equipment	1,829,000	155,300	155,300
OPERATING SUBTOTAL	69,060,900	75,094,800	75,094,800 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	7,493,700	7,897,200	7,897,200
E-Commerce Compliance and Outreach	905,500	936,400	936,400
Tax Fraud Prevention	2,831,600	3,155,300	3,155,300 ^{3/4/}
TPT Simplification	984,100	1,033,400	1,033,400
Unclaimed Property Administration and Audit	1,309,500	1,473,900	1,473,900 ^{5/}
AGENCY TOTAL	82,585,300	89,591,000	89,591,000 ^{6/7/}
FUND SOURCES			
General Fund	56,088,400	62,587,600	60,587,600
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	25,151,000	25,390,900	27,390,900
Liability Setoff Program Revolving Fund	708,100	887,900	887,900
Tobacco Tax and Health Care Fund	637,800	724,600	724,600
SUBTOTAL - Other Appropriated Funds	26,496,900	27,003,400	29,003,400
SUBTOTAL - Appropriated Funds	82,585,300	89,591,000	89,591,000
Other Non-Appropriated Funds	2,072,600	2,014,700	2,014,700
TOTAL - ALL SOURCES	84,657,900	91,605,700	91,605,700

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of individual and corporate income, sales, withholding, luxury, recreational marijuana and estate taxes. The department administers state property tax laws through the 15 county assessors.

FOOTNOTES

- ^{1/} Includes 70 GF and 2 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} The operating lump sum appropriation includes \$2,000,000 and 25 FTE positions for additional audit and collections staff. (General Appropriation Act footnote)
- ^{3/} The department may not transfer any monies to or from the tax fraud prevention line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)
- ^{4/} On or before November 1, 2024, the department shall report the results of private fraud prevention investigation services during fiscal year 2023-2024 to the joint legislative budget committee. The report shall include the total number of fraudulent returns prevented and the total dollar amount of fraudulent returns prevented during fiscal year 2023-2024. (General Appropriation Act footnote)
- ^{5/} If the total value of properties retained by unclaimed property contract auditors exceeds \$1,473,900, the excess amount is transferred from the state general fund to the department of revenue administrative fund established by section 42-1116.01, Arizona Revised Statutes, and is appropriated to the department for contract auditor fees. (General Appropriation Act footnote)
- ^{6/} The department shall report the department's general fund revenue enforcement goals for fiscal year 2024-2025 to the joint legislative budget committee on or before September 30, 2024. On or before September 30, 2025, the department shall provide an annual progress report to the joint legislative budget committee as to the effectiveness of the

department's overall enforcement and collections program for fiscal year 2024-2025. The reports shall compare projected and actual state general fund, total state tax, total county tax and total municipal tax revenue enforcement collections for fiscal year 2023-2024 and fiscal year 2024-2025, including the amount of projected and actual enforcement collections for all tax types. The reports shall also include the total number of transaction privilege tax delinquent accounts, the total dollar value of those accounts classified by age of account and the total dollar amount of delinquent account write-offs determined to be uncollectible for fiscal year 2023-2024. (General Appropriation Act footnote)

7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$75,094,800 and 820.8 FTE Positions in FY 2025 for the operating budget. This amount consists of:

	FY 2025
General Fund	\$50,656,600
DOR Administrative Fund	22,825,700
Liability Setoff Program Revolving Fund	887,900
Tobacco Tax and Health Care Fund	724,600

Adjustments are as follows:

Remove One-Time Operating Budget Shift

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove a one-time shift in FY 2024 funding sources for the Department of Revenue's operating budget. With the reduction in the General Fund, there is a corresponding increase of \$2,000,000 from the DOR Administrative Fund in FY 2025.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$7,897,200 and 51 FTE Positions in FY 2025 for operational support of BRITS. These amounts consist of:

General Fund	4,805,900
DOR Administrative Fund	3,091,300

These amounts are unchanged from FY 2024.

This line item funds the annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system. BRITS is the state's current computer system for collecting and processing tax data. The FY 2023 and FY 2024 budgets included monies for the development of a new integrated tax system, and the Baseline assumes additional funding through FY 2028. *(For additional information, please see the Integrated Tax System Other Issues section and the Arizona Department of Administration – Automation Projects Fund narrative.)*

E-Commerce Compliance and Outreach

The Baseline includes \$936,400 from the General Fund in FY 2025 for E-Commerce Compliance and Outreach (ECCO) administrative costs. This amount is unchanged from FY 2024.

This line item funds the costs of assisting out-of-state remote sellers and marketplace facilitators with paying transaction privilege tax (TPT) in Arizona. Since October 2019, out-of-state businesses that do not have a physical presence in the state are required to collect and remit TPT if they meet certain economic nexus requirements and thresholds outlined in state law.

Tax Fraud Prevention

The Baseline includes \$3,155,300 from the General Fund in FY 2025 for Tax Fraud Prevention. This amount is unchanged from FY 2024.

These monies are used to contract with a vendor to provide fraud prevention investigation services, make programming changes to the Taxpayer Accounting System (TAS), and provide audit and investigative support.

DOR reported that these services prevented \$27.5 million being paid to filers of fraudulent returns in Individual Income Tax returns in FY 2023.

TPT Simplification

The Baseline includes \$1,033,400 and 19 FTE Positions from the General Fund in FY 2025 for TPT Simplification responsibilities. These amounts are unchanged from FY 2024.

DOR is responsible for the audit and collection of TPT taxes for all municipalities. These monies allow DOR to fund the staffing associated with these TPT oversight responsibilities.

Unclaimed Property Administration and Audit

The Baseline includes \$1,473,900 and 2 FTE Positions from the DOR Administrative Fund in FY 2025 for Unclaimed Property Administration and Audit. These amounts are unchanged from FY 2024.

Monies in this line item are used for the administrative costs of unclaimed or abandoned property. Contract auditors retain 10.25% to 12.5% of the value of properties they recover. This amount is currently estimated at \$1,473,900.

Other Issues

Statutory Changes

The Baseline would:

- As session law, stipulate legislative intent that the amount to be charged to all counties, cities, towns, Council of Governments and regional transportation authorities with a population greater than 800,000 for the Integrated Tax System project shall not exceed \$6,626,900 for FY 2025. Each local government type (for example all counties share of the \$6,626,900) is based on that government type's proportionate share of certain state and locally-collected revenues received by those local entities 2 fiscal years prior to the current fiscal year. Once each government type's share of the local assessment has been calculated, population is the basis for determining the apportioning of fees among counties as well as among cities and towns. (See the Arizona Department of Administration – Automation Projects Fund section for more details on the assessments.)

- As session law, stipulate legislative intent that the amounts charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax for the Integrated Tax System Project shall not exceed \$179,000 and \$803,600, respectively, in FY 2025.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, the Department of Revenue is allocated funding from the General Fund in FY 2026 and FY 2027 for the development costs of a new integrated tax system. (See the Arizona Department of Administration – Automation Projects Fund section for more information.)

Integrated Tax System

The FY 2023 budget assumed 6 years of funding for a \$104,827,600 new income tax modernization system for the Department of Revenue. Of this amount, across all years \$40,997,900 is to be assessed to certain state government funds, local governments and other taxing authorities to recover a portion of the administrative, development and operating costs for the system. These assessed monies will be deposited into the Integrated Tax System Project Fund.

For FY 2025, the Baseline includes funding of \$11,847,300 from the General Fund and a transfer of \$7,609,500 from the Integrated Tax System Project Fund to the Automation Projects Fund (APF) for the development of a new integrated tax system for the Department of Revenue. The sum of \$19,456,800 is then appropriated from the Automation Projects Fund for the third year of funding.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Department of Revenue Administrative Fund (RVA2463/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, \$24,500,000 in unclaimed property proceeds are deposited into this fund.		
Purpose of Fund: To cover DOR's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	25,151,000	25,390,900
Year-End Fund Balance	6,828,100	5,937,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Department of Revenue Integrated Tax System Project Fund (RVA2610/A.R.S. § 42-5041)		Appropriated
Source of Revenue: Monies deposited into the fund from fees charged to local governments (including councils of governments and regional transportation authorities with a population of more than 800,000) and revenues transferred from the 0.6% education sales tax and the 16% recreational marijuana excise tax. Statute requires DOR to charge the fee to local governments and implement the tax revenue transfers from FY 2023 to FY 2028 to recover a portion of the administrative, development and other operating costs of a new integrated tax system.		
Purpose of Fund: To contribute to DOR's administrative, development and other operating costs incurred in implementing the new integrated tax system at the department. Each year, all monies in the fund are transferred to the Department of Revenue Automation Projects Fund Subaccount within the Arizona Department of Administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund.		
Funds Expended	0	0
Year-End Fund Balance	88,000	88,000
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property (known as unclaimed property). Unclaimed property includes intangible personal property such as bank and savings accounts, safe deposit boxes and contents, traveler's checks, money orders, stocks or other equity interest, principal on debt, demand or savings deposits, customer credits, insurance settlements, property received or held by a court, wages, retirement accounts, and other miscellaneous types of property that are presumed abandoned according to the schedule set out in statute. Property is typically considered "abandoned" after 3 years. As outlined in A.R.S. § 44-313 and other statutes, certain types of unclaimed property are deposited into other funds.		
Purpose of Fund: To pay allowed claims and make any required statutory distributions. DOR retains at least \$100,000 of the fund prior to year-end transfers while the state attempts to pay out claims. Once monies are determined to be "unreturnable" they are disbursed as follows: A.R.S. § 44-313 requires that the first \$2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next \$2,500,000 into the Housing Trust Fund, the next \$24,500,000 into the DOR Administrative Fund and all remaining monies be deposited in the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,736,600	1,736,600
I Didn't Pay Enough Fund (RVA1031/A.R.S. § 43-211)		Non-Appropriated
Source of Revenue: Voluntary contributions from taxpayers.		
Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board.		
Purpose of Fund: To assist the Revenue Tobacco unit in enforcement compliance.		
Funds Expended	2,039,500	1,469,000
Year-End Fund Balance	875,100	700,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Liability Setoff Program Revolving Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. DOR withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover DOR's costs of administering the Liability Setoff program and for general operating expenditures.		
Funds Expended	708,100	887,900
Year-End Fund Balance	1,642,900	1,750,300
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	33,100	28,000
Year-End Fund Balance	17,700	17,700
Smart and Safe Arizona Fund (RVA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay administrative costs incurred by DOR to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. The funds expended line represents DOR's costs to administer and collect the 16.0% marijuana excise tax.		
Funds Expended	0	517,700
Year-End Fund Balance	0	0
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 5, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A. R. S. § 42-1004B3. The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. Contingency fees paid to collectors are subtracted from gross collections and are not recorded as expenditures within the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	1,100	1,100
Tax Fraud Interdiction Fund (RVA3050/A.R.S. § 42-1116.02)		Appropriated
Source of Revenue: Fines up to \$100,000 for individuals and \$500,000 for corporations for the sale, use, purchase, development, possession, or licensing of any automated sales suppression device/service, zapper, or phantom-ware used to evade tax administration.		
Purpose of Fund: Of the monies in the fund, 50% are to be used by DOR to detect tax fraud caused by automated sales suppression software/service, zappers or phantom-ware. The other 50% are transferred to the Attorney General's office for prosecution of the same tax fraud and other tax fraud violations.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Tobacco Tax and Health Care Fund (RVA1309/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by DOR to administer the Tobacco Tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	637,800	724,600
Year-End Fund Balance	1,000	1,000
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. The FY 2022 Revenue Budget Reconciliation Bill delayed the reversion from June 30, 2021 to June 30, 2023. Monies in the fund reverted to the General Fund on June 30, 2023.		
Funds Expended	0	0
Year-End Fund Balance	1,628,700	0
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of State - Secretary of State

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	143.1	144.1	144.1 ^{1/}
Personal Services	6,065,800	6,877,100	6,877,100
Employee Related Expenditures	2,288,100	2,624,300	2,624,300
Professional and Outside Services	1,456,700	1,422,600	1,422,600
Travel - In State	12,500	5,500	5,500
Travel - Out of State	38,200	36,000	36,000
Other Operating Expenditures	4,162,700	6,231,600	3,963,600
Equipment	104,200	133,300	133,300
OPERATING SUBTOTAL	14,128,200	17,330,400	15,062,400 ^{2/}
SPECIAL LINE ITEMS			
Access Voter Information Database	483,500	483,500	483,500 ^{2/}
Early Ballot Tracking	234,700	0	0
Election Services	4,883,400	0	4,000,000 ^{3/}
Electronic Records Repository	0	70,000	70,000
Help America Vote Act Projects	0	5,000,000	0
Library Grants-in-Aid	530,000	651,400	651,400 ^{4/}
Presidential Preference Election	0	5,926,100	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
Uniform State Laws Commission	72,100	99,000	99,000
AGENCY TOTAL	20,428,900	29,657,400	20,463,300 ^{10/}
FUND SOURCES			
General Fund	18,630,100	22,681,800	18,487,700
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	483,500	5,483,500	483,500
Records Services Fund	1,315,300	1,492,100	1,492,100
SUBTOTAL - Other Appropriated Funds	1,798,800	6,975,600	1,975,600
SUBTOTAL - Appropriated Funds	20,428,900	29,657,400	20,463,300
Other Non-Appropriated Funds	2,071,600	2,639,700	2,639,700
Federal Funds	4,793,500	4,808,700	4,808,700
TOTAL - ALL SOURCES	27,294,000	37,105,800	27,911,700

AGENCY DESCRIPTION — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving campaign filings; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations, and provides administrative support for the Commission on Uniform State Laws. In addition, the department is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

FOOTNOTES

- ^{1/} Includes 1 GF FTE Position funded from Special Line Items in FY 2025.
- ^{2/} Included in the operating lump sum appropriation of \$15,062,400 for fiscal year 2024-2025 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- ^{3/} The operating lump sum appropriation includes \$162,000 for additional support for the talking book library. (General Appropriation Act footnote)
- ^{4/} The operating lump sum appropriation includes \$250,000 for additional support for the address confidentiality program. (General Appropriation Act footnote)
- ^{5/} The operating lump sum appropriation includes \$100,000 for additional support for secretary of state legal expenses. The secretary of state may spend these monies for legal services from the attorney general or to hire one FTE position to serve as legal advisor and to represent the secretary of state. The secretary of state may not make expenditures or incur

indebtedness to employ outside or private attorneys to provide representation or services. (General Appropriation Act footnote.)

- 6/ Included in the operating lump sum appropriation of \$15,062,400 for fiscal year 2024-2025 is \$1,492,100 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal year 2023-2024. (General Appropriation Act footnote)
- 7/ Monies in the access voter information database line item may be used only for the exclusive purpose of developing and administering the statewide database of voter registration information required by section 16-168, Arizona Revised Statutes. The secretary of state may not transfer any monies in or out of the access voter information database line item. (General Appropriation Act footnote)
- 8/ Before transferring any monies in or out of the election services line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 9/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$15,062,400 and 143.1 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$13,570,300
Record Services Fund	1,492,100

Adjustments are as follows:

Remove One-Time Administrative Funding

The Baseline includes a decrease of \$(2,330,000) from the General Fund in FY 2025 for the removal of a one-time administrative funding increase. The FY 2024 budget included \$2,330,00 from the General Fund for administrative funding. Of this amount, \$330,000 was allocated for the Business Services department. The FY 2024 appropriation is exempt from lapsing.

Increase Talking Book Library Assistance

The Baseline includes an increase of \$62,000 from the General Fund in FY 2025 for the operations of the Arizona Talking Book Library (ATBL). The FY 2024 budget included \$100,000 in the operating budget for this purpose, and the 3-year spending plan included an increase to a total of \$162,000 in FY 2025. The ATBL provides audio books and magazines to Arizona residents who are unable to read printed materials due to blindness or other disabilities.

The Baseline continues footnotes specifying that the Secretary of State allocate the following amounts from the operating lump sum in FY 2025 for the following items:

- \$162,000 for the operations of the Arizona Talking Book Library
- \$250,000 of additional support for the Address Confidentiality Program (ACP). ACP provides a

substitute address and confidential mail forwarding services to victims of domestic violence, sexual offenses, and stalking. In FY 2024, this ongoing funding was added to address a decrease in federal funding.

- \$100,000 for legal services funding. The footnote specifies that monies may be used to pay for legal services from the Attorney General or to hire 1 FTE Position to serve as legal advisor and to represent the SOS. The SOS may not make expenditures or incur indebtedness to employ outside or private attorneys to provide representation or services. A prior budget footnote in effect for FY 2022 and FY 2023 previously restricted the SOS from receiving legal support from the Attorney General.

Access Voter Information Database

The Baseline includes \$483,500 from the Election Systems Improvement Fund in FY 2025 for the Access Voter Information Database line item. This amount is unchanged from FY 2024.

The state and the counties share operation and maintenance costs for the state's voter registration database, which is named Access Voter Information Database (AVID). *(For additional information about AVID Funding, please see the Help America Vote Acts Project line item.)*

Election Services

The Baseline includes \$4,000,000 from the General Fund in FY 2025 for the Election Services line item.

Adjustments are as follows:

Primary/General Election Year Funding

The Baseline includes an increase of \$4,000,000 from the General Fund in FY 2025 for funding election costs for traditional state elections. This line item received no funding in FY 2024 since no primary or general elections are scheduled between July 2023 and June 2024.

Ongoing annual elections services costs are funded out of the agency's operating budget. This line item is intended only to cover variable traditional state election costs in an election year. The FY 2025 Baseline is to fund the Primary Election on August 6, 2024 and the General Election on November 5, 2024.

For traditional state elections (excluding the PPE or special elections), statute requires the Secretary of State (SOS) to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes for state offices; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum; 5) review and process initiative and referendum signatures; and 6) process challenges to candidate eligibility.

The 2024 Presidential Preference Election was funded in a separate line item.

Electronic Records Repository

The Baseline includes \$70,000 and 1 FTE Position from the General Fund in FY 2025 for the Electronic Records Repository line item. These amounts are unchanged from FY 2024.

This line item supports an electronic repository of state archives and records. Laws 2019, Chapter 275 established the Electronic Records Repository Fund (ERRF), which is subject to legislative appropriation. Chapter 275, however, appropriated the \$70,000 and 1.0 FTE from the General Fund directly to SOS and not for deposit into the ERRF. As a result, SOS could expend these FY 2024 monies without having an ERRF appropriation. For FY 2025, the General Appropriation Act will include the 1.0 FTE and a \$70,000 appropriation from the General Fund in the line item rather than as a deposit to the appropriated fund.

The ERRF fund is subject to legislative appropriation and receives funding from legislative appropriations, fees, donations, and gifts. The intent was for SOS to charge fees to government agencies for the storage of electronic records. At this time, the SOS is developing the program and no charges have been established.

Help America Vote Act Projects

The Baseline includes no funding in FY 2025 for the Help America Vote Act (HAVA) Projects line item. Adjustments are as follows:

Remove FY 2024 HAVA Projects Funding

The Baseline includes a decrease of \$(5,000,000) from the Election Systems Improvement Fund in FY 2025 for removal of the appropriation authority to spend federal Help America Vote Act monies. The FY 2024 budget included a \$5,000,000 appropriation from the General Fund. The FY 2024 appropriation is non-lapsing.

A FY 2024 budget footnote stipulated: 1) 75% of the monies be distributed to counties for election systems improvements. 2) Before spending monies in this line item, the SOS shall submit for JLBC review an expenditure plan that includes, at a minimum, planned expenditures and timeline for the expenditures by year; and 3) SOS is required to report to JLBC and OSPB semiannually until all monies from line item have been expended.

The Joint Legislative Budget Committee gave a favorable review at the October 10, 2023 meeting to \$3,664,300. This was comprised of:

- \$2,760,800 for distribution to counties for election security grants (\$50,000 for each county with the remainder to be allocated based on the proportion of registered voters). These monies shall only be expended on election security purposes as defined on federal law, but shall not be utilized for 1) the operation or installation of ballot drop boxes; 2) the operation of voting centers; 3) information campaigns based on the specific party registration or age of voter; 4) and election workforce programs established with a university or community college.
- \$377,100 distributed to the 12 smallest (by population) counties to pay for their share of the AVID costs in FY 2024, FY 2025, and FY 2026.
- \$359,900 for upgrades to My.Arizona.Vote state elections portal.
- \$166,500 for the state to pay additional state AVID costs.

The \$5,000,000 FY 2024 appropriation was intended to include all current unencumbered HAVA monies and a portion of any future federal HAVA grants. In September 2023, SOS reported that the total amount of available unencumbered HAVA funds is \$4,881,100. Additional federal funding is not expected in the immediate future. With the \$3,664,300 in reviewed expenditures, this would leave \$1,216,800 for the costs of the AVID line item and/or for HAVA Projects in FY 2025 and following years.

Background - The Help America Vote Act (HAVA) of 2002 is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections including election security.

Monies in this line item provide appropriation authority for the Secretary of State to spend and distribute federal HAVA monies, which are deposited in the Election Systems Improvement Fund and require legislative appropriation.

The FY 2024 budget also extended the availability of a FY 2021 appropriation of \$5,352,200 of HAVA funding until the end of FY 2024. These monies were to be distributed to counties for election system improvements. Prior legislation had previously extended the availability until the end of FY 2023. As of September 2023, an estimated \$510,600 remains available from the original county appropriation.

Library Grants-in-Aid

The Baseline includes \$651,400 from the General Fund in FY 2025 for Library Grants-in-Aid. This amount is unchanged from FY 2024.

This line item funds a portion of the state maintenance of effort (MOE) that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet an MOE requirement, which is tied to the state contribution made in each of the 3 prior years. The appropriation is non-lapsing.

Presidential Preference Election

The Baseline includes no funding in FY 2025 for the Presidential Preference Election (PPE) line item.

Adjustments are as follows:

Remove 2024 PPE Funding

The Baseline includes a decrease of \$(5,926,100) from the General Fund in FY 2024 for the PPE currently scheduled for March 19, 2024.

During a PPE, voters affiliated with a political party express their preference for a presidential candidate of their political party. Voters registered with no party designation or of a party not conducting a PPE do not participate. The conduct of the election differs from other contests in that there is a separate ballot for each recognized political party conducting a PPE and no other election may appear on the PPE ballot.

Monies in the PPE line item are for the SOS to reimburse expenses incurred by counties to administer the 2024 PPE, for logic and accuracy testing of voting equipment for the 2024 PPE and for the direct costs of the SOS related to the 2024 PPE. A budget footnote specifies the SOS may use up to \$100,000 of the monies in the PPE line item for the direct costs of the SOS related to the 2024 PPE.

A.R.S. § 16-250 allows counties to be reimbursed up to \$1.25 per each active registered voter in the county as of the 2nd of January of the PPE year. If the Secretary of State determines that the statutory reimbursement rate would jeopardize the ability of a county to comply with federal and state laws and regulations, the SOS may set a different rate of reimbursement.

The amount appropriated in the FY 2024 budget is projected to accommodate at least \$1.25 per active registered voter. Based on a projection of 4,628,953 active registered voters in January 2024, the statutory \$1.25 rate would cost approximately \$5.8 million. The 2016 and 2020 PPE elections received funding in excess of the \$1.25/voter amount, with varying amounts depending on county population as set by the Legislature in prior year appropriation footnotes.

A budget footnote requires each county to submit its certified claims to the SOS by May 1, 2024. On or before May 15, 2024, the SOS is required to review the county claims and submit a report to the JLBC and OSPB regarding county reimbursements for the 2024 PPE.

Statewide Radio Reading Service for the Blind

The Baseline includes \$97,000 from the General Fund in FY 2025 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2024.

These monies are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast. Additional funds for staffing the program are included within the agency operating budget.

Uniform State Laws Commission

The Baseline includes \$99,000 from the General Fund in FY 2025 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2024.

The Uniform State Laws Commission attempts to provide states with non-partisan legislation that creates

consistency from state to state in areas of state law. Monies in this line item may be used to cover travel and other expenses related to Arizona's participation in the commission.

- A \$4,000,000 increase in FY 2027 for one-time funding for the 2026 Primary/General Elections. This amount would fund the state primary and general elections scheduled between July 2026 and June 2027.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SOS's General Fund costs would decrease by \$(4,000,000) in FY 2026 below FY 2025, and increase by \$4,000,000 in FY 2027 above FY 2026.

These estimates are based on:

- A \$(4,000,000) decrease in FY 2026 to remove one-time funding for the 2024 Primary/General Elections. There are no state primary or general elections scheduled between July 2025 and June 2026.

Professional Employer Organizations

Statute requires Professional Employer Organizations (PEOs) to register with the Secretary of State and the registration fee is deposited into the appropriated Professional Employer Organization Fund. Monies in the fund are to support the registration process. Prior budget legislation delayed the implementation of the PEO Program until June 30, 2023, meaning the program would become active in FY 2024. Budget legislation extended the delayed implementation until June 30, 2024, which would now result in the program becoming active in FY 2025.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	606,400	641,000
Year-End Fund Balance	76,600	25,600
County Contributions to the Voter Registration System Fund (STA2367/A.R.S. § 16-168.01)		Non-Appropriated
Source of Revenue: Receives monies transferred from counties to the Secretary of State.		
Purpose of Fund: To develop and administer the statewide database of voter registration information.		
Funds Expended	14,200	370,000
Year-End Fund Balance	32,600	145,100
Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code and other filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	54,300	120,000
Year-End Fund Balance	221,200	251,200
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	483,500	5,483,500
Year-End Fund Balance	3,864,300	2,735,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Election Training Fund (STA2521/A.R.S. § 16-407)		Non-Appropriated
Source of Revenue: Receives money from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	0	0
Year-End Fund Balance	11,000	12,000
Electronic Records Repository Fund (STA9999/A.R.S. § 41-151.26)		Appropriated
Source of Revenue: Monies received from legislative appropriations, gifts, nonfederal grants, fees, and donations.		
Purpose of Fund: To fund operating expenses for the state library's electronic records repository.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (STA2000/A.R.S. § 41-151.06)		Federal Funds
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	4,793,500	4,808,700
Year-End Fund Balance	815,100	1,006,400
IGA and ISA Fund (STA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	1,050,600	1,028,900
Year-End Fund Balance	109,100	80,200
Notary Bond Fund (STA2387/A.R.S. § 41-314)		Non-Appropriated
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	159,100	185,900
Year-End Fund Balance	87,800	91,900
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. The FY 2014 Government Budget Reconciliation Bill delayed the implementation of the PEO registration program until FY 2024. The FY 2024 Secretary of State Budget Reconciliation Bill further delayed implementation until FY 2025.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (STA2431/A.R.S. § 41-151.12)		Appropriated
Source of Revenue: Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	1,315,300	1,492,100
Year-End Fund Balance	756,600	846,000
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	0	50,000
Year-End Fund Balance	79,300	29,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
State Library Fund (STA2115/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	187,000	243,900
Year-End Fund Balance	390,100	183,100

State Board of Tax Appeals

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	174,100	196,600	196,600
Employee Related Expenditures	64,900	69,700	69,700
Travel - In State	0	400	400
Other Operating Expenditures	48,000	60,600	60,600
Equipment	0	100	100
AGENCY TOTAL	287,000	327,400	327,400 ^{1/}
FUND SOURCES			
General Fund	287,000	327,400	327,400
SUBTOTAL - Appropriated Funds	287,000	327,400	327,400
TOTAL - ALL SOURCES	287,000	327,400	327,400

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

FOOTNOTES

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

Operating Budget

The Baseline includes \$327,400 and 4 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

State Board of Technical Registration

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,273,100	1,227,200	1,227,200
Employee Related Expenditures	483,000	572,000	572,000
Professional and Outside Services	90,900	191,600	191,600
Travel - In State	1,000	5,000	5,000
Travel - Out of State	18,500	17,200	17,200
Other Operating Expenditures	519,200	424,300	424,300
Equipment	198,400	167,700	167,700
AGENCY TOTAL	2,584,100	2,605,000	2,605,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	2,584,100	2,605,000	2,605,000
SUBTOTAL - Other Appropriated Funds	2,584,100	2,605,000	2,605,000
SUBTOTAL - Appropriated Funds	2,584,100	2,605,000	2,605,000
Other Non-Appropriated Funds	10,800	0	0
TOTAL - ALL SOURCES	2,594,900	2,605,000	2,605,000

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,605,000 and 25 FTE Positions from the Technical Registration Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Technical Registration Board of Investigations Fund (TEA2072/A.R.S. § 32-128)		Non-Appropriated
Source of Revenue: Court assessments, fines, forfeitures and other penalties.		
Purpose of Fund: To fund the cost of disciplinary investigations relating to fraudulent or misrepresented certifications, gross negligence or other similar misconduct.		
Funds Expended	10,800	0
Year-End Fund Balance	53,000	73,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
Funds Expended	2,584,100	2,605,000
Year-End Fund Balance	6,691,400	7,113,100

Office of Tourism

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	31.0	31.0
Personal Services	2,093,900	2,093,900	2,093,900
Employee Related Expenditures	694,800	668,400	668,400
Professional and Outside Services	2,249,100	2,249,100	2,249,100
Travel - In State	20,000	20,000	20,000
Travel - Out of State	114,700	114,700	114,700
Other Operating Expenditures	2,249,600	2,749,600	2,249,600
Equipment	30,500	30,500	30,500
OPERATING SUBTOTAL	7,452,600	7,926,200	7,426,200
SPECIAL LINE ITEMS			
Arizona Promotion	1,000,000	1,000,000	1,000,000
Southern AZ Sports, Tourism, and Film Authority	750,000	0	0
Wine Promotion	1,100,000	100,000	100,000
AGENCY TOTAL	10,302,600	9,026,200	8,526,200 ^{1/}
FUND SOURCES			
General Fund	10,302,600	9,026,200	8,526,200
SUBTOTAL - Appropriated Funds	10,302,600	9,026,200	8,526,200
Other Non-Appropriated Funds	36,478,800	35,429,700	35,429,700
Federal Funds	13,141,400	12,001,400	12,001,400
TOTAL - ALL SOURCES	59,922,800	56,457,300	55,957,300

AGENCY DESCRIPTION — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center. The agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,426,200 and 31 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Tourism Workforce Initiatives

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a 501(c)(6) organization for the purpose of advancing workforce development initiatives in the lodging and tourism industry.

Remove One-Time Culinary Workforce Development

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 for removal of one-time monies

for distribution to a 501(c)(6) organization for a campaign to highlight Arizona's restaurant and hospitality industries.

Arizona Promotion

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for Arizona Promotion. This amount is unchanged from FY 2024.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

Wine Promotion

The Baseline includes \$100,000 from the General Fund in FY 2025 for Wine Promotion. This amount is unchanged from FY 2024.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry. The FY 2023 appropriation for this line item is non-lapsing. An FY 2023 General Appropriation Act footnote requires a report on expenditures through 2025 on July 31 annually.

Other Issues

Funding Sources

The Office of Tourism (AOT) receives funding from 3 primary sources: 1) a General Fund appropriation; 2) a

transfer from AZSTA, generated from partial allocations of a bed tax and car rental tax in Maricopa County (A.R.S. § 5-835), to fund Maricopa County tourism promotion; and 3) a portion of tribal gaming contributions (A.R.S. § 5-601.02). General Fund appropriations and tribal gaming contributions are used for statewide tourism promotion. Through the Proposition 302 Maricopa County program, the agency annually distributes 90% of the AZSTA transfer to destination marketing organizations (DMOs), not-for-profit organizations, and government organizations engaged in year-round marketing and tourism promotion.

In FY 2022, AOT's overall funding amount totaled \$29,442,500. In FY 2023, AOT's funding level increased by 12.2% to \$33,034,100, and the agency projects overall FY 2024 funding to be \$34,322,800, representing a 3.9% year-over-year increase. AOT projects overall funding to reach \$34,527,800 in FY 2025, a 0.6% increase over projected FY 2024 funding. (See Table 1 below for additional details on agency revenue.)

Table 1

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$10,302,600	\$9,026,200	\$8,526,200
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	11,190,300	11,749,800 ^{2/}	12,337,300 ^{2/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>11,541,200</u>	<u>13,546,800 ^{2/}</u>	<u>13,664,300 ^{2/}</u>
Total		\$33,034,100	\$34,322,800	\$34,527,800

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.

^{2/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2024 and FY 2025 are estimates provided by the Office of Tourism in September 2023.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
CARES Act Recovery and Assistance Fund (TOA2977/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Revenue from federal CARES Act grants.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	1,017,300	700,000
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (TOA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	10,408,800	10,118,700
Year-End Fund Balance	12,600	12,600
Federal Grants Fund (TOA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants.		
Funds Expended	1,715,300	1,182,700
Year-End Fund Balance	0	0
Tourism Development Fund (TOA9999/A.R.S. § 41-2307)		Non-Appropriated
Source of Revenue: Monies received from producing, owning, selling or licensing services related to marketing and branding related promotional materials or items, copyrightable publications, artwork, trademarks or other intellectual property.		
Purpose of Fund: To support tourism marketing and branding in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Tourism Fund (TOA2236/A.R.S. § 41-2306)		Non-Appropriated
Source of Revenue: The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. This transfer is based on a partial allocation of a 1% increase in the bed tax and a 3.25% increase in the car rental tax. This transfer increases each year by 5%. The fund also receives a portion of tribal gaming contributions, pursuant to Proposition 202 from 2002. Finally, A.R.S. § 41-2306 allows the Tourism Fund to receive General Fund appropriations. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. A.R.S. § 41-2308 provides for an annual General Fund appropriation of \$1,500,000 to the State Treasurer to deposit into the Tourism Fund beginning in FY 2022 through FY 2051. The funding will be used to promote auto racing sporting events in Arizona.		
Purpose of Fund: To pay for all costs associated with Office of Tourism activities.		
Funds Expended	36,478,800	35,429,700
Year-End Fund Balance	5,605,400	4,498,500

Department of Transportation

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4,554.0	4,554.0	4,554.0 ^{1/}
Personal Services	122,787,700	136,110,300	136,110,300
Employee Related Expenditures	56,284,500	61,656,800	61,656,800
Professional and Outside Services	12,282,800	10,858,900	10,858,900
Travel - In State	648,700	464,900	464,900
Travel - Out of State	200,500	157,100	157,100
Other Operating Expenditures	40,508,000	41,052,300	39,734,600
Equipment	4,105,700	3,716,000	3,014,300
OPERATING SUBTOTAL	236,817,900	254,016,300	251,996,900
SPECIAL LINE ITEMS			
ADOT Fleet Vehicles and Heavy Equipment Maintenance	20,964,200	25,209,000	25,209,000
ADOT Fleet Vehicle and Heavy Equipment Replacement	16,818,000	22,400,000	22,400,000 ^{2/}
Attorney General Legal Services	3,623,700	3,623,700	3,623,700 ^{3/}
Authorized Third Parties	1,896,400	2,194,000	2,194,000
Driver License Security Software	1,071,400	0	0
Driver Safety and Livestock Control	275,500	800,000	800,000
Highway Damage Recovery Account	7,988,600	8,000,800	8,000,800
Highway Maintenance	168,295,200	160,760,600	160,760,600 ^{4/5/}
One-Time Fleet Fuel Inflation Funding	0	2,337,900	0
Preventive Surface Treatments	29,005,800	36,142,000	36,142,000 ^{6/}
Radio Lifecycle Replacement	0	1,656,100	1,656,100
Spaying and Neutering of Animals Fund Deposit	0	550,000	0
State Fleet Operations	22,731,600	30,454,400	23,662,600
State Fleet Vehicle Replacement	9,380,900	25,000,000	6,334,800
Statewide Litter Removal	0	3,106,800	3,106,800
AGENCY TOTAL	518,869,200	576,251,600	545,887,300 ^{7/-11/}
FUND SOURCES			
General Fund	0	550,000	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	254,000	1,127,700	877,700
Department Fleet Operations Fund	20,964,200	25,209,000	25,209,000
Highway Damage Recovery Account	7,988,600	8,000,800	8,000,800
Highway User Revenue Fund	764,900	898,600	898,600
Ignition Interlock Device Fund	331,300	360,700	360,700
Motor Vehicle Liability Insurance Enforcement Fund	4,187,400	1,582,300	1,582,300
State Aviation Fund	1,992,000	2,261,600	2,261,600
State Fleet Operations Fund	22,731,600	30,454,400	23,662,600
State Highway Fund	448,967,600	479,159,900	475,052,600
State Vehicle Replacement Fund	9,380,900	25,000,000	6,334,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,306,700	1,646,600	1,646,600
SUBTOTAL - Other Appropriated Funds	518,869,200	575,701,600	545,887,300
SUBTOTAL - Appropriated Funds	518,869,200	576,251,600	545,887,300
Other Non-Appropriated Funds	28,553,500	27,819,400	27,819,400
Federal Funds	43,836,500	22,430,800	22,430,800
TOTAL - ALL SOURCES	591,259,200	626,501,800	596,137,500

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

- 1/ Includes 1,152 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Expenditures made by the department of transportation for ADOT fleet vehicle and heavy equipment replacement shall be funded only from the ADOT fleet vehicle and heavy equipment replacement line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the ADOT fleet vehicle and heavy equipment replacement line item before expenditure. (General Appropriation Act footnote)
- 3/ All expenditures made by the department of transportation for attorney general legal services shall be funded only from the attorney general legal services line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)
- 4/ Of the total amount appropriated, \$160,760,600 in fiscal year 2024-2025 for highway maintenance is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2025. (General Appropriation Act footnote)
- 5/ In accordance with section 35-142.01, Arizona Revised Statutes, reimbursements for monies expended from the highway maintenance line item may not be credited to the account out of which the expenditure was incurred. The department shall deposit all reimbursements for monies expended from the highway maintenance line item in the highway damage recovery account established by section 28-6994, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ The amount appropriated to the preventive surface treatments line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2025. (General Appropriation Act footnote)
- 7/ Of the total amount appropriated, the department of transportation shall pay \$15,981,300 in fiscal year 2024-2025 from all funds to the department of administration for its risk management payment. (General Appropriation Act footnote)
- 8/ The department of transportation shall submit an annual report to the joint legislative budget committee on progress in improving motor vehicle division wait times and vehicle registration renewal by mail turnaround times in a format similar to prior years. The report is due on or before July 31, 2025 for fiscal year 2024-2025. (General Appropriation Act footnote)
- 9/ On or before February 1, 2025, the Arizona strategic enterprise technology office shall submit, on behalf of the department of transportation, an annual progress report to the joint legislative budget committee staff. The annual report shall provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on the motor vehicle modernization project in fiscal year 2024-2025, including any amounts for stabilization, maintenance, ongoing operations, support and enhancements for the motor vehicle modernization solution, maintenance of legacy mainframe processing and support capability, and other system projects outside the scope of the motor vehicle modernization project. (General Appropriation Act footnote)
- 10/ On or before August 1, 2024, the department of transportation shall report to the director of the joint legislative budget committee the state's share of fees retained by the service Arizona vendor in the prior fiscal year. The report shall include the amount spent by the service Arizona vendor on behalf of this state in the prior fiscal year and a list of the projects funded with those monies. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$251,996,900 and 3,402 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	<u>FY 2025</u>
Air Quality Fund	\$877,700
Highway User Revenue Fund	657,800
Ignition Interlock Device Fund	360,700
Motor Vehicle Liability Insurance	1,480,000
Enforcement Fund	
State Aviation Fund	2,261,600

State Highway Fund	244,805,700
Vehicle Inspection and Certificate of Title Enforcement Fund	1,553,400

Adjustments are as follows:

Remove One-Time Computer Aided Dispatch System Replacement Funding

The Baseline includes a decrease of \$(336,800) from the State Highway Fund in FY 2025 to remove one-time funding to replace the department's existing Computer-Aided Dispatch (CAD) system.

Remove One-Time MVD Paper Materials Cost Increase

The Baseline includes a decrease of \$(701,700) from the State Highway Fund in FY 2025 to remove one-time funding to cover the increased cost of paper materials used by the MVD. The department states that inflationary pressures, supply chain issues, and current contracts had temporarily increased the price of paper materials.

Remove One-Time MVD Security System

The Baseline includes a decrease of \$(730,900) from the State Highway Fund in FY 2025 to remove one-time funding to replace the security systems at 10 MVD offices throughout the state. The funding covers the second phase of a 5-phase project intended to replace the security systems at all 42 offices.

Remove One-Time Passenger Rail Service Operating Funding

The Baseline includes a decrease of \$(250,000) from the Air Quality Fund in FY 2025 to remove one-time funding for operating costs associated with a study for a passenger rail service from Phoenix to Tucson.

ADOT Fleet Vehicles and Heavy Equipment Maintenance

The Baseline includes \$25,209,000 and 200 FTE Positions from the Department Fleet Operations Fund in FY 2025 for Vehicles and Heavy Equipment Maintenance. These amounts are unchanged from FY 2024.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

ADOT Fleet Vehicle and Heavy Equipment Replacement

The Baseline includes \$22,400,000 from the State Highway Fund in FY 2025 for Vehicle and Heavy Equipment Replacement. This amount is unchanged from FY 2024.

This line item funds the financing of replacements for the department's Vehicle and Heavy Equipment fleet through 5-year third-party lease agreements. A General Appropriation Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

Attorney General Legal Services

The Baseline includes \$3,623,700 from the State Highway Fund in FY 2025 for Attorney General Legal Services. This amount is unchanged from FY 2024.

This line item funds the department's interagency services agreement with the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Authorized Third Parties

The Baseline includes \$2,194,000 and 20 FTE Positions in FY 2025 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	240,800
Motor Vehicle Liability Insurance Enforcement Fund	102,300
State Highway Fund	1,757,700
Vehicle Inspection and Certificate of Title Enforcement Fund	93,200

These amounts are unchanged from FY 2024.

This line item funds the oversight of authorized third-parties (ATPs). The oversight includes training and educating ATPs, reviewing ATP transactions for accuracy, and evaluating ATP applications. ATPs offer services for vehicle titles, registrations, and driver licenses, either through brick-and-mortar locations or through the online ServiceArizona portal.

While this line item funds oversight of the department's ATP program, it is not representative of the program's full cost to the state. Pursuant to statute, ATPs retain a portion of each fee for its transactions. In FY 2023, ATPs retained \$27,023,000 in fees that otherwise would have been deposited to the Highway User Revenue Fund (HURF) and \$37,196,000 in fees that otherwise would have been deposited to the State Highway Fund (SHF). *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

Driver Safety and Livestock Control

The Baseline includes \$800,000 from the State Highway Fund in FY 2025 for Driver Safety and Livestock Control. This amount is unchanged from FY 2024.

This line item funds the annual maintenance and repair of statewide cattle guard grills. To prevent livestock movement from harming drivers and bicyclists, ADOT has installed cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

Highway Damage Recovery Account

The Baseline includes \$8,000,800 from the Highway Damage Recovery Account in FY 2025 for the Highway Damage Recovery Account. This amount is unchanged from FY 2024.

This line item funds the maintenance of the state highway system beyond that which is provided by the Highway Maintenance line item. The Highway Damage Recovery Account collects all monies received as reimbursements for highway damage caused by liable third parties; those monies are used for highway maintenance that would otherwise have been deferred.

Highway Maintenance

The Baseline includes \$160,760,600 and 932 FTE Positions from the State Highway Fund in FY 2025 for Highway Maintenance. These amounts are unchanged from FY 2024.

This line item funds the maintenance of the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

In addition to the \$160,760,600 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax makes another \$14,020,300 available in FY 2025 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

One-Time Fleet Fuel Inflation Funding

The Baseline includes no funding in FY 2025 for One-Time Fleet Fuel Inflation Funding. Adjustments are as follows:

Remove One-Time Fleet Fuel Inflation Funding

The Baseline includes a decrease of \$(2,337,900) from the State Highway Fund in FY 2025 to remove one-time funding for inflationary cost increases in fuel.

Preventive Surface Treatments

The Baseline includes \$36,142,000 from the State Highway Fund in FY 2025 for Preventive Surface Treatments. This amount is unchanged from FY 2024.

This line item funds the proactive treatment of road surfaces to maintain the useful life of roads and avoid more expensive surface replacement/repair costs. The

treatments consist of fog seals, or spraying liquid asphalt, and chip seals, or laying down gravel layers.

In addition to the \$36,142,000 included for Preventive Surface Treatments, ADOT has \$15,088,000 in Federal Funds available for treatments.

Radio Lifecycle Replacement

The Baseline includes \$1,656,100 from the State Highway Fund in FY 2025 for Radio Lifecycle Replacement. This amount is unchanged from FY 2024.

The line item provides funding to replace and upgrade the department's radios with tri-band radios capable of communication across both analog and digital systems. The funding will replace about 150 radios of the approximately 2,500 total radios annually.

Spaying and Neutering of Animals Fund Deposit

The Baseline includes no funding in FY 2025 for Spaying and Neutering of Animals Fund Deposit. Adjustments are as follows:

Remove One-Time Spaying and Neutering of Animals Fund Deposit

The Baseline includes a decrease of \$(550,000) from the General Fund in FY 2025 to remove one-time funding for a deposit into the Spaying and Neutering of Animals Fund.

The line item provides one-time additional support into the Spaying and Neutering of Animals Fund, which is a charitable fund established under the Arizona Pet Friendly special license plate. The fund receives monies from Arizona residents that pay a \$25 fee for the special license plate. Of the \$25 fee, \$17 is deposited into the Spaying and Neutering of Animals Fund and the remaining \$8 goes into the State Highway Fund.

State Fleet Operations

The Baseline includes \$23,662,600 from the State Fleet Operations Fund in FY 2025 for State Fleet Operations. Adjustments are as follows:

Remove One-Time State Fleet Maintenance Adjustment

The Baseline includes a decrease of \$(6,791,800) from the State Fleet Operations Fund in FY 2025 to remove one-time funding for state fleet maintenance costs. The department received increased appropriation authority to expend the increased maintenance charges to agencies within the state fleet. The department performs regular operational and maintenance functions on all vehicles in

the state fleet such as repairs, insurance costs, GPS costs, and fuel services. The increased maintenance charges enable ADOT to perform these functions.

The line item funds the provision and oversight of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets. *(For more detail on state fleet operations please see State Motor Vehicle Fleet Transfer in the Other Issues section of the FY 2022 Appropriations Report.)*

State Fleet Vehicle Replacement

The Baseline includes \$6,334,800 from the State Vehicle Replacement Fund in FY 2025 for State Fleet Vehicle Replacement. Adjustments are as follows:

Remove One-Time State Fleet Vehicle Replacement Adjustment

The Baseline includes a decrease of \$(18,665,200) from the State Vehicle Replacement Fund in FY 2025 to remove one-time funding for state fleet vehicle replacement costs. The department intends to utilize the funding to replace 206 vehicles within the state fleet. In addition, the FY 2022 and FY 2023 budgets funded 230 new vehicles additions within the state fleet. Although ADOT had already received the funding from agencies for these new vehicle purchases and deposited those monies into the State Vehicle Replacement Fund, ADOT had yet to purchase all the new vehicles due to supply chain issues. The department needed an increase in appropriation authority to purchase new vehicle additions funded from the prior year budgets.

The line item funds the replacement of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets along with the purchase of newly-authorized vehicles.

Statewide Litter Removal

The Baseline includes \$3,106,800 from the State Highway Fund in FY 2025 for Statewide Litter Removal. This amount is unchanged from FY 2024.

The line item funds a monthly litter removal service on select interstate highways and routes outside of Maricopa County that currently do not receive regular litter removal services. Maricopa County currently has a dedicated funding stream of revenue from the half-cent sales tax for litter removal services.

Other Issues

Auditor General Report

In September 2023, the Auditor General published an ADOT performance audit and sunset review that included recommendations for improvements to the department's MVD system to address fraud and security risk incidents and the department's transportation project cost estimate process.

The audit found the department's MVD third-party quality assurance process does not currently hold third parties to the same standards as MVD employees performing the same services. Consequently, the audit recommended the MVD align its third-party quality assurance process with their quality assurance process for MVD field offices, including conducting a staffing and workload analysis, and ensuring sufficient staffing for third-party oversight.

In addition, the audit found the department's initial cost estimates for transportation projects found within the ADOT 5-Year Construction Program do not always include inflation, which cause some projects' actual costs to be higher than estimated. The audit recommended the department develop a cost-estimation tool, which includes an inflationary factor, to standardize transportation project cost estimates.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Abandoned Vehicle Administration Fund (DTA2150/A.R.S. § 28-4804)		Non-Appropriated
Source of Revenue: Abandoned vehicle fees, of which the amounts are determined by the ADOT Director. Currently, for vehicles on private or local land, the owner pays a fee of \$500 and for vehicles abandoned on state or federal land, the owner pays a fee of \$600. Purpose of Fund: The fund partially reimburses towing companies for abandoned vehicle removal. Chapter 249 modified the reimbursement to the towing company from a flat \$100 for fees from vehicles abandoned on state or federal land to a 20% reimbursement regardless of location. After that disbursement, to statutorily distribute remaining fee revenues to the State Highway Fund and General Fund, with a 90/10 split, respectively, for fees from vehicles abandoned on private or local land and a 60/40 split for fees from vehicles abandoned on state or federal land.		
Funds Expended	865,500	1,000,000
Year-End Fund Balance	473,000	647,100
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration. Purpose of Fund: Implementation of programs that reduce emissions and improve air quality.		
Funds Expended	254,000	1,127,700
Year-End Fund Balance	166,800	166,800
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations. Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General Fund or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	5,294,300	5,830,300
Year-End Fund Balance	4,288,200	3,590,900
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property. Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	0	0
Year-End Fund Balance	1,411,000	0
Coronavirus State and Local Fiscal Recovery Fund (DTA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2). Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	23,942,200	0
Year-End Fund Balance	9,662,200	10,000,000
Department Fleet Operations Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance). Purpose of Fund: For maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	20,964,200	25,209,000
Year-End Fund Balance	5,122,100	5,400,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	3,817,400	3,927,400
Federal Grants (DTA2097/A.R.S. § 28-363)		Federal Funds
Source of Revenue: Federal grants not part of the federal highway aid program.		
Purpose of Fund: For federal programs not part of the federal aid highway program including assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	19,894,300	22,430,800
Year-End Fund Balance	3,985,300	3,985,300
Highway Damage Recovery Account (DTA2044/A.R.S. § 28-6994)		Appropriated
Source of Revenue: Reimbursements for highway damage repair expenses paid by liable third parties.		
Purpose of Fund: For maintenance of state highways.		
Funds Expended	7,988,600	8,000,800
Year-End Fund Balance	1,329,600	1,748,800
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund. In the past, the fund has been used for local highway construction.		
Funds Expended	0	0
Year-End Fund Balance	3,800	3,900
Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget and to political subdivisions for highway purposes. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	764,900	898,600
Year-End Fund Balance	164,253,700	165,400,900
IGA and ISA Fund (DTA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements. Primarily for ISA with DEQ for administration of Underground Storage Tank funds but also for its equipment services interagency agreements.		
Funds Expended	2,935,900	333,200
Year-End Fund Balance	4,306,800	4,306,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Ignition Interlock Device Fund (DTA2208/A.R.S. § 28-1469)		Appropriated
Source of Revenue: An ignition interlock installation fee charged by service providers and then remitted to ADOT.		
Purpose of Fund: To administer ADOT's Ignition Interlock Device program, including establishing compliance measures, audits and investigating complaints related to devices and providers.		
Funds Expended	331,300	360,700
Year-End Fund Balance	118,500	85,600
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	46,032,600	29,135,800
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	13,446,600	13,745,400
Year-End Fund Balance	760,049,700	421,636,100
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of A.R.S. Title 28, Chapter 14 (motor carrier safety). DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	500	0
Year-End Fund Balance	0	0
Motor Vehicle Dealer Enforcement Fund (DTA2609/A.R.S. § 28-4504)		Appropriated
Source of Revenue: Civil penalties between \$1,000 and \$3,000 for licensed and unlicensed motor vehicle dealer violations. Any unexpended and unencumbered monies in the fund over \$250,000 are deposited to the State Highway Fund.		
Purpose of Fund: Established by Laws 2018, Chapter 308, the fund is used to enforce the provisions of A.R.S. Title 28, Chapter 10 (vehicle dealers, automotive recyclers and transporters).		
Funds Expended	0	0
Year-End Fund Balance	359,100	354,000
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: To enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	4,187,400	1,582,300
Year-End Fund Balance	2,702,700	2,658,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	0	0
Year-End Fund Balance	549,300	0
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	75,100	75,100
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions, which includes Indian reservations. Figures exclude expenditures for capital aviation construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	1,992,000	2,261,600
Year-End Fund Balance	103,559,900	71,656,900
State Fleet Operations Fund (DTA9998/A.R.S § 28-475)		Appropriated
Source of Revenue: Fees received from agencies within the ADOT state fleet and from legislative appropriations.		
Purpose of Fund: To operate the ADOT state fleet.		
Funds Expended	22,731,600	30,454,400
Year-End Fund Balance	2,831,100	2,831,100
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, donations, fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. Also, to enforce vehicle safety requirements by DPS and ADOT. The expended funds only reflect operating expenses. (Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)		
Funds Expended	448,967,600	479,159,900
Year-End Fund Balance	2,010,412,200	1,820,947,800

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
State Match Advantage for Rural Transportation Fund (DTA9901/A.R.S. § 28-339)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations. Laws 2022, Chapter 309 appropriates \$50 million from the State Highway Fund into the State Match Advantage for Rural Transportation (SMART) Fund. Laws 2023, Chapter 135 appropriates \$12.5 million from the General Fund into the SMART Fund.		
Purpose of Fund: To reimburse up to 50% of local government costs associated with developing and submitting an application for a federal grant, as a match for a federal grant, and to reimburse design and other engineering services that meet federal standards for projects eligible for a federal grant. Expenditures from the fund deposits are not included to avoid double counting appropriated expenditures.		
Funds Expended	0	0
Year-End Fund Balance	51,245,200	62,039,900
State Vehicle Replacement Fund (DTA9997/A.R.S. § 28-476)		Appropriated
Source of Revenue: Fees received from agencies within the ADOT state fleet, proceeds from the sale of surplus motor vehicles, and from legislative appropriations.		
Purpose of Fund: To replace vehicles within the ADOT state fleet.		
Funds Expended	9,380,900	25,000,000
Year-End Fund Balance	6,188,700	(5,397,200)
Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	39,100	13,000
Year-End Fund Balance	21,500	41,200
Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the special plate fees, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a statutorily designated entity.		
Funds Expended	5,971,600	6,897,500
Year-End Fund Balance	2,574,600	3,032,100
Vehicle Inspection and Certificate of Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	1,306,700	1,646,600
Year-End Fund Balance	650,100	416,900

State Treasurer

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	35.4	38.4	38.4
Personal Services	2,329,300	3,026,000	3,026,000
Employee Related Expenditures	979,900	1,036,200	1,036,200
Professional and Outside Services	113,300	98,000	98,000
Travel - In State	3,300	600	600
Travel - Out of State	15,700	10,800	10,800
Other Operating Expenditures	371,400	429,700	429,700
Equipment	27,700	43,500	43,500
OPERATING SUBTOTAL	3,840,600	4,644,800	4,644,800
SPECIAL LINE ITEMS			
Arizona Health Innovation Trust Fund Deposit	100,000	0	0
County Recorder Voter Registration Accuracy Review	0	6,000,000	0
Secure Ballot Paper	0	5,000,000 ^{1/}	6,000,000 ^{2/}
Justice of the Peace Salaries	1,660,000	2,818,200	2,818,200
Law Enforcement Crime Victim Notification Fund Deposit	187,600	0	0
Law Enforcement/Boating Safety Fund Grants	0	2,183,800	2,183,800
Special Sporting Event	1,500,000	1,500,000	1,500,000 ^{3/}
Section 116 Local Distributions ^{4/}			
Chandler Police Department Support	0	2,000,000	0
City Police Department Pepper Ball Pilot Program	0	750,000	0
Copper Canyon Fire and Medical District	0	750,000	0
County Property Owner Notification Systems	0	126,200	0
County Sheriffs Search and Rescue Equipment	0	2,500,000	0
Flagstaff Post-Fire Mitigation	0	8,987,000	0
Glassford Dells Regional Park Development	0	3,500,000	0
Glendale Veterans Community Project	0	3,214,500	0
Hayden and Wickenburg Police Departments	0	3,000,000	0
Kearny Public Building Remediation	0	500,000	0
La Paz County Public Safety	0	860,000	0
Mohave County Sheriff Substations	0	9,000,000	0
Mohave County Sheriff Vehicles	0	500,000	0
Peoria Police Department Helicopter	0	3,500,000	0
Peoria Police Department Mobile Command Center	0	1,500,000	0
Snowflake Sewer Lift Station	0	750,000	0
State Route 30 Utility Relocation	0	10,050,000	0
Sun City Transportation Study	0	850,000	0
Vernon Fire District	0	1,000,000	0
Wickenburg Fire Station	0	1,400,000	0
Section 117 Firearm Training Simulators ^{4/}			
Firearm Training Simulators	0	1,368,000	0
Section 118 Nonprofit Organization Distributions ^{4/}			
International Dark Sky Discovery Center	0	10,000,000	0
Nonprofit Volunteer Rodeo Organization	0	15,300,000	0
Northern Arizona Observatory	0	5,600,000	0
AGENCY TOTAL	7,288,200	109,152,500	17,146,800 ^{5/ 6/}

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
FUND SOURCES			
General Fund	3,447,600	101,298,500	10,660,800
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	0	2,183,800	2,183,800
Peace Officer Training Equipment Fund	0	1,368,000	0
State Treasurer's Operating Fund	3,840,600	4,302,200	4,302,200
SUBTOTAL - Other Appropriated Funds	3,840,600	7,854,000	6,486,000
SUBTOTAL - Appropriated Funds	7,288,200	109,152,500	17,146,800
Other Non-Appropriated Funds	9,193,800	16,275,700	16,275,700
TOTAL - ALL SOURCES	16,482,000	125,428,200	33,422,500

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

FOOTNOTES

- 1/ This appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2024 General Appropriation Act footnote)
- 2/ Laws 2022, Chapter 313, Section 130 appropriated \$6,000,000 from the General Fund in FY 2025 for distribution to county recorders that purchase secure ballot paper. Because this appropriation is in separate legislation, it is not included in the FY 2024 General Appropriation Act.
- 3/ A.R.S. § 41-2308 annually appropriates \$1,500,000 from the General Fund for Special Sporting Event Promotion. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 4/ This section number is from the FY 2024 General Appropriation Act.
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ On or before June 30, 2025, the state treasurer shall report to the joint legislative budget committee staff on the state treasurer's current fiscal year and estimated next fiscal year expenditures of interest earnings spent pursuant to sections 35-315 and 35-318, Arizona Revised Statutes, for the state treasurer's banking service contract, external investment management agreement, administrative and information technology costs and any other costs. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$4,644,800 and 38.4 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$342,600
State Treasurer's Operating Fund	4,302,200

These amounts are unchanged from FY 2024.

County Recorder Voter Registration Accuracy Review

The Baseline includes no funding in FY 2025 to review the accuracy of voter registration rolls. Adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a one-time decrease of \$(6,000,000) from the General Fund in FY 2025 to eliminate one-time funding for distribution to the county recorders of the 6 most populous counties proportionately by population.

Laws 2022, Chapter 313, Section 129 appropriated \$6,000,000 from the General Fund in FY 2024 for county elections funding. Section 129 required that the county recorders use the monies distributed from this appropriation to review the accuracy of their voter rolls, including whether any registrations should be cancelled according to statute. The monies shall be distributed to counties with a population of more than 200,000 persons according to the 2020 decennial census. The Treasurer is to allocate the monies proportionally based on county population.

Secure Ballot Paper

The Baseline includes \$6,000,000 in FY 2025 for Secure Ballot Paper. Adjustments are as follows:

One-Time Deposit Increase

The Baseline includes a one-time increase of \$1,000,000 from the General Fund in FY 2025 for distribution to county recorders for the purchase of secure ballot paper. The total \$6,000,000 appropriation for secure ballot paper in FY 2025 is one-time.

Laws 2022, Chapter 313, Section 130 appropriated \$5,000,000 from the General Fund in FY 2024 and \$6,000,000 from the General Fund in FY 2025 to the Treasurer to distribute these monies on a proportional basis to county recorders that purchase ballot paper that uses specific security features, including watermarks or unique ballot identifiers, or both. Monies in this line item are exempt from lapsing.

Since this funding was appropriated in the FY 2023 General Appropriation Act, it does not appear in the FY 2024 General Appropriation Act.

Justice of the Peace Salaries

The Baseline includes \$2,818,200 from the General Fund in FY 2025 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2024.

A.R.S. § 22-117 requires the state to pay 40% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs. A.R.S. § 22-117 also limits the amount that the state can reimburse to the counties to the amount appropriated.

Justice of the Peace salaries are based on a proportion of the annual compensation for a Superior Court judge as determined by the guidelines for Judicial Productivity Credits (JPCs) outlined in statute. JPCs are calculated every year and are based on the total and type of cases that a Justice of the Peace hears and whether the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice's compensation.

Law Enforcement/Boating Safety Fund Grants

The Baseline includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2025 for the administration of the Law Enforcement/Boating

Safety Fund grants. This amount is unchanged from FY 2024.

A.R.S. § 5-383 requires the State Treasurer to administer LEBSF monies. However, the allocation determinations are made by the Arizona Game and Fish Commission. The Treasurer disburses monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with the distribution formula developed by the Arizona Game and Fish Commission. The FY 2023 and year-to-date FY 2024 allocations are included in *Table 1*.

Table 1

Allocation of LEBSF Grants

County	FY 2023	FY 2024 Thru Nov 17th
Apache	\$ 28,600	\$ 9,400
Coconino	296,400	97,500
Gila	207,500	68,300
La Paz	340,200	111,900
Maricopa	273,000	89,800
Mohave	666,800	219,300
Navajo	13,800	4,500
Yuma	<u>259,400</u>	<u>85,300</u>
Total	\$2,085,600 ^{1/}	\$686,000

^{1/} Amounts may not add to total due to rounding

Special Sporting Event

The Baseline includes \$1,500,000 from the General Fund in FY 2025 for Special Sporting Event funding. This amount is unchanged from FY 2024.

Monies in this line item are used to promote an auto racing sporting event. The Office of Tourism is required to provide an annual report on or before October 1 to the JLBC that includes the amounts and purposes of all expenditures made from these monies in the previous fiscal year. Because this authorization is in permanent statute, the appropriation amount is not included in the General Appropriation Act.

A.R.S. § 41-2308 requires the Treasurer to send \$125,000 each month (for an annual total of \$1,500,000) to the Office of Tourism through FY 2051 for special sporting event promotions. (*For more background, see the FY 2023 Appropriations Report.*)

Section 116 Local Distributions

Section 116 of the General Appropriation Act includes the following distributions by the Treasurer.

Chandler Police Department Support

The Baseline includes no funding in FY 2025 for distribution to the Chandler Police Department Support. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(2,000,000) in FY 2025 for removal of a one-time distribution to the Chandler Police Department for new technology, expanding services, and officer wellness. (Item 20 of Section 116)

City Police Department Pepper Ball Pilot Program

The Baseline includes no funding in FY 2025 for the City Police Department Pepper Ball Pilot Program. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2025 for removal of a one-time distribution of \$250,000 each to the Chandler, Mesa, and Tucson Police Departments. (Item 15 of Section 116)

Monies in this line item provide funding for a pilot program to test nonlethal compliance tools which work at a distance of over 20 feet and which do not cause serious bodily harm.

Copper Canyon Fire and Medical District

The Baseline includes no funding in FY 2025 for the Copper Canyon Fire and Medical District. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Copper Canyon Fire and Medical District to offset COVID-related expenses. (Item 6 of Section 116)

County Property Owner Notification Systems

The Baseline includes no funding in FY 2025 for the County Property Owner Notification Systems. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(126,200) from the General Fund in FY 2025 for removal of a one-time distribution to several counties for systems to notify

property owners when a document is recorded against the owner's property. (Item 14 of Section 116)
The funding is to be distributed as follows:

Apache County	\$ 10,000
Cochise County	10,000
Coconino County	17,000
Gila County	7,200
Graham County	10,000
Greenlee County	10,000
La Paz County	10,000
Mohave County	25,000
Navajo County	10,000
Santa Cruz County	10,000
Yuma County	7,000
Total	\$ 126,200

This line item is intended to help counties come into compliance with Laws 2023, Chapter 64, which requires these notification systems be in place no later than January 1, 2025.

County Sheriffs Search and Rescue Equipment

The Baseline includes no funding in FY 2025 for County Sheriffs Search and Rescue Equipment. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2025 for removal of a one-time distribution to each county to purchase search and rescue equipment of not more than the following percentages (see Table 2). The dollar amounts were derived by multiplying the total dollar amount by the percentages. (Item 1 of Section 116)

Table 2

County Sheriffs Search and Rescue Equipment

<u>County</u>	<u>Percent</u>	<u>Amount</u>
Cochise	18.0	\$ 450,000
Coconino	21.0	525,000
Gila	2.5	62,500
Greenlee	0.5	12,500
Mohave	21.0	525,000
Navajo	0.5	12,500
Pinal	22.0	550,000
Yavapai	13.5	337,500
All Other Counties ^{1/}	1.0	25,000
Total	100.0	\$ 2,500,000

^{1/} This portion will be distributed on a first-come, first-served basis.

Flagstaff Post-Fire Mitigation

The Baseline includes no funding in FY 2025 for Flagstaff Post Fire Mitigation. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(8,987,000) from the General Fund in FY 2025 for removal of a one-time distribution to the City of Flagstaff for post-fire mitigation projects, including retention basin maintenance/operation and drainage capital improvement projects. *(Item 11 of Section 116)*

Glassford Dells Regional Park Development

The Baseline includes no funding in FY 2025 for Glassford Dells Regional Park Development. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(3,500,000) from the General Fund in FY 2025 for removal of a one-time distribution of \$1,750,000 each to the City of Prescott and the Town of Prescott Valley. *(Item 9 of Section 116)*

The Treasurer may not distribute these monies until Yavapai County, the City of Prescott, and the Town of Prescott Valley jointly demonstrate to the Treasurer that the County, City and Town have a commitment for matching monies of gifts, grants and donations in the amount of at least \$3,500,000 for the Glassford Dells Regional Park from sources other than the state of Arizona.

Glendale Veterans Community Project

The Baseline includes no funding in FY 2025 for the Glendale Veterans Community Project. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(3,214,500) from the General Fund in FY 2025 for removal of a one-time distribution to the City of Glendale for a veteran's community project. *(Item 13 of Section 116)*

Hayden and Wickenburg Police Departments

The Baseline includes no funding in FY 2025 for the Hayden and Wickenburg Police Departments. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2025 for removal of a one-time

distribution to the Hayden and Wickenburg Police Departments for additional operating costs as follows:

Hayden Police Department	\$1,000,000
Wickenburg Police Department	2,000,000

A provision in the FY 2024 General Appropriation Act states that the appropriated amounts may not be used to supplant any existing local funding for police. *(Item 5 of Section 116)*

Kearny Public Building Remediation

The Baseline includes no funding in FY 2025 for Kearny Public Building Remediation. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Town of Kearny for the remediation of public buildings. *(Item 18 of Section 116)*

La Paz County Public Safety

The Baseline includes no funding in FY 2025 for La Paz County Public Safety. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(860,000) from the General Fund in FY 2025 for removal of a one-time distribution to La Paz County for server replacement, public safety dock and boat lifts, and improvements to the roof of the Salome substation. *(Item 3 of Section 116)*

Mohave County Sheriff Substations

The Baseline includes no funding in FY 2025 for Mohave County Sheriff Substations. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(9,000,000) from the General Fund in FY 2025 for removal of a one-time distribution to Mohave County for capital improvements to the Lake Havasu, Mohave Valley, and Beaver Dam substations and the boating safety center on Lake Havasu. *(Item 2 of Section 116)*

Mohave County Sheriff Vehicles

The Baseline includes no funding in FY 2025 for Mohave County Sheriff Vehicles. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of a one-time

distribution to Mohave County to purchase vehicles. (Item 4 of Section 116)

Peoria Police Department Helicopter

The Baseline includes no funding in FY 2025 for a Peoria Police Department Helicopter. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(3,500,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Peoria Police Department for the purchase of a public safety helicopter. (Item 7 of Section 116)

Peoria Police Department Mobile Command Center

The Baseline includes no funding in FY 2025 for the Peoria Police Department Mobile Command Center. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Peoria Police Department for a mobile command center. (Item 8 of Section 116)

Snowflake Sewer Lift Station

The Baseline includes no funding in FY 2025 for the Snowflake Sewer Lift Station. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Town of Snowflake for the replacement of its sewer main lift station. (Item 12 of Section 116)

State Route 30 Utility Relocation

The Baseline includes no funding in FY 2025 for State Route 30 Utility Relocation. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(10,050,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Maricopa Association of Governments for the relocation of utilities related to the construction of State Route 30. (Item 17 of Section 116)

Sun City Transportation Study

The Baseline includes no funding in FY 2025 for a Sun City Transportation Study. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(850,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Maricopa Association of Governments for a Sun City transportation project study. (Item 16 of Section 116)

Vernon Fire District

The Baseline includes no funding in FY 2025 for the Vernon Fire District. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 for removal of a one-time distribution to the Vernon Fire District for equipment and operation costs. (Item 19 of Section 116)

Wickenburg Fire Station

The Baseline includes no funding in FY 2025 for the Wickenburg Fire Station. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(1,400,000) from the General Fund in FY 2025 for removal of a one-time distribution to the City of Wickenburg for upgrades to its fire station. (Item 10 of Section 116)

Section 117 Firearm Training Simulators

Section 117 of the General Appropriation Act includes the following distribution by the Treasurer.

Firearm Training Simulators

The Baseline includes no funding in FY 2025 for Firearm Training Simulators. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(1,368,000) from the Peace Officer Training Equipment Fund in FY 2025 for removal of a one-time distribution to 5 public safety organizations to purchase firearm training simulators as follows:

Phoenix Police Department	\$ 300,000
Mohave County Probation Department	300,000
Casa Grande Police Department	138,000
Maricopa County Sheriff's Office	330,000
Navajo County Sheriff's Office	<u>300,000</u>
Total	\$ 1,368,000

Section 118 Nonprofit Organization Distributions

Section 118 of the General Appropriation Act includes the following distributions by the Treasurer.

International Dark Sky Discovery Center

The Baseline includes no funding in FY 2025 for an international dark sky discovery center. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 for removal of a one-time distribution to a nonprofit organization that is designated as an international dark sky discovery center and that is focused on dark sky preservation in Arizona. *(Item 1 of Section 118)*

The FY 2022 and FY 2023 Capital Outlay bills each appropriated \$2,500,000 to the Arizona Department of Administration (ADOA) to distribute to the same type of center. ADOA distributed those monies to the Fountain Hills Discovery Center.

Nonprofit Volunteer Rodeo Organization

The Baseline includes no funding in FY 2025 for a nonprofit volunteer organization that operates a rodeo at the Yavapai County Fairgrounds. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(15,300,000) from the General Fund in FY 2025 for removal of a one-time distribution to a nonprofit volunteer organization that operates a rodeo at the Yavapai County Fairgrounds. *(Item 2 of Section 118)*

Northern Arizona Observatory

The Baseline includes no funding in FY 2025 for a Northern Arizona observatory. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(5,600,000) from the General Fund in FY 2025 for removal of a one-time distribution to a nonprofit organization that operates an astronomy center and observatory that is open to the public in northern Arizona. *(Item 3 of Section 118)*

The FY 2023 Capital Outlay bill appropriated \$5,000,000 to the Arizona Department of Administration (ADOA) to distribute to the same type of observatory. ADOA distributed those monies to the Lowell Observatory.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, State Treasurer General Fund costs are expected to decrease by \$(6,000,000) in FY 2026 below FY 2025. These estimates are based on:

- A decrease of \$(6,000,000) in FY 2026 below FY 2025 for the removal of one-time election ballot paper funding.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Health Innovation Trust Fund (TRA3324/A.R.S. § 41-177)		Non-Appropriated
Source of Revenue: Monies appropriated by the legislature, earnings from the fund and gifts or grants donated or given to the fund.		
Purpose of Fund: To invest and divest, as provided by A.R.S. § 35-313 and 35-314.03, any trust fund monies deposited in the State Treasury. The State Treasurer shall annually allocate 4% of the monies in the trust fund to an entity that satisfies statutory requirements. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
AZ529, Arizona's Education Savings Plan Trust Fund (TRA3122/A.R.S. § 15-1873B)	Non-Appropriated	
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program. This program enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Laws 2021, Chapter 188 changed this fund's name from Family College Savings Program Trust Fund to AZ529, Arizona's Education Savings Plan.		
Funds Expended	844,600	904,300
Year-End Fund Balance	1,309,000	1,214,700
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)	Non-Appropriated	
Source of Revenue: The fund receives 15.06% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Justice Reinvestment Fund (TRA1121/A.R.S. § 36-2863)	Non-Appropriated	
Source of Revenue: The fund receives 10% of revenues from the Smart and Safe Arizona Fund after state agencies pay administrative costs for implementing the provisions of Proposition 207, which legalized the adult use of recreational marijuana.		
Purpose of Fund: To pay administrative costs incurred by the State Treasurer and Arizona Department of Health Services (DHS). After administrative costs are paid, the remaining funds are distributed 35% to county public health departments, 35% to DHS for justice reinvestment program grants, and 30% to DHS for addressing public health issues.		
Funds Expended	797,500	800,100
Year-End Fund Balance	0	110,000
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)	Appropriated	
Source of Revenue: A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Treasurer distributes grants based on a formula determined by the Arizona Game and Fish Commission.		
Funds Expended	0	2,183,800
Year-End Fund Balance	235,500	0
Law Enforcement Crime Victim Notification Fund (TRA3710/A.R.S. § 41-214)	Appropriated	
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To be used by law enforcement agencies in the state to fund crime victim notification software.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Peace Officer Training Equipment Fund (TRA8888/A.R.S. § 41-1731)	Appropriated	
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: Established by Laws 2018, Chapter 312, the fund distributes monies to the Department of Public Safety and the Supreme Court. The State Treasurer administers the fund. (Please see the Department of Public Safety and Judiciary - Supreme Court Summary of Funds sections for more information.)		
Funds Expended	0	1,368,000
Year-End Fund Balance	2,400,400	3,459,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)		Non-Appropriated
Source of Revenue: Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
Purpose of Fund: Funds the administration of the Statewide Collateral Pool. The Statewide Collateral Pool serves as a centralized fund for collateral that banks hold against public deposits in the event of a default.		
Funds Expended	126,100	134,400
Year-End Fund Balance	590,300	580,900
Smart and Safe Arizona Fund (TRA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General. DPS has expended \$6,500 from the fund in the first 2 months of FY 2022. The agency did not have an estimate of either their full year FY 2022 expenditures or their FY 2022 fund balance.		
Funds Expended	7,425,600	14,436,900
Year-End Fund Balance	14,436,900	(2,149,500)
State Treasurer Empowerment Scholarship Account Fund (TRA2571/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Pursuant to Laws 2020, Chapter 12, the fund's revenues consist of legislative appropriations. Prior to Chapter 12, monies were transferred from Basic State Aid.		
Purpose of Fund: Monies in the fund are used by the State Treasurer for the agency's costs of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. However, with the enactment of Chapter 12, the Treasurer's Empowerment Scholarship Account administration costs are currently funded through a direct General Fund appropriation. The Arizona Department of Education (ADE) also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those ADE monies are not displayed to avoid double counting of the General Fund (also see "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).		
Funds Expended	0	0
Year-End Fund Balance	327,800	327,800
State Treasurer's Financial Literacy Fund (TRA2725/A.R.S. § 41-175)		Non-Appropriated
Source of Revenue: Legislative appropriations and contributions from any public or private source.		
Purpose of Fund: To be used by the State Treasurer to promote financial literacy in this state.		
Funds Expended	0	0
Year-End Fund Balance	5,200	5,400
State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)		Appropriated
Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds. In addition, the fund receives a portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state (which used to be deposited into the Treasurer's Management Fund).		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	3,840,600	4,302,200
Year-End Fund Balance	1,499,700	1,246,500

Governor's Office on Tribal Relations

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	40,000	35,000	35,000
Employee Related Expenditures	16,200	14,600	14,600
Travel - In State	1,800	500	500
Travel - Out of State	200	0	0
Other Operating Expenditures	11,000	16,700	16,700
Equipment	600	2,000	2,000
AGENCY TOTAL	69,800	68,800	68,800 ^{1/}
FUND SOURCES			
General Fund	69,800	68,800	68,800
SUBTOTAL - Appropriated Funds	69,800	68,800	68,800
Other Non-Appropriated Funds	39,800	28,500	28,500
TOTAL - ALL SOURCES	109,600	97,300	97,300

AGENCY DESCRIPTION — The agency assists and supports tribal nations and communities and enhances government-to-government relations between the 22 tribal nations in this state.

FOOTNOTES

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

Operating Budget

The Baseline includes \$68,800 and 3 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	2,400	2,400
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 22 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. The Governor's Office of Tribal Relations is required by statute to facilitate this day on the first Wednesday of each regular legislative session.		
Funds Expended	39,800	28,500
Year-End Fund Balance	29,900	19,900

Arizona Board of Regents

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	30.9	30.9	30.9
Personal Services	1,361,200	1,456,700	1,456,700
Employee Related Expenditures	541,000	461,200	461,200
Professional and Outside Services	41,100	51,000	51,000
Other Operating Expenditures	553,200	1,195,700	1,195,700
Equipment	0	1,000	1,000
OPERATING SUBTOTAL	2,496,500	3,165,600	3,165,600
SPECIAL LINE ITEMS			
Adaptive Athletics	160,000	160,000	160,000 ^{1/}
Camp Verde Meat Processing Facility	9,700,000	0	0
Enclosed Feed Facility	9,500,000	0	0
Food Product and Safety Laboratory	10,900,000	0	0
Leveraging Education Assistance Partnership Program	1,220,800	1,220,800	1,220,800 ^{2/}
Museum of Democracy Presidential Project	0	2,000,000	0
Primary Care Residency Programs	0	5,000,000	0
Arizona Promise Program	20,000,000	40,000,000	20,000,000 ^{3/}
Spouses and Dependents of Law Enforcement Officers	0	2,000,000	0
Tuition Scholarship Fund Deposit			
Spouses of Military Veterans Tuition Scholarships	10,000,000	10,000,000	10,000,000 ^{4/}
Arizona Teachers Academy	15,000,000	30,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Teacher Student Loan Program	426,000	426,000	426,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Veterinary Loan Assistance Program	6,000,000	0	0
Washington D.C. Internships	300,000	300,000	300,000 ^{5/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
AGENCY TOTAL	90,238,000	98,807,100	54,807,100 ^{6/7/}
FUND SOURCES			
General Fund	90,238,000	98,807,100	54,807,100
SUBTOTAL - Appropriated Funds	90,238,000	98,807,100	54,807,100
Other Non-Appropriated Funds	16,082,900	32,668,700	32,668,700
Federal Funds	274,700	275,300	275,300
TOTAL - ALL SOURCES	106,595,600	131,751,100	87,751,100

AGENCY DESCRIPTION — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

FOOTNOTES

- ^{1/} The Arizona board of regents shall distribute monies appropriated for the adaptive athletics line item to each university under the jurisdiction of the board to maintain and operate an intercollegiate adaptive athletics program that provides opportunities for competitive wheelchair and adaptive sports to students and community members with disabilities. The monies may be spent only when the university collects matching monies of gifts, grants and donations for the intercollegiate adaptive athletics program from sources other than this state. Universities may spend the monies only on scholarships, equipment, uniforms, travel expenses and tournament fees for participants in the intercollegiate adaptive

athletics program. The monies may not be used for administrative costs, personal services or employee related expenditures. (General Appropriation Act footnote)

- 2/ In order to be eligible to receive state matching monies under the leveraging educational assistance partnership program for grants to students, each participating institution, public or private, shall provide an amount of institutional matching monies that equals the amount of monies provided by this state to the institution for the leveraging educational assistance partnership program. Administrative expenses incurred by the Arizona board of regents shall be paid from institutional matching monies and may not exceed twelve percent of the monies appropriated in fiscal year 2024-2025. (General Appropriation Act footnote)
- 3/ On or before October 1, 2025, the Arizona board of regents shall submit a report to the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on the Arizona promise program that includes all of the following for fiscal year 2024-2025:
1. The total number of students receiving promise scholarships by each eligible postsecondary institution.
 2. The total number of students enrolled at each eligible postsecondary institution that are eligible to receive federal pell grants.
 3. A list of the programs of study in which promise scholarship recipients are enrolled, including the number of recipients enrolled in each program.
 4. The average promise scholarship award amount for each eligible postsecondary institution.
 5. A geographic representation of promise scholarship recipients based on the high school attended.
 6. The average grade point average of promise scholarships recipients by each eligible postsecondary institution.
- (General Appropriation Act footnote)
- 4/ On or before October 1, 2025, the Arizona board of regents shall submit a report to the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on spouses of military veterans tuition scholarships that includes all of the following for fiscal year 2024-2025:
1. The amount distributed to each eligible postsecondary institution.
 2. The total number of award recipients by each eligible postsecondary institution.
 3. The average award amount for each eligible postsecondary institution. (General Appropriation Act footnote)
- 5/ The Arizona board of regents shall distribute monies appropriated for Washington, D.C. internships for program fees and housing costs in equal amounts to each of the three universities under the jurisdiction of the board for the purpose of providing student internships and short-term programs in Washington, D.C. in partnership with a third-party organization. Short-term programs include one-week seminars and learning opportunities shorter than one academic semester. The third-party organization must meet the following requirements:
1. Have partnerships with Washington, D.C.-based organizations to provide full-time, semester-long student internships and short-term programs.
 2. Have the ability to place as many students in internships and short-term programs as needed by the universities.
 3. Have experience placing students in internships for at least ten consecutive years.
 4. Have dedicated staff to ensure that student interns have access to internships in their areas of interest. (General Appropriation Act footnote)
- 6/ Within ten days after the acceptance of the universities' semiannual all funds budget reports, the Arizona board of regents shall submit a current year expenditure plan to the joint legislative budget committee for review. The expenditure plan shall include the use of all projected tuition and fee revenues by expenditure category, including operating expenses, plant fund, debt service and financial aid. The plan shall include the amount by which each expenditure category is projected to increase over the prior year and shall provide as much detail as the university budget requests. The plan shall include the total revenue and expenditure amounts from all tuition and student fee revenues, including base tuition, differential tuition, program fees, course fees, summer session fees and other miscellaneous and mandatory student fee revenues. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,165,600 and 30.9 FTE Positions from the General Fund in FY 2025 for the operating budget. This amount is unchanged from FY 2024.

Adaptive Athletics

The Baseline includes \$160,000 from the General Fund in FY 2025 for Adaptive Athletics. This amount is unchanged from FY 2024.

ABOR is required to distribute monies in this line item to the 3 state universities for intercollegiate adaptive athletics programs for students with physical challenges. These programs may only use this appropriation when matching monies are collected, and may only use monies for scholarships, equipment, uniforms, travel expenses, and tournament fees for program participants. ABOR distributes monies in this line item to the University of Arizona.

Leveraging Education Assistance Partnership Program

The Baseline includes \$1,220,800 from the General Fund in FY 2025 for the Leveraging Education Assistance Partnership (LEAP) Program. This amount is unchanged from FY 2024.

LEAP is a state and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public community colleges, private collegiate institutions, and proprietary schools).

Museum of Democracy Presidential Project

The Baseline includes no funding in FY 2025 for the Museum of Democracy Presidential Project. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for the elimination of one-time Museum of Democracy Presidential Project funding. The FY 2024 budget required ABOR to distribute monies to the universities to provide opportunities to become better informed on American presidencies and presidential elections, including public speakers, high school leadership academies, undergraduate student workshops, and displays of presidential memorabilia collections. The monies are appropriated as non-lapsing.

Primary Care Residency Programs

The Baseline includes no funding in FY 2025 for Primary Care Residency Programs. Adjustments are as follows:

Remove One-Time Program Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 for the elimination of the one-time Primary Care Residency Programs funding.

The FY 2024 Higher Education Budget Reconciliation Bill (BRB) requires ABOR to distribute the monies to the Arizona Area Health Education System (AHES), which consists of six regional centers providing programs in healthcare workforce education and increasing access to care in rural and underserved communities. AHES will use the monies to establish a program for qualifying community health centers, rural health clinics and tribal health facilities that expands the number of primary care residency positions, provides technical assistance for residency programs in rural and health professional shortage areas, and facilitates information and resource sharing. Of the \$5,000,000, AHES may use up to \$500,000 to support a collaborative of qualifying community health centers', rural health clinics', and tribal health facilities' primary care residency programs. The monies are appropriated as non-lapsing.

Arizona Promise Program

The Baseline includes \$20,000,000 from the General Fund in FY 2025 for the Arizona Promise Program. Adjustments are as follows:

Remove One-Time Scholarship Funding

The Baseline includes a decrease of \$(20,000,000) from the General Fund in FY 2025 for the elimination of one-time scholarship funding.

The Arizona Promise Program provides financial assistance to full-time university students who qualify for in-state tuition, graduated from an Arizona high school with a minimum 2.5 cumulative grade point average, and meet the eligibility requirements for federal Pell Grants. Pell awards are determined based on the expected family contribution and the cost of attendance. The maximum Pell award for the 2023-2024 academic year is \$7,395.

Monies for the program are deposited to the Arizona Promise Program Fund and up to 3% of the monies can be used to pay for marketing and administration expenses. If the appropriation is insufficient to cover the costs of students who qualify for Promise scholarships, the universities are required to guarantee the award.

In FY 2023, this program served 5,596 students, and the average award amount was \$3,502.

Spouses and Dependents of Law Enforcements Officers Tuition Scholarship Fund Deposit

The Baseline includes no funding in FY 2025 for a Spouses of Law Enforcements Officers Tuition Scholarship Fund Deposit. Adjustments are as follows:

Remove One-Time Scholarship Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for the elimination of a one-time Spouses and Dependents of Law Enforcements Officers Tuition Scholarship Fund Deposit.

The FY 2024 Higher Education BRB requires ABOR to distribute the monies to public and private universities, community colleges, and career technical education programs to provide last dollar financial aid. If the student is enrolled in a private institution, the scholarship may not exceed the remainder of the average tuition and fees charged by the public universities. ABOR may spend monies in the fund through FY 2027.

ABOR is required to submit a report to JLBC and OSPB by March 1, 2025 and each year of the program that includes the total number of students who received a scholarship, the total amount awarded, average amount awarded, and the total number of students who completed program a study.

Spouses of Military Veterans Tuition Scholarships

The Baseline includes \$10,000,000 from the General Fund in FY 2025 for Spouses of Military Veterans Tuition Scholarships. This amount is unchanged from FY 2024.

ABOR deposits monies in this item to the Spouses of Military Veterans Tuition Scholarship Fund and distributes awards to university and community college resident students who are spouses of an honorably discharged veteran and qualify for in-state tuition. The scholarships are provided as last dollar aid on a first-come, first-served basis for up to 4 years.

Arizona Teachers Academy

The Baseline includes \$15,000,000 from the General Fund in FY 2025 for the Arizona Teachers Academy. Adjustments are as follows:

Remove One-Time Scholarship Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2025 for the elimination of one-time Arizona Teachers Academy scholarship funding.

The Arizona Teachers Academy provides tuition and fee awards to university students enrolled in education and non-education majors, community college students enrolled in post-baccalaureate teacher certification programs, and teachers seeking national board certification. For every year of receipt, students agree to teach 1 year in an Arizona public school.

Monies for the academy are deposited to the Arizona Teachers Academy Fund and up to 3% of the monies may be used for marketing and administration expenses. ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions.

In FY 2023, 3,390 students were enrolled in the academy, of which 1,400 attended ASU, 1,147 attended NAU, 344 attend UA, 364 were community college post-baccalaureate students, 135 were teachers seeking a national board certification. *(Please see the Arizona Teachers Academy program summary on the JLBC website for additional information.)*

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2025 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2024.

Laws 1990, Chapter 340 mandates that ABOR establish and administer a loan program for students of deaf and blind education at the UA College of Education. Students may earn forgiveness for their loans by teaching in an Arizona deaf and blind program for a time equal to their period of loan support.

Arizona Teacher Student Loan Program

The Baseline includes \$426,000 from the General Fund in FY 2025 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2024.

ATSLP offers forgivable loans to resident students pursuing a teaching degree at a private postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. Students in the program are required to teach for 1 year for each year that they receive the loan, plus 1 additional year. Teachers must practice in rural, low-income, or tribal schools.

Arizona Transfer Articulation Support System

The Baseline includes \$213,700 from the General Fund in FY 2025 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2024.

A.R.S. § 15-1824 establishes ATASS as a joint initiative, among the public community colleges and universities, to facilitate efficient transfer of course curricula and credits. The tribal colleges and community college districts overall contribute \$277,200 to the system each year. The 3 state

universities also contribute a combined \$277,200 to the system each year.

Washington, D.C. Internships

The Baseline includes \$300,000 from the General Fund in FY 2025 for Washington, D.C. internships and short-term programs. This amount is unchanged from FY 2024.

ABOR distributes monies in this line item in equal amounts to each of the 3 state universities to provide internships in partnership with a third-party organization. These monies fund approximately 40 student internships each year. The monies are appropriated as non-lapsing.

Western Interstate Commission Office

The Baseline includes \$153,000 from the General Fund in FY 2025 for the Western Interstate Commission Office. This amount is unchanged from FY 2024.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The Baseline includes \$4,078,000 from the General Fund in FY 2025 for WICHE student subsidies. This amount is unchanged from FY 2024.

Monies in this line item provide subsidies to Arizona students participating in the WICHE Professional Student Exchange Program (PSEP). Since the Arizona University System does not currently offer programs in dentistry, optometry, osteopathy, or podiatry, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

Participating students receive admissions preference and subsidized tuition. A.R.S. § 15-1745 requires graduates to practice 1 year in Arizona, or 6 months in an under-served Arizona community, for each year of WICHE support. Participants who fail to meet their service requirements must repay 100% of their subsidies, plus interest. The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- Tuition Distribution
- University System Summary Tables

Statutory Changes

The Baseline would, as session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into the Arizona Financial Aid Trust (AFAT).

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, university wide General Fund costs are projected to decrease by \$(45,403,200) in FY 2026 below FY 2025, and increase by \$613,000 in FY 2027 above FY 2026. These estimates are based on:

- Decreases of \$(5,300) and \$(1,100) in FY 2026 and FY 2027, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$602,100 and \$614,100 in FY 2026 and FY 2027, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding narrative for more information.)*
- Decrease of \$(46,000,000) in FY 2026 to remove one-time operating funding in the 3-year spending plan.

Please see the individual university campus sections for additional information.

Arizona Financial Aid Trust

Pursuant to A.R.S. § 15-1642, General Fund monies match financial aid tuition surcharges collected from university students for the Arizona Financial Aid Trust (AFAT). The AFAT fee is 1% of the full-time resident undergraduate base tuition rate, or \$113-\$119 in FY 2024 on the main campuses, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee.

The FY 2025 Baseline continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2025. The Baseline also maintains each university's FY 2025 allocation of General Fund AFAT appropriations at their FY 2024 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2023, the state's match would be \$49,257,200, or an increase of \$39,216,000 over the \$10,041,200 appropriation in FY 2025.

Each university retains 25% of its annual AFAT student fees and state contributions in an AFAT endowment account. The remaining 75% of the student fees and state contributions, as well as 75% of the endowment's annual interest earnings, are used to provide immediate assistance for needy in-state students.

In addition to student fee revenue, pursuant to A.R.S. § 15-1670, universities deposit 20% of cumulative net income from the sale or transfer of intellectual property exceeding \$1,000,000 to AFAT.

In FY 2023, AFAT disbursed \$29,965,400. (Please see Table 3 for additional information on financial aid.)

2003 Research Infrastructure Refinancing

Laws 2003, Chapter 267, which established A.R.S. § 15-1670, appropriated for FY 2008 to FY 2031 monies to the universities each year for lease-purchase capital financing of research infrastructure projects such as installations and facilities for the continuance and growth of scientific and technological research activities. In total, the universities issued \$482,500,000 in COPs for research infrastructure projects. There will be no further issuances for this program.

Due to subsequent refinancing, the FY 2017 Higher Education BRB amended A.R.S. § 15-1670 to revise the FY 2018 to FY 2031 research infrastructure appropriations to correspond to the universities' current debt service schedules. The appropriations are displayed in each individual university section. (Please see Table 1 for more information.)

2017 University Capital Infrastructure Funding

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriated \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by the lesser of 2.0% or inflation. The appropriations are displayed in each individual university section.

The allocation of the original FY 2019 \$27,000,000 statutory amount was based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016.

Tuition Distribution

A.R.S. § 15-1626 allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR. These "locally" retained tuition monies are considered non-appropriated and are deposited into accounts labeled as "Designated" funds. Any remaining tuition revenues are deposited to university "Collections" funds as part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses are paid from both appropriated and non-appropriated tuition accounts. ABOR's June 2023 tuition revenue report projected FY 2024 gross tuition and fees to be \$4.19 billion systemwide.

Table 1

University Research Infrastructure Appropriations ^{1/}

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
2025	13,459,300	4,885,500	14,247,300	32,592,100
2026	13,453,900	4,884,500	14,248,400	32,586,800
2027	13,450,100	4,884,300	14,251,300	32,585,700
2028	13,436,200	4,894,000	14,254,100	32,584,300
2029	13,430,800	4,888,400	14,251,500	32,570,700
2030	13,423,500	4,892,000	14,252,500	32,568,000
2031	13,428,800	4,889,300	14,255,800	32,573,900

^{1/} Research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

The reported gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities would constitute net tuition. In June 2023, the universities projected \$1.10 billion in tuition waivers and awards in FY 2024, for a total net tuition of \$3.09 billion. Please see the October 10, 2023 Joint Legislative Budget Committee meeting agenda for additional information on university tuition revenue projections.

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Financial Aid
- Enrollment

Total Spending Authority

In total, the universities' total projected spending authority in FY 2025 is \$8.86 billion, including \$957.7 million from the General Fund and \$3.09 billion of net tuition/fee collections. *Table 2* summarizes the FY 2025 expenditure authority amounts for the Arizona University System.

Financial Aid

The Arizona University System distributed \$3.59 billion in financial aid in FY 2023. Of the total financial aid distributions, the federal government financed \$1.22 billion, and university institutional sources provided \$1.53 billion. *(Please see Table 3 for details.)*

Enrollment

Between fall 2022 and fall 2023, university enrollment increased from 203,640 FTE to 217,118, or 6.6%, as displayed in *Table 4*. ASU enrollment increased by 2.6%, NAU enrollment decreased by (2.0)% and UA increased by 19.4%.

Table 2

FY 2025 Summary of Spending Authority

	Appropriated Funds		Non-Appropriated Funds		Total ^{2/}
	General Fund	Collections Fund ^{1/}	Federal Funds	Other Funds ^{1/}	
ABOR	\$ 54,807,100	\$ 0	\$ 275,300	\$ 32,668,700	\$ 87,751,100
ASU	404,553,800	854,407,100	564,486,200	2,808,849,500	4,632,296,600
NAU	137,607,000	135,319,600	133,005,700	393,030,100	798,962,400
UA-Main	283,819,900	347,232,700	295,944,600	1,963,110,700	2,890,107,900
UA-Health Sciences	<u>76,897,700</u>	<u>69,546,500</u>	<u>222,495,500</u>	<u>382,727,600</u>	<u>751,667,300</u>
Total	\$957,685,500	\$1,406,505,900	\$1,216,207,300	\$5,580,386,600	\$9,160,785,300

^{1/} Expenditures of non-appropriated funds include transfers of funds to non-operating accounts for capital and debt service expenses. The total expenditures of gross non-appropriated tuition are estimated to be \$2,787,704,300 based on FY 2024 amounts. This amount excludes FY 2025 enrollment growth and tuition rate changes.

^{2/} Total university wide funding includes gross tuition revenues.

Table 3

FY 2023 Financial Aid Distribution by Source
(\$ in Thousands)

	Federal	State ^{1/}	Institutional	Private/Other	Total
Grants	\$381,089.0	\$81,715.5	\$1,151,130.4	\$343,095.8	\$1,957,030.7
Loans	831,453.8	0.0	0.0	414,637.2	1,246,091.0
Employment	<u>9,335.8</u>	<u>0.0</u>	<u>379,933.3</u>	<u>0.0</u>	<u>389,269.1</u>
Total	\$1,221,878.6	\$81,715.5	\$1,531,063.7	\$757,733.0	\$3,592,390.8

^{1/} State sources of aid include Arizona Financial Aid Trust, Arizona Teachers Academy and Arizona Promise Program awards.

Table 4

Arizona University System 45th Day Enrollment ^{1/}

	<u>Fall 2022</u>	<u>Fall 2023</u>	<u>Fall 2022 to Fall 2023</u>
ASU-Tempe	60,551	60,549	0.0%
ASU-DPC	12,167	11,701	(3.8)%
ASU-East	5,725	5,972	4.3%
ASU-West	5,244	5,246	0.0%
ASU-Online ^{2/}	43,304	46,577	7.6%
ASU-Other	<u>612</u>	<u>923</u>	<u>50.8%</u>
Subtotal	127,603	130,968	2.6%
NAU-Flagstaff	21,250	21,573	1.5%
NAU-Online ^{2/}	2,629	2,492	(5.2)%
NAU-Other	<u>2,916</u>	<u>3,269</u>	<u>12.1%</u>
Subtotal	26,795	27,334	(2.0)%
UA-Tucson	41,310	42,811	3.6%
UA-PHX Biomedical	1,485	1,608	8.3%
UA- Global	-	6,022	-
UA-Online ^{2/}	5,349	6,010	12.4%
UA-Other	<u>1,098</u>	<u>2,365</u>	<u>115.4%</u>
Subtotal	49,242	58,816	19.4%
Total	203,640	217,118	6.6%

^{1/} FTE counts as reported by ABOR and the universities include both graduate and undergraduate students.

^{2/} Online enrollment represents students enrolled in online-only programs.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Promise Program Fund (BRA4501/A.R.S. § 15-1701)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To reimburse postsecondary institutions for Arizona Promise Program awards, pay the costs of administering the program, and for marketing and promotion expenses (which are capped at 3% of monies in the fund each fiscal year). Expenditures are not displayed to avoid double counting with the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	581,200	581,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Teacher Student Loan Fund (BRA2358/A.R.S. § 15-1657)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide forgivable loans to students enrolled in a private postsecondary institution who are pursuing a teaching degree or certificate who agree to a service commitment. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	1,162,500	1,155,100
Arizona Teachers Academy Fund (BRA4300/A.R.S. § 15-1655)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To reimburse postsecondary institutions for Arizona Teachers Academy scholarships, induction services for academy graduates, and marketing and promotion costs of the academy (which are capped at 3% of monies in the fund each fiscal year). Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	6,976,400	5,390,400
Arizona Veterinary Loan Assistance Fund (BRA5000/A.R.S. § 1650.06)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide loan repayment assistance to veterinarians who complete a service requirement. Up to 3% of monies in the fund may be used for program administration costs. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	6,000,000	6,000,000
Federal Funds (BRA2000/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support services in accordance with the terms of each specific grant.		
Funds Expended	274,700	275,300
Year-End Fund Balance	0	(300)
Postsecondary Educational Fund (BRA2405/A.R.S. § 15-1704)		Non-Appropriated
Source of Revenue: Legislative appropriations, monies received from state agencies, political subdivisions, the federal government, and postsecondary institutions, and private gifts, grants, and donations.		
Purpose of Fund: To provide matching monies for the Leveraging Educational Assistance Program (LEAP) and for administrative expenses.		
Funds Expended	1,240,000	1,182,900
Year-End Fund Balance	231,600	291,900
Regents Local Fund (BRA8900/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained monies from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	7,830,100	8,485,800
Year-End Fund Balance	222,400	1,391,400
Spouses and Dependents of Law Enforcement Officers Tuition Scholarship Fund (BRA2500/Laws 2023, Chapter 140)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute scholarships to spouses and dependents of law enforcement officers who meet certain requirements in FY 2024-2027. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Spouses of Military Veterans Tuition Scholarship Fund (BRA5100/A.R.S. § 15-1809)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute scholarships to spouses of military veterans who meet certain requirements. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	9,833,300	9,833,300
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax allocated pursuant to A.R.S. § 42-5029 and § 42-5029.02. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	7,012,800	23,000,000
Year-End Fund Balance	0	0
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona State University

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7,698.2	8,285.7	8,285.7 ^{1/}
Personal Services	614,628,700	627,841,800	627,841,800
Employee Related Expenditures	169,227,200	182,004,400	182,004,400
Professional and Outside Services	69,886,500	63,283,800	63,283,800
Travel - In State	112,700	127,200	127,200
Travel - Out of State	2,452,800	498,500	498,500
Other Operating Expenditures	106,960,900	214,096,300	207,696,300
Equipment	1,282,600	6,950,400	6,950,400
OPERATING SUBTOTAL	964,551,400	1,094,802,400	1,088,402,400 ^{2/ 3/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,462,100	13,468,200	13,459,300 ^{4/}
2017 Capital Infrastructure Funding	12,784,200	13,039,900	13,300,700 ^{5/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,479,200	3,746,100	3,746,100
Collegiate Women's Wrestling Program	0	500,000	0
Downtown Phoenix Campus	112,024,600	133,816,600	133,816,600
Eastern Europe Cultural Collaborative	250,000	250,000	250,000 ^{6/}
One-Time Funding	54,000,000	0	0
School of Civic and Economic Thought and Leadership ^{2/}	6,006,500	0	0
AGENCY TOTAL	1,172,543,800	1,265,609,000	1,258,960,900 ^{8/9/10/}
FUND SOURCES			
General Fund	465,044,700	411,201,900	404,553,800 ^{11/12/13}
<u>Other Appropriated Funds</u>			
University Collections Fund	707,499,100	854,407,100	854,407,100 ^{14/}
SUBTOTAL - Other Appropriated Funds	707,499,100	854,407,100	854,407,100
SUBTOTAL - Appropriated Funds	1,172,543,800	1,265,609,000	1,258,960,900
Other Non-Appropriated Funds	2,731,635,100	2,794,213,000	2,808,849,500
Federal Funds	581,605,400	564,486,200	564,486,200
TOTAL - ALL SOURCES	4,485,784,300	4,624,308,200	4,632,296,600

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR).

FOOTNOTES

- ^{1/} Includes 475.9 GF and 764 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} Of the amount appropriated to the Arizona state university operating budget, \$21,200,000 is onetime funding. On or before September 1, 2024, Arizona state university shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- ^{3/} Any appropriated monies allocated by the university for the school of civic and economic thought and leadership shall be used to operate a single stand-alone academic entity within Arizona state university. The appropriated monies may not supplant any existing state funding or private or external donations to the existing centers or to the school. The appropriated monies and all private and external donations for the school, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the school and may not be used for indirect costs of the university. On or before October 1, 2024, the school shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the school:

1. The total amount of funding received from all sources.
2. A description of faculty positions and courses offered.
3. The total undergraduate and graduate student enrollment.
4. Significant community events, initiatives or publications.

The chairpersons of the senate education committee and the house of representatives education committee may request the director of the school to appear before the committees to report on the school's annual achievements.

The legislature intends that appropriated monies allocated by the university for the school of civic and economic thought and leadership in fiscal year 2024-2025 be consistent with the amount appropriated in fiscal year 2022-2023. (General Appropriation Act footnote)

- 4/ A.R.S. § 15-1670 appropriates \$13,459,300 to ASU from the General Fund in FY 2025 to finance lease-purchase payments for research infrastructure projects.
- 5/ A.R.S. § 15-1671 appropriates \$13,300,700 to ASU from the General Fund in FY 2025 for capital infrastructure projects.
- 6/ Arizona state university shall use monies appropriated for the eastern Europe cultural collaborative to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe. (General Appropriation Act footnote)
- 7/ The School of Civic and Economic Thought and Leadership is funded in the operating budget starting in FY 2024.
- 8/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 9/ The appropriated monies may not be used by the Arizona state university college of law legal clinic for any lawsuits involving inmates of the state department of corrections in which this state is the adverse party. (General Appropriation Act footnote)
- 10/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 11/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 12/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 13/ The FY 2025 General Fund Baseline is \$404,553,800. This amount includes \$377,793,800 in ASU's individual section of the FY 2025 General Appropriation Act, \$13,459,300 in A.R.S. § 15-1670 lease-purchase appropriations, and \$13,300,700 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 14/ Any unencumbered balances remaining in the university collections fund on June 30, 2024 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$1,088,402,400 and 7,045.8 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$318,626,400
University Collections Fund	769,776,000

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(2,400,000) from the General Fund in FY 2025 for the elimination of one-time operating funding.

The FY 2023 budget's 3-year plan included \$21,200,000 from the General Fund for one-time operating funding in

FY 2023, FY 2024, and FY 2025. This amount was included in the FY 2024 Baseline. The revised 3-year budget plan increased one-time funding in FY 2024 by \$2,400,000, for a total of \$23,600,000 in FY 2024 and \$21,200,000 in FY 2025. These monies will be removed in FY 2026.

ASU reported that the FY 2024 monies will be used to expand its engineering programs, help fund the Electrified Processes for Industry without Carbon Institute, growing ASU Core Facilities, funding high-tech workforce development programs, and expanding faculty and toolsets for Macro Technology Works.

Remove One-Time Funding

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2025 for the elimination of one-time ASU Center for American Institutions funding. The FY 2024 budget included a legislative intent statement that \$4,000,000 from the operating budget appropriation be

deposited to a separate account to be used for the direct support of the center. By October 1, 2024, the center is required to submit a report that includes the total amount of funding received from all sources and a description of the center's activities and accomplishments. The center was previously known as the Political History and Leadership Program and received a one-time appropriation of \$250,000 from the General Fund in FY 2022 as a separate line item.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the ASU Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$13,459,300 from the General Fund in FY 2025 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(8,900) from the General Fund in FY 2025 to adjust the Certificates of Participation (COPs) payment.

A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding would not appear in the FY 2024 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, ASU has issued \$206,200,000 in COPs. *(Please see the ABOR section for more information.)*

2017 Capital Infrastructure Funding

The Baseline includes \$13,300,700 from the General Fund in FY 2025 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$260,800 from the General Fund in FY 2025 for a 2.0% increase in capital infrastructure funding.

A.R.S. § 15-1671 provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction

projects. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2025 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2025, from the second quarter of CY 2022 to the second quarter of CY 2023). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The Baseline includes \$5,985,800 from the General Fund in FY 2025 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2024. *(Please see the ABOR section for more information.)*

Biomedical Informatics

The Baseline includes \$3,746,100 and 24.3 FTE Positions in FY 2025 for the Biomedical Informatics line item. These amounts consist of:

General Fund	1,900,100
University Collections Fund	1,846,000

These amounts are unchanged from FY 2024.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data.

Collegiate Women's Wrestling Program

The Baseline includes no funding in FY 2025 for the Collegiate Women's Wrestling Program line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for the elimination of one-time funding to award athletic scholarships to full-time students participating in the collegiate women's wrestling program who have an overall GPA of at least 3.0 and are ranked in the top ten of their weight class, with priority given to students ranked in to the top 5 of their weight class. Up to \$150,000 may be used for costs associated with establishing and maintain the program.

Downtown Phoenix Campus

The Baseline includes \$133,816,600 and 1,215.6 FTE Positions in FY 2025 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	51,031,500
University Collections Fund	82,785,100

These amounts are unchanged from FY 2024.

The Downtown Phoenix Campus offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006.

Eastern Europe Cultural Collaborative

The Baseline includes \$250,000 from the General Fund in FY 2025 for the Eastern Europe Cultural Collaborative. This amount is unchanged from FY 2024.

These monies are used to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

ASU's FY 2025 General Fund Baseline is \$404,553,800. Of this amount:

- \$377,793,800 is included in ASU's individual section of the FY 2025 General Appropriation Act.
- \$13,459,300 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$13,300,700 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ASU's General Fund costs are projected to decrease by \$(20,939,400) in FY 2026 below FY 2025 and increase by

\$267,500 in FY 2027 above FY 2026. These estimates are based on:

- Decreases of \$(5,400) in FY 2026 and \$(3,800) in FY 2027 to adjust for university debt service costs.
- Increases of \$266,000 in FY 2026 and \$271,300 in FY 2027 to increase the university's annual Capital Infrastructure Funding appropriation.
- Decrease of \$(21,200,000) in FY 2026 to remove one-time operating funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2024 General Appropriation Act appropriated \$706,031,800 from the University Collections Fund to ASU. The Collections Fund for ASU represents a portion of tuition, fees, and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition independent of the legislative process. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2024 to the Joint Legislative Budget Committee in June 2023, and ASU incorporated the adjusted FY 2024 amounts as part of their FY 2025 budget submission. Accordingly, the estimated FY 2024 amount has been adjusted by \$148,375,300 to \$854,407,100.

The FY 2024 FTE Position count has also been adjusted. The FY 2024 General Appropriation Act originally appropriated 7,724.9 FTE Positions in FY 2024 for ASU. The General Fund accounted for 2,743.4 FTE Positions and the University Collections Fund accounted for the remaining 4,981.5 FTE Positions. The estimated number of FY 2024 FTE Positions has been adjusted by 560.8 to 8,285.7. The General Fund accounts for 2,567.7 FTE Positions and the University Collections Fund accounts for the remaining 5,718 FTE Positions.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	307,117,400	318,553,300
Year-End Fund Balance	(2,532,100)	43,100
Capital Infrastructure Fund - ASU (UNI3001/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. ASU received a General Fund appropriation of \$11,927,400 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	311,677,700	336,059,500
Year-End Fund Balance	298,367,300	242,824,500
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	1,551,056,100	1,614,462,300
Year-End Fund Balance	573,519,900	623,358,700
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	155,414,100	155,414,100
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	499,710,900	487,954,100
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	81,894,500	76,532,100
Year-End Fund Balance	53,752,500	60,313,900

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	101,656,800	95,280,900
Year-End Fund Balance	66,920,500	75,089,100
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	519,700	0
Year-End Fund Balance	13,271,300	13,271,300
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	448,447,100	418,693,400
Year-End Fund Balance	91,852,600	109,716,100
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	11,160,300	11,163,600
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	707,499,100	854,407,100
Year-End Fund Balance	0	0

Northern Arizona University

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,222.5	2,480.4	2,480.4 ^{1/}
Personal Services	153,225,500	172,224,200	172,224,200
Employee Related Expenditures	47,757,300	51,632,200	51,632,200
Professional and Outside Services	16,917,300	13,722,900	13,722,900
Travel - In State	406,300	426,800	426,800
Travel - Out of State	357,300	7,500	7,500
Other Operating Expenditures	31,702,400	14,357,200	13,357,200
Equipment	3,164,400	1,925,600	1,925,600
OPERATING SUBTOTAL	253,530,500	254,296,400	253,296,400 ^{2/3/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,301,500	5,302,900	4,885,500 ^{4/}
2017 Capital Infrastructure Funding	4,845,600	4,942,500	5,041,400 ^{5/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research Funding	3,000,000	3,000,000	3,000,000 ^{6/}
Economic Policy Institute ^{7/}	865,300	0	0
One-Time Funding	26,000,000	0	0
NAU - Yuma	3,119,800	3,084,600	3,084,600
Teacher Training	2,292,700	2,292,700	2,292,700 ^{8/}
AGENCY TOTAL	300,281,400	274,245,100	272,926,600 ^{9/10/}
FUND SOURCES			
General Fund	164,151,500	138,925,500	137,607,000 ^{11/12/13/}
<u>Other Appropriated Funds</u>			
University Collections Fund	136,129,900	135,319,600	135,319,600 ^{14/}
SUBTOTAL - Other Appropriated Funds	136,129,900	135,319,600	135,319,600
SUBTOTAL - Appropriated Funds	300,281,400	274,245,100	272,926,600
Other Non-Appropriated Funds	370,770,100	382,290,100	393,030,100
Federal Funds	130,384,800	131,688,700	133,005,700
TOTAL - ALL SOURCES	801,436,300	788,223,900	798,962,400

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university's primary focus is undergraduate residential education.

FOOTNOTES

- ^{1/} Includes 28.7 GF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} Of the amount appropriated to the Northern Arizona university operating budget, \$10,100,000 is onetime funding. On or before September 1, 2024, Northern Arizona university shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- ^{3/} Any appropriated monies allocated by the university for the economic policy institute may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the institute and may not be used for indirect costs of the university. On or before October 1, 2024, the institute shall submit to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee a report that includes at least the following information for the institute:
 1. The total amount of funding received from all sources.
 2. A description of the faculty positions and courses offered.

3. The total undergraduate and graduate student participation.
4. Significant community events, initiatives or publications.

The chairpersons of the senate education committee and the house of representatives education committee may request the director of the institute to appear before the committees to report on the institute's annual achievements. The legislature intends that appropriated monies allocated by the university for the economic policy institute in fiscal year 2024-2025 be consistent with the amount appropriated in fiscal year 2022-2023. (General Appropriation Act footnote)

- 4/ A.R.S. § 15-1670 appropriates \$4,885,500 to NAU from the General Fund in FY 2025 to finance lease-purchase payments for research infrastructure projects.
- 5/ A.R.S. § 15-1671 appropriates \$5,041,400 to NAU from the General Fund in FY 2025 for capital infrastructure projects.
- 6/ The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals and biotechnology and health research centers. A nonprofit foundation that receives monies shall submit an expenditure and performance report to Northern Arizona university. The university shall transmit the report to the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on or before February 1, 2025. The report must include at least the following:
 1. The type and amount of expenditures from all state sources of monies, including the amount leveraged for local, state, federal, and private grants.
 2. A description of each grant received as well as the percentage and locations of positions funded solely or partly by state monies and the nonprofit foundation's projects with which these positions are associated.
 3. Performance measures, including:
 - (a) Outcomes that are specifically related to the use of state monies.
 - (b) Progress that has been made toward achieving each outcome, including activities, resources and other evidence of progress.
 - (c) Reportable inventions or discoveries related to each outcome.
 - (d) Publications, presentations and narratives related to each outcome and how the expenditures from all state sources of monies that the nonprofit foundation received have benefited this state. (General Appropriation Act footnote)
- 7/ The Economic Policy Institute is funded in the operating budget starting in FY 2024.
- 8/ The appropriated amount for the teacher training line item shall be distributed to the Arizona K-12 center for program implementation and mentor training for the Arizona mentor teacher program prescribed by the state board of education. (General Appropriation Act footnote)
- 9/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 11/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 12/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 13/ The FY 2025 General Fund Baseline is \$137,607,000. This amount would include \$127,680,100 in NAU's individual section of the FY 2025 General Appropriation Act, \$4,885,500 in A.R.S. § 15-1670 lease-purchase appropriations, and \$5,041,400 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 14/ Any unencumbered balances remaining in the university collections fund on June 30, 2024 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$253,296,400 and 2,451.7 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$117,976,800
University Collections Fund	135,319,600

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 for the elimination of one-time operating funding.

The FY 2023 budget's 3-year plan included \$10,100,000 from the General Fund for one-time operating funding in FY 2023, FY 2024, and FY 2025. This amount was included in the FY 2024 Baseline. The revised 3-year budget plan increased one-time funding in FY 2024 by \$1,000,000, for a total of \$11,100,000 in FY 2024 and \$10,100,000 in FY 2025. These monies will be removed in FY 2026.

NAU reported that the FY 2024 monies will be used to expand Allied and Behavioral Health programs in locations across the state, fund statewide infrastructure projects, fund student learning support initiatives, and fund multi-building electronic access and security improvements.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the NAU Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$4,885,500 from the General Fund in FY 2025 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(417,400) from the General Fund in FY 2025 to adjust the Certificates of Participation (COPs) payment.

A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding would not appear in the FY 2025 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$42,210,000 in COPs. *(Please see the ABOR section for more information.)*

2017 Capital Infrastructure Funding

The Baseline includes \$5,041,400 from the General Fund in FY 2025 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$98,900 from the General Fund in FY 2025 for a 2.0% increase in capital infrastructure funding.

A.R.S. § 15-1671 provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2025 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2025, from the second quarter of CY 2022 to the second quarter of CY 2023). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The Baseline includes \$1,326,000 from the General Fund in FY 2025 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2024. *(Please see the ABOR section for more information.)*

Biomedical Research Funding

The Baseline includes \$3,000,000 from the General Fund in FY 2025 for the Biomedical Research Funding line item. This amount is unchanged from FY 2024.

Funding is allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers. Previously, NAU awarded the funding to the Translational Genomics Research Institute (TGen). *(Please see the Department of Health Services section for additional information.)*

NAU - Yuma

The Baseline includes \$3,084,600 and 28.7 FTE Positions from the General Fund in FY 2025 for NAU-Yuma. These amounts are unchanged from FY 2024.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Teacher Training

The Baseline includes \$2,292,700 from the General Fund in FY 2025 for Teacher Training. This amount is unchanged from FY 2024.

The Teacher Training program serves to increase the number of teachers serving as mentors under the Teacher Training ("Master Teacher") program. The Arizona K-12 Center is affiliated with NAU and is located in downtown Phoenix.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

NAU's FY 2025 General Fund Baseline is \$137,607,000. Of this amount:

- \$127,680,100 is included in NAU's individual section of the FY 2025 General Appropriation Act.
- \$4,885,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$5,041,400 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, NAU's General Fund costs are projected to decrease by \$(10,000,200) in FY 2026 below FY 2025 and increase by \$102,600 in FY 2027 above FY 2026.

These estimates are based on:

- Decreases of \$(1,000) in FY 2026 and \$(200) in FY 2027 to adjust for university debt service costs.
- Increases of \$100,800 in FY 2026 and \$102,800 in FY 2027 to increase the university's annual Capital Infrastructure Funding appropriation.
- Decrease of \$(10,100,000) in FY 2026 to remove one-time operating funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2024 General Appropriation Act appropriated \$130,397,300 from the University Collections Fund to NAU. The Collections Fund for NAU represents a portion of tuition, fees and a portion of land earnings. (*Please see ABOR Other Issues for more information.*) If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition independent of the legislative process. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2024 to the Joint Legislative Budget Committee in June 2023, and NAU incorporated the adjusted FY 2024 amounts as part of their FY 2025 budget submission. Accordingly, the estimated FY 2024 amount has been adjusted upward by \$4,922,300 to \$135,319,600.

The FY 2024 FTE Position count has also been adjusted. The FY 2024 General Appropriation Act originally appropriated 2,376.2 FTE Positions in FY 2024 for NAU. The General Fund accounted for 1,153.8 FTE Positions and the University Collections Fund accounted for the remaining 1,222.4 Positions. The estimated number of FY 2024 FTE Positions has been adjusted upward by 104.2 to 2,480.4. The General Fund accounts for 1,175.8 FTE Positions and the University Collections Fund accounts for the remaining 1,304.6 FTE Positions.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	110,924,500	118,446,400
Year-End Fund Balance	48,773,000	58,579,900
Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. NAU received a General Fund appropriation of \$4,520,900 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are paid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	79,350,500	81,349,400
Year-End Fund Balance	14,795,100	3,145,700
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	117,842,200	120,099,800
Year-End Fund Balance	10,693,600	8,021,400
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	37,053,500	35,053,500
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	118,603,400	119,789,500
Year-End Fund Balance	100	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	11,781,400	11,899,200
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	15,166,000	14,598,100
Year-End Fund Balance	20,255,100	21,499,900
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	141,700	100,000
Year-End Fund Balance	700,000	650,000
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	37,291,300	37,647,100
Year-End Fund Balance	45,597,200	45,614,300
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	10,053,900	10,049,300
Year-End Fund Balance	0	0
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	136,129,900	135,319,600
Year-End Fund Balance	0	0

University of Arizona - Main Campus

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,294.5	6,089.0	6,089.0 ^{1/}
Personal Services	346,349,000	317,311,100	317,311,100
Employee Related Expenditures	116,853,000	103,731,200	103,731,200
Professional and Outside Services	22,234,100	19,469,500	19,469,500
Travel - In State	163,000	30,400	30,400
Travel - Out of State	1,295,100	448,500	448,500
Other Operating Expenditures	110,779,400	71,094,900	69,494,900
Equipment	7,250,900	1,022,100	1,022,100
OPERATING SUBTOTAL	604,924,500	513,107,700	511,507,700 ^{2/3/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,252,500	14,255,300	14,247,300 ^{4/}
2017 Capital Infrastructure Funding	11,309,700	11,535,900	11,766,600 ^{5/}
Agriculture	56,586,900	38,255,700	38,255,700
Arizona Cooperative Extension	17,942,900	15,890,900	14,890,900
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	1,148,500	1,148,500	1,148,500 ^{6/}
Center for the Philosophy of Freedom ^{7/}	4,840,000	0	0
College of Veterinary Medicine	20,652,200	23,528,400	23,528,400 ^{8/}
Kazakhstan Studies Program	250,000	250,000	250,000 ^{9/}
Mining, Mineral and Natural Resources Educational Museum	438,700	430,300	430,300
Natural Resource Users Law and Policy Center	2,009,500	1,522,400	1,522,400 ^{10/}
On-Farm Irrigation Efficiency Fund Deposit	0	15,200,000	0
School of Mining	4,476,000	4,084,000	4,084,000 ^{11/}
Sierra Vista Campus	6,298,900	4,191,400	4,191,400
Space Analog for the Moon and Mars	0	1,500,000	0
Veterinary Diagnostic Laboratory	5,000,000	2,500,000	2,500,000
AGENCY TOTAL	752,859,700	650,129,900	631,052,600 ^{12/13/}
FUND SOURCES			
General Fund	299,423,000	302,897,200	283,819,900 ^{14/15/16/}
<u>Other Appropriated Funds</u>			
University Collections Fund	453,436,700	347,232,700	347,232,700 ^{17/}
SUBTOTAL - Other Appropriated Funds	453,436,700	347,232,700	347,232,700
SUBTOTAL - Appropriated Funds	752,859,700	650,129,900	631,052,600
Other Non-Appropriated Funds	1,645,569,200	1,925,178,700	1,963,110,700
Federal Funds	278,982,300	290,141,500	295,944,600
TOTAL - ALL SOURCES	2,677,411,200	2,865,450,100	2,890,107,900

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today.

FOOTNOTES

- 1/ Includes 869.0 GF and 198.1 QF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Of the amount appropriated to the university of Arizona operating budget, \$14,700,000 is onetime funding. On or before September 1, 2024, the university of Arizona shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)

- 3/ Any appropriated monies allocated by the university for the center for the philosophy of freedom may not supplant any existing state funding or private or external donations to the center or the philosophy department of the university of Arizona. The appropriated monies and all private and external donations to the center, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the center and may not be used for indirect costs of the university. On or before October 1, 2024, the center shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the center:
1. The total amount of funding received from all sources.
 2. A description of faculty positions and courses offered.
 3. The total undergraduate and graduate student participation.
 4. Significant community events, initiatives or publications.
- The chairpersons of the senate education committee and the house of representatives education committee may request the director of the center to appear before the committees to report on the center's annual achievements. The legislature intends that appropriated monies allocated by the university for the center for the philosophy of freedom in fiscal year 2024-2025 be consistent with the amount appropriated in fiscal year 2022-2023. (General Appropriation Act footnote)
- 4/ A.R.S. § 15-1670 appropriates \$14,247,300 to UA-Main from the General Fund in FY 2025 to finance lease-purchase payments for research infrastructure projects.
- 5/ A.R.S. § 15-1671 appropriates \$11,766,600 to UA-Main from the General Fund in FY 2025 for capital infrastructure projects.
- 6/ The university of Arizona may not use monies appropriated for the Arizona geological survey line item for any other purpose and may not transfer the monies appropriated for the Arizona geological survey to the operating budget or any other line item. (General Appropriation Act footnote)
- 7/ The Center for the Philosophy of Freedom is funded in the operating budget starting in FY 2024.
- 8/ The amount appropriated to the college of veterinary medicine line item shall be distributed to the college of veterinary medicine to increase the number of students that are residents of this state. Before spending these monies, the university of Arizona shall report to the joint legislative budget committee all of the following information for the college of veterinary medicine:
1. The current number of students who are residents of this state.
 2. The current number of students who are not residents of this state. (General Appropriation Act footnote)
- 9/ The university of Arizona shall use monies appropriated for the Kazakhstan studies program to facilitate academic exchanges between university students and academic institutions in Kazakhstan. (General Appropriation Act footnote)
- 10/ The amount appropriated for the natural resource users law and policy center line item shall be used by the natural resource users law and policy center within the Arizona cooperative extension. Of the amount appropriated, at least \$500,000 shall be used to assist claimants in the general stream adjudication of water rights pursuant to section 15-1647, Arizona Revised Statutes. (General Appropriation Act footnote)
- 11/ One hundred percent of the land earnings and interest from the school of mines land fund shall be distributed to the university of Arizona school of mining and mineral resources in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- 12/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 14/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 15/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 16/ The FY 2025 General Fund Baseline is \$283,819,900. This amount includes \$257,806,000 in UA - Main's individual section of the FY 2025 General Appropriation Act, \$14,247,300 in A.R.S. § 15-1670 lease-purchase appropriations and \$11,766,600 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 17/ Any unencumbered balances remaining in the university collections fund on June 30, 2024 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$511,507,700 and 5,021.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$190,153,300
University Collections Fund	321,354,400

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(1,600,000) from the General Fund in FY 2025 for the elimination of one-time operating funding.

The FY 2023 budget's 3-year plan included \$14,700,000 from the General Fund for one-time operating funding in FY 2023, FY 2024, and FY 2025. The revised 3-year budget plan increased one-time funding in FY 2024 by \$1,600,000 for a total of \$16,300,000 in FY 2024 and \$14,700,000 in 2025. The monies will be removed in FY 2026.

UA reported that the FY 2024 monies will be used to continue expanding Arizona Cooperative Extension programs, cancer engineering research and workforce training programs, support for the university's One Health Initiatives, and building a shared infrastructure to coordinate student services across multiple degree programs.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-Main Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$14,247,300 from the General Fund in FY 2025 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(8,000) from the General Fund in FY 2025 to adjust the Certificates of Participation (COPs) payment.

A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for

research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding would not appear in the FY 2025 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, UA has issued \$201,300,000 in COPs.

(Please see the ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$11,766,600 from the General Fund in FY 2025 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$230,700 from the General Fund in FY 2025 for a 2.0% increase in Capital Infrastructure Funding.

A.R.S. § 15-1671 provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2025 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2025, from the second quarter of CY 2022 to the second quarter of CY 2023). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Agriculture

The Baseline includes \$38,255,700 and 535.5 FTE Positions in FY 2025 for the Agriculture Programs. These amounts consist of:

General Fund	29,279,300
University Collections Fund	8,976,400

This amount is unchanged from FY 2024.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food

Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The Baseline includes \$14,890,900 and 276.3 FTE Positions from the General Fund in FY 2025 for the Arizona Cooperative Extension. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding to the Agriculture Workforce Development Program, which incentivizes food producing agricultural organizations to hire apprentices by partially offsetting apprenticeship costs.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Arizona Financial Aid Trust

The Baseline includes \$2,729,400 from the General Fund in FY 2025 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2024. *(Please see the ABOR section for more information).*

Arizona Geological Survey

The Baseline includes \$1,148,500 and 20.9 FTE Positions from the General Fund in FY 2025 for the Arizona Geological Survey. These amounts are unchanged from FY 2024.

The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona.

College of Veterinary Medicine

The Baseline includes \$23,528,400 and 89.7 FTE Positions in FY 2025 for the College of Veterinary Medicine. These amounts consist of:

General Fund	\$8,000,000
University Collections Fund	15,528,400

These amounts are unchanged from FY 2024.

The original General Fund appropriation of \$8,000,000 was intended to increase the number of students that are Arizona residents enrolled in the college. UA is required to submit a report to JLBC before spending the monies that includes the current split of enrolled resident and nonresident students.

Kazakhstan Studies Program

The Baseline includes \$250,000 and 2.4 FTE Positions from the General Fund in FY 2025 for the Kazakhstan Studies Program. These amounts are unchanged from FY 2024.

The monies in this line item are used to facilitate academic exchanges between university students and academic institutions in Kazakhstan.

Mining, Mineral and Natural Resources Educational Museum

The Baseline includes \$430,300 and 1.2 FTE Positions from the General Fund in FY 2025 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2024.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

The museum is not yet open. Please see the FY 2024 Appropriations Report for additional background.

Natural Resource Users Law and Policy Center

The Baseline includes \$1,522,400 and 23.6 FTE Positions from the General Fund in FY 2025 for the Natural Resource Users Law and Policy Center. These amounts are unchanged from FY 2024.

This line item funds pro bono assistance to claimants who are small landowners in the general stream adjudication of water rights. The university is required to submit a report on assistance activities to the Governor, Speaker of the House of Representatives, and Senate President on November 15 of each year.

On-Farm Irrigation Efficiency Fund Deposit

The Baseline includes no funding in FY 2025 for a On-Farm Irrigation Efficiency Fund Deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease \$(15,200,000) from the General Fund in FY 2025 for the elimination of a one-time deposit to the On-Farm Irrigation Efficiency Fund.

The On-Farm Irrigation Efficiency Program provides grants and data collection for irrigation efficiency systems to reduce on-farm use of groundwater, surface water, mainstream Colorado River water, or water delivered through the Central Arizona Project while minimizing or eliminating the use of flood irrigation or fallowing to reduce on-farm use.

School of Mining

The Baseline includes \$4,084,000 and 62 FTE Positions from the General Fund in FY 2025 for the School of Mining. These amounts are unchanged from FY 2024.

This line item provides operating funding for the UA School of Mining.

A General Appropriation Act footnote requires 100% of the land earnings and interest from the School of Mines land fund to be distributed to the University of Arizona School of Mining and Mineral Resources.

Sierra Vista Campus

The Baseline includes 4,191,400 and 40.3 FTE Positions in FY 2025 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,817,900
University Collections Fund	1,373,500

These amounts are unchanged from FY 2024.

UA - Sierra Vista offers upper-division undergraduate programs for community college transfer students. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Space Analog for the Moon and Mars

The Baseline includes no funding in FY 2025 for the UA Space Analog for the Moon and Mars project. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2025 for the elimination of one-time funding for the Space Analog for the Moon and Mars project. An FY 2024 General Appropriations Act footnote

required the funding to be used for the continued progression of the space analog for the Moon and Mars program at Biosphere 2 and included a legislative intent statement that the monies be used to support the program for 3 years, in FY 2024, FY 2025, and FY 2026.

Veterinary Diagnostic Laboratory

The Baseline includes \$2,500,000 and 15.2 FTE Positions from the General Fund in FY 2025 for the Veterinary Diagnostic Laboratory. These amounts are unchanged from FY 2024.

The Veterinary Diagnostic Laboratory provides diagnostic service in animal health to veterinarians, animal owners, university researchers, and state and federal agencies.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

UA - Main's FY 2025 General Fund Baseline is \$283,819,900. Of this amount:

- \$257,806,000 is included in UA - Main's individual section of the FY 2025 General Appropriation Act.
- \$14,247,300 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$11,766,600 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, UA - Main's General Fund costs are projected to decrease by \$(14,463,600) in FY 2026 below FY 2025 and increase by \$242,900 in FY 2027 above FY 2026.

These estimates are based on:

- Increases of \$1,100 in FY 2026 and \$2,900 in FY 2027 to adjust for university debt service costs.
- Increases of \$235,300 in FY 2026 and \$240,000 in FY 2027 to increase the university's annual Capital Infrastructure Funding.
- Decreases of \$(14,700,000) FY 2026 to remove one-time operating funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2024 General Appropriation Act appropriated \$382,811,300 from the University Collections Fund to UA - Main. The Collections Fund for UA - Main represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition independent of the legislative process. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY

2024 to the Joint Legislative Budget Committee in June 2023, and UA incorporated the adjusted FY 2024 amounts as part of their FY 2025 budget submission. Accordingly, the estimated FY 2024 amount has been adjusted downward by \$(35,578,600) to \$347,232,700.

The FY 2024 FTE Position count has also been adjusted. The FY 2024 General Appropriation Act originally appropriated 6,294.5 FTE Positions in FY 2024 for UA - Main. The General Fund accounted for 2,850.3 FTE Positions and the University Collections Fund accounted for the remaining 3,444.2 FTE Positions. The estimated number of FY 2024 FTE Positions has been adjusted by (205.5) to 6,089.0. The General Fund accounts for 2,839.6 FTE Positions and the University Collections Fund accounts for the remaining 3,249.4 FTE Positions.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	333,366,100	347,180,600
Year-End Fund Balance	45,704,700	47,544,500
Capital Infrastructure Fund - UA (UNI3003/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. UA received a General Fund appropriation of \$10,551,700 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	329,471,600	342,667,600
Year-End Fund Balance	225,579,600	197,649,800
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	652,727,400	935,207,900
Year-End Fund Balance	169,201,800	180,214,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	616,900	641,600
Year-End Fund Balance	172,845,300	179,117,500
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	217,668,200	226,280,400
Year-End Fund Balance	34,655,600	34,972,100
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	60,216,800	62,625,500
Year-End Fund Balance	0	0
Geological Survey Fund (UNI3030/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Indirect cost recovery funds, and other state and local grants, fees, contracts, agreements, MOUs and other university funds.		
Purpose of Fund: To investigate and describe Arizona's geologic setting and to finance map publication and production expenses.		
Funds Expended	277,700	216,900
Year-End Fund Balance	747,700	587,700
Geological Survey Fund - Federal Grants (UNI3031/A.R.S. § 27-107)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To carry out federal grants and contracts awarded to the Arizona Geological Survey.		
Funds Expended	1,097,300	1,235,600
Year-End Fund Balance	0	0
Geological Survey Fund - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Ongoing revenues from the Arizona Centennial Special Fund established by A.R.S. § 28-2448 are deposited in this account of the Geological Survey Fund. Donations or other financial contributions can be deposited into this account.		
Purpose of Fund: Monies in this account are to be used exclusively for the restoration, maintenance, and operations of the Mining, Mineral, and Natural Resources Educational Museum.		
Funds Expended	12,400	86,000
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	9,149,100	9,515,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	447,300	560,200
Year-End Fund Balance	26,838,000	26,277,800
On-Farm Irrigation Efficiency Fund (UNI8888/Laws 2022, Chapter 332)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal grants, and other grants, gifts, and contributions.		
Purpose of Fund: To administer the On-Farm Irrigation Efficiency Pilot Program, which provides grants for on-farm irrigation efficiency systems. Up to 10% of monies in the fund may be used for administrative costs and up to \$1,000,000 may be used for irrigation efficiency demonstration, research, and education. The fund is repealed from and after December 31, 2026. Expenditures are not displayed to avoid double counting of General Fund appropriations and federal funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	293,466,500	263,086,600
Year-End Fund Balance	93,814,700	96,412,600
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	26,034,200	26,016,200
Year-End Fund Balance	0	0
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	453,436,700	347,232,700
Year-End Fund Balance	0	0

University of Arizona - Health Sciences Center

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,112.4	1,154.9	1,154.9 ^{1/}
Personal Services	53,305,700	62,504,000	62,504,000
Employee Related Expenditures	17,202,800	19,803,900	19,803,900
Professional and Outside Services	3,167,900	5,507,000	5,507,000
Travel - In State	49,000	38,700	38,700
Travel - Out of State	180,800	67,200	67,200
Other Operating Expenditures	8,480,700	12,538,200	12,538,200
Equipment	183,400	136,000	136,000
OPERATING SUBTOTAL	82,570,300	100,595,000	100,595,000 ^{2/}
SPECIAL LINE ITEMS			
AZ Reach	0	500,000	0
Board of Medical Student Loans	0	2,000,000	0
Clinical Rural Rotation	353,600	353,600	353,600
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Fall Prevention Studies	0	1,000,000	0
Liver Research Institute	440,400	440,400	440,400
Phoenix Medical Campus	32,293,600	34,798,200	34,798,200
Telemedicine Network	1,670,000	1,670,000	1,670,000
AGENCY TOTAL	125,914,900	149,944,200	146,444,200 ^{3/4/}
FUND SOURCES			
General Fund	76,897,700	80,397,700	76,897,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	49,017,200	69,546,500	69,546,500 ^{2/}
SUBTOTAL - Other Appropriated Funds	49,017,200	69,546,500	69,546,500
SUBTOTAL - Appropriated Funds	125,914,900	149,944,200	146,444,200
Other Non-Appropriated Funds	361,322,000	375,665,400	382,727,600
Federal Funds	209,743,200	218,133,000	222,495,500
TOTAL - ALL SOURCES	696,980,100	743,742,600	751,667,300

AGENCY DESCRIPTION — The University of Arizona's Health Sciences Center (UA-HSC) includes its Colleges of Medicine Tucson and Phoenix, Nursing, Pharmacy, and Public Health. UA-HSC also currently operates a medical campus in Phoenix that opened in FY 2006.

FOOTNOTES

- ^{1/} Includes 201.4 GF and 88.6 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} The legislature intends that \$8,000,000 of the amount appropriated to the health sciences center operating lump sum appropriation line item be used to expand the college of medicine Phoenix campus and to develop and administer a primary care physician scholarship program at the college of medicine Phoenix campus and the college of medicine Tucson campus. The legislature intends that the \$8,000,000 not be annualized in future years. (General Appropriation Act footnote)
- ^{3/} Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{5/} The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- ^{6/} The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)

7/ Any unencumbered balances remaining in the university collections fund on June 30, 2024 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$100,595,000 and 864.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$42,576,900
University Collections Fund	58,018,100

These amounts are unchanged from FY 2024.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-HSC Other Issues Section and ABOR for more information.)*

AZ REACH

The Baseline includes no funding in FY 2025 for the AZ REACH program. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 for the elimination of one-time AZ REACH funding. AZ REACH coordinates acute medical care transfers in Arizona hospitals. A FY 2024 General Appropriation Act footnote requires funding to be used to provide transfers for hospitals with less than twenty beds.

Board of Medical Student Loans

The Baseline includes no funding in FY 2025 for the Board of Medical Student Loans. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for the elimination of one-time the Board of Medical Student Loans funding. The board provides forgivable loans to Arizona medical students in exchange for practicing in rural and underserved areas of the state. UA's financial aid office provided administrative support to the board.

Clinical Rural Rotation

The Baseline includes \$353,600 and 5.2 FTE Positions from the General Fund in FY 2025 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2024.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The Baseline includes \$8,587,000 from the General Fund in FY 2025 for Clinical Teaching Support. This amount is unchanged from FY 2024.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions.

Fall Prevention Studies

The Baseline includes no funding in FY 2025 for Fall Prevention Studies. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 for the elimination of one-time fall prevention research studies funding.

Liver Research Institute

The Baseline includes \$440,400 and 6.5 FTE Positions from the General Fund in FY 2025 for the Liver Research Institute. These amounts are unchanged from FY 2024.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The Baseline includes \$34,798,200 and 267.5 FTE Positions in FY 2025 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,269,800
University Collections Fund	11,528,400

These amounts are unchanged from FY 2024.

In addition to the monies appropriated in this line item, a General Appropriation Act footnote states legislative intent that \$8,000,000 from the UA Health Sciences Center operating budget appropriation be used to expand the College of Medicine Phoenix Campus and to develop and administer a primary care physician scholarship program at both the Phoenix and Tucson Campuses.

Telemedicine Network

The Baseline includes \$1,670,000 and 10.8 FTE Positions from the General Fund in FY 2025 for the Telemedicine Network. These amounts are unchanged from FY 2024.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

Other Issues

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2024 General Appropriation Act appropriated \$66,675,300 from the

University Collections Fund to UA - HSC. The Collections Fund for UA - HSC represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition independent of the legislative process. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2024 to the Joint Legislative Budget Committee in June 2023, and UA incorporated the adjusted FY 2024 amounts as part of their FY 2025 budget submission. Accordingly, the estimated FY 2024 amount has been adjusted by \$2,871,200 to \$69,546,500.

The FY 2024 FTE Position count has also been adjusted. The FY 2024 General Appropriations Act originally appropriated 1,112.4 FTE Positions in FY 2024 for the UA - HSC. The General Fund accounted for 561.0 FTE Positions and the University Collections Fund accounted for the remaining 551.4 FTE Positions. The estimated number of FY 2024 FTE Positions has been adjusted by 42.5 to 1,154.9. The General Fund accounts for 570.5 FTE Positions and the University Collections Fund accounts for the remaining 584.4 FTE Positions.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	801,000	783,200
Year-End Fund Balance	345,300	183,000
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	245,668,700	255,495,500
Year-End Fund Balance	138,064,500	142,636,400

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	19,843,100	19,986,800
Year-End Fund Balance	20,705,800	19,803,600
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	19,283,400	20,054,700
Year-End Fund Balance	166,557,400	173,165,100
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	157,598,800	163,902,800
Year-End Fund Balance	35,637,000	35,993,400
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	52,144,400	54,230,200
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	6,345,900	6,599,800
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	(2,840,800)	0
Year-End Fund Balance	9,365,500	9,365,500
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	72,220,700	72,745,400
Year-End Fund Balance	45,514,800	45,969,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	49,017,200	69,546,500
Year-End Fund Balance	582,100	603,400

Department of Veterans' Services

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	792.3	792.3	792.3 ^{1/}
Personal Services	1,471,300	1,535,800	1,535,800
Employee Related Expenditures	466,100	644,200	644,200
Professional and Outside Services	23,100	5,900	5,900
Travel - In State	38,400	14,400	14,400
Travel - Out of State	13,400	1,100	1,100
Other Operating Expenditures	460,800	878,600	878,600
Equipment	44,700	56,600	56,600
OPERATING SUBTOTAL	2,517,800	3,136,600	3,136,600
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	329,700	975,000	960,000
Arizona State Veterans' Homes	37,638,600	60,519,600	60,519,600
Gila County Veterans Retreat	0	3,000,000	0
Homeless Veterans' Reintegration Program	0	5,000,000	0
Hyperbaric Oxygen Therapy Reimbursement	25,000	0	0
Tribal Ceremonies	0	0	0
Tribal Connectivity Project	0	1,500,000	0
Veterans' Benefit Counseling	3,202,600	3,676,600	3,676,600
Rural Tribal Nations Veteran Benefit Counseling	671,500	2,194,400	2,194,400 ^{2/}
Veterans' Support Services	404,700	1,226,100	1,226,100 ^{3/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{4/}
Veteran Suicide Prevention Training Pilot Program	0	600,000	0
AGENCY TOTAL	44,789,900	82,278,300	72,163,300 ^{5/}
FUND SOURCES			
General Fund	7,126,300	21,758,700	11,643,700
<u>Other Appropriated Funds</u>			
Hyperbaric Oxygen Therapy for Military Veterans Fund	25,000	0	0
State Homes for Veterans Trust Fund	37,638,600	60,519,600	60,519,600
SUBTOTAL - Other Appropriated Funds	37,663,600	60,519,600	60,519,600
SUBTOTAL - Appropriated Funds	44,789,900	82,278,300	72,163,300
Other Non-Appropriated Funds	3,712,100	5,164,200	5,164,200
Federal Funds	5,179,400	1,098,000	1,098,000
TOTAL - ALL SOURCES	53,681,400	88,540,500	78,425,500

AGENCY DESCRIPTION — The agency supervises and operates skilled nursing homes for Arizona veterans, assists veterans in developing and filing claims for federal entitlements, and operates several veterans' memorial cemeteries across the state.

FOOTNOTES

- ^{1/} Includes 101.5 GF and 644 OF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} Monies appropriated for the rural tribal nations veteran benefit counseling line item shall be used for veterans' services officers to provide services in rural tribal nations in this state that have communities that are located one hundred miles or more from the nearest United States department of veterans affairs service center. (General Appropriation Act footnote)
- ^{3/} The amount appropriated for veterans' support services line item shall be distributed to a nonprofit veterans' services organization that provides support services among this state's military and veteran population. The department may spend up to \$76,500 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. Before the expenditure of the monies, the department shall submit an expenditure report to the

joint legislative budget committee that includes the status of non-state matching grant monies. (General Appropriation Act footnote)

- 4/ Monies appropriated for the veterans' trauma treatment services line item shall be used to provide grants to contractors as defined in section 36-2901, Arizona Revised Statutes, that provide trauma treatment services training to any of the following health professionals licensed pursuant to title 32, Arizona Revised Statutes:
1. Physicians.
 2. Registered nurse practitioners.
 3. Physician assistants.
 4. Psychologists.
 5. Behavioral health professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner or behavioral health professional licensed pursuant to title 32, Arizona Revised Statutes, for independent practice. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,136,600 and 46.8 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

Arizona State Veterans' Cemeteries

The Baseline includes \$960,000 and 12.5 FTE Positions from the General Fund in FY 2025 for the Arizona State Veterans' Cemeteries. Adjustments are as follows:

Remove Guard and Reserve Burial Services Funding

The Baseline includes a decrease of \$(15,000) from the General Fund in FY 2025 to remove one-time funding for burial services for members of the Arizona National Guard and U.S. Armed Forces Reserves. Until the passage of the federal Burial Equity for Guards and Reserves Act in March 2022, state veteran cemeteries receiving federal funding were prohibited from interring veterans who lacked active-duty service.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in Sierra Vista, Marana, and Camp Navajo. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Additionally, the U.S. Department of Veterans Affairs (VA) awarded Arizona Department of Veterans' Services (ADVS) \$1,910,200 in FY 2024 to expand the Camp Navajo cemetery. The department plans to install new infrastructure for additional placements, among other improvements. The Marana cemetery also received a similar award of \$3,366,300 in FY 2023.

Arizona State Veterans' Homes

The Baseline includes \$60,519,600 and 644 FTE Positions from the State Homes for Veterans' Trust Fund in FY 2025 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2024.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes. Monies in this line item are from fees and reimbursements received from residents, the VA, Medicaid, Medicare, and private insurance carriers.

ADVS operates the Phoenix Veterans' Home, a 200-bed facility serving an average of 83 individuals between July and November 2023. The Tucson Veterans' Home has a 120-bed capacity serving an average of 93 individuals between July and November 2023. *(Please see Veterans' Homes Occupancy in Other Issues for further details.)*

A third home in Yuma opened in October 2022. A fourth home in Flagstaff is currently under construction. The home has experienced several delays and does not currently have an opening date. The FY 2023 budget increased the department's appropriation authority to annualize the operating costs of both the Yuma and Flagstaff homes. Each of these homes will have an 80-bed capacity. Additionally, the department plans to build a fifth home in Northwestern Arizona. *(Please see the Other Issues section for further details on the Northwestern Arizona home.)*

Gila County Veterans Retreat

The Baseline includes no funding in FY 2025 for the Gila County Veterans Retreat. Adjustments are as follows:

Remove One-Time Veterans Retreat Funding

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2025 to remove a one-time distribution to Gila County for the construction costs of the Pleasant Valley Veterans Retreat.

The retreat, located in Young, Arizona, will be owned by Gila County once the site is conveyed to the county by the U.S. Forest Service. It will be operated by a non-profit to offer amenities for U.S. military veterans and their families at no charge. The monies were appropriated as non-lapsing.

Homeless Veterans' Reintegration Program

The Baseline includes no funding in FY 2025 for the Homeless Veterans' Reintegration Program. Adjustments are as follows:

Remove One-Time Program Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for a program that assists homeless veterans in obtaining employment and helps address the problems facing homeless veterans. The program is based on the U.S. Department of Labor's Homeless Veterans' Reintegration competitive grant program.

Tribal Ceremonies

The Baseline includes no funding in FY 2025 for Tribal Ceremonies. This amount is unchanged from FY 2024.

The FY 2023 budget included \$1,000,000 from the General Fund for tribal ceremonies. The budget required the department to distribute the monies to Indian tribes to conduct ceremonies for tribal members who are discharged from the military, including members diagnosed with PTSD. The monies were appropriated as non-lapsing. In its FY 2025 budget submittal, the department reported it has not yet spent the FY 2023 appropriation.

Tribal Connectivity Project

The Baseline includes no funding in FY 2025 for the Tribal Connectivity Project. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2025 to remove one-time funding for an infrastructure project. The project's purpose is to expand the telecommunication and satellite internet

capabilities of chapter houses in rural tribal nations to increase veterans' access to services and benefits.

Veterans' Benefit Counseling

The Baseline includes \$3,676,600 and 69 FTE Positions from the General Fund in FY 2025 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2024.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of VA claims, and in obtaining earned benefits. *(For more information on benefit counseling within ADVS, please see Rural Tribal Nations Veteran Benefit Counseling.)*

Rural Tribal Nations Veteran Benefit Counseling

The Baseline includes \$2,194,400 and 20 FTE Positions from the General Fund in FY 2025 for Rural Tribal Nations Veteran Benefit Counseling. These amounts are unchanged from FY 2024.

The monies in this line item fund Veteran Service Officers who provide benefit counseling for tribal nation communities located 100 miles or more from the nearest U.S. Department of Veterans Affairs service center. *(For more information on benefit counseling within ADVS, please see Veterans' Benefit Counseling.)*

Veterans' Support Services

The Baseline includes \$1,226,100 from the General Fund in FY 2025 for Veterans' Support Services. This amount is unchanged from FY 2024.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides support services, including suicide prevention, to Arizona's military and veteran population. The department may spend up to \$76,500 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. The program currently includes a 24/7 hotline, career navigation services, and resource mapping. Prior to spending the appropriation, the department is required to submit an expenditure report to JLBC that includes the status of non-state matching grant monies. As of this writing, the department has not yet submitted a report for FY 2024.

Veterans' Trauma Treatment Services

The Baseline includes \$450,000 from the General Fund in FY 2025 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2024.

Monies appropriated for this line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2901, that provide trauma treatment services training to any of the following health professionals licensed pursuant to Title 32, Arizona Revised Statutes: Physicians, Registered Nurse Practitioners, Physician Assistants, Psychologists, and Behavioral Health Professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner, or behavioral health professional licensed pursuant to Title 32, Arizona Revised Statutes, for independent practice.

Veteran Suicide Prevention Training Pilot Program

The Baseline includes no funding in FY 2025 for the Veteran Suicide Prevention Training Pilot Program. Adjustments are as follows:

Remove One-Time Pilot Program Funding

The Baseline includes a decrease of \$(600,000) from the General Fund in FY 2025 to remove one-time funding for a suicide prevention pilot program. The FY 2024 budget included a footnote specifying that the pilot program will provide training and certification to veterans-facing staff throughout the state on identifying indicators of elevated suicide risk in veterans and providing emergency crisis referrals. The budget also required the department to submit a report by July 30, 2024, to the Senate President and the Speaker of the House of Representatives that includes recommendations for improving the program.

After passage of the FY 2024 budget, Laws 2023, Chapter 199 established the pilot program as permanent law and additionally requires the department, in its final report, to recommend whether the program should be continued. The monies were appropriated as non-lapsing.

Other Issues

Veterans' Homes Occupancy

The department reports that occupancy rates in the Phoenix and Tucson homes declined during the COVID-19 pandemic, and construction of the Flagstaff and Yuma homes experienced delays. This resulted in expenditures that exceed available revenues in the State Homes for Veterans' Trust Fund.

Many nursing homes and skilled nursing facilities in Arizona have recovered from pandemic-related declines in occupancy; approximately three-fifths of Arizona facilities are at or above their May 2020 levels. The Arizona State Veterans' Homes, however, continue to face challenges. The Phoenix home's occupancy rate was 73% in May 2020; the average rate for July 2023 through November 2023 was 41%. The Tucson home's occupancy rate was 84% in May 2020; the average rate for July 2023 through November 2023 was 78%.

The Yuma home opened in October 2022. The home has been certified to receive payments from the VA and is now seeking certification for reimbursement from the Medicare and Medicaid programs. The Flagstaff home does not currently have an opening date after experiencing several delays. The department is currently evaluating whether building repairs will be necessary prior to opening. Additionally, the department has begun to decertify 96 of the Phoenix home's 200 beds as it prepares to convert all rooms to single occupancy in 2023.

The Executive made a one-time allocation of \$16,200,500 from the American Rescue Plan Act (ARPA) funds in FY 2022 to address the shortfall. The 3-year budget plan in FY 2023 included an additional allocation of \$19,600,000 from ARPA.

Northwestern Veterans' Home

The FY 2022 budget included \$25,000,000 from the General Fund for the construction and establishment of a veterans' home facility in Northwestern Arizona. The monies were appropriated as non-lapsing.

The Department of Veterans' Services is required to submit the proposed site location to the Arizona Veterans' Service Advisory Commission for approval. As of the quarterly meeting in November 2023, the department has not selected a location. The department is currently conducting feasibility studies for selecting a location.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Camp Navajo.		
Funds Expended	227,400	742,300
Year-End Fund Balance	2,500,300	2,661,800
Coronavirus State and Local Fiscal Recovery Fund (VSA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	4,095,200	0
Year-End Fund Balance	(115,100)	(115,100)
Federal Funds (VSA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: U.S. Department of Veterans Affairs and Department of Defense Grants.		
Purpose of Fund: To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies, provide assistance for military personnel transitioning to a career as a public school teacher, and to construct veterans' homes facilities in Flagstaff and Northwestern Arizona.		
Funds Expended	1,084,200	1,098,000
Year-End Fund Balance	2,035,100	3,107,100
Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)		Appropriated
Source of Revenue: Donations, grants and bequests.		
Purpose of Fund: To provide financial assistance to veterans for hyperbaric oxygen therapy.		
Funds Expended	25,000	0
Year-End Fund Balance	0	0
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund is established through December 31, 2026; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
Purpose of Fund: To provide financial assistance to family members of veterans who became deceased, wounded or injured, or became seriously ill and been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment. Laws 2018, Chapter 258 established the Pre-9/11 and Post-9/11 subaccounts of the fund to provide assistance based on member's service dates.		
Funds Expended	1,578,500	1,602,400
Year-End Fund Balance	6,598,500	6,131,100
State Homes for Veterans Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	37,638,600	60,519,600
Year-End Fund Balance	11,189,300	(10,069,700)
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	3,400	3,000
Year-End Fund Balance	800	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, Flying Cross, Women Veteran, and Military Scholarship license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial, 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans and 3) higher education scholarships for veterans and their dependents.		
Funds Expended	1,902,800	2,816,500
Year-End Fund Balance	5,743,900	6,436,500

Arizona State Veterinary Medical Examining Board

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	321,800	478,700	478,700
Employee Related Expenditures	122,500	146,000	146,000
Professional and Outside Services	38,700	36,000	36,000
Travel - In State	12,400	11,600	11,600
Other Operating Expenditures	134,600	106,800	106,800
Equipment	30,800	6,000	6,000
AGENCY TOTAL	660,800	785,100	785,100

FUND SOURCES

Other Appropriated Funds

Veterinary Medical Examining Board Fund	660,800	785,100	785,100
SUBTOTAL - Other Appropriated Funds	660,800	785,100	785,100
SUBTOTAL - Appropriated Funds	660,800	785,100	785,100
TOTAL - ALL SOURCES	660,800	785,100	785,100

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$785,100 and 7 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	660,800	785,100
Year-End Fund Balance	2,733,800	2,130,700

Water Infrastructure Finance Authority

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
SPECIAL LINE ITEMS			
Long-Term Water Augmentation Fund Deposit	0 ^{1/}	189,200,000	333,000,000 ^{2/}
Water Projects Assistance Grants	10,000,000	3,000,000	0
Gilbert Wells Project	0	27,800,000	0
Glendale Irrigation and Xeriscaping	0	810,000	0
Little Colorado River Levee	0	20,000,000	0
Mohave Wash Recharge Basin	0	3,400,000	0
Peoria Wells Project	0	10,000,000	0
AGENCY TOTAL	10,000,000	254,210,000	333,000,000 ^{3/}
FUND SOURCES			
General Fund	10,000,000	254,210,000	333,000,000
SUBTOTAL - Appropriated Funds	10,000,000	254,210,000	333,000,000
Other Non-Appropriated Funds	96,511,600	186,498,600	186,498,600
Federal Funds	33,570,000	90,956,600	90,956,600
TOTAL - ALL SOURCES	140,081,600	531,665,200	610,455,200

AGENCY DESCRIPTION — The Water Infrastructure Finance Authority (WIFA) finances the construction, rehabilitation, and/or improvement of drinking water, waste water, reclamation, and other water quality facilities/projects from federal funds. The WIFA board also authorizes grants and issues bonds to support water supply development, conservation, and long-term water augmentation projects with state funds. WIFA staff support the statutory Federal Water Programs Committee, Water Supply Development Committee, Long-Term Water Augmentation Committee. Prior to FY 2023, WIFA was operationally located within the Office of Economic Opportunity.

FOOTNOTES

- ^{1/} Laws 2022, Chapter 366 transferred \$334,000,000 from a diversion of the state's share of Transaction Privilege Tax (TPT) for deposit to the Long-Term Water Augmentation Fund. Because this was a revenue transfer to the fund, it is not displayed as an agency expenditure in the table.
- ^{2/} Laws 2022, Chapter 366, appropriated \$333,000,000 from the General Fund in FY 2025 for deposit to the Long-Term Water Augmentation Fund. Because this appropriation is in separate legislation, it will not be included in the General Appropriation Act.
- ^{3/} General Appropriation Act funds are appropriated by Special Line Items by Agency.

Long-Term Water Augmentation Fund Deposit

The Baseline includes \$333,000,000 from the General Fund in FY 2025 for the Long-Term Water Augmentation Fund (LTWAF) Deposit line item. Adjustments are as follows:

FY 2025 Fund Deposit

The Baseline includes an increase of \$143,800,000 from the General Fund for a total deposit of \$333,000,000 in FY 2025. Laws 2022, Chapter 366 appropriated \$333,000,000 from the General Fund in FY 2024 and FY 2025 for deposit to the LTWAF. Since the FY 2024 budget reduced the deposit to \$189,200,000 in FY 2024, the scheduled FY 2025 deposit represents an increase of \$143,800,000 over the previous year. Because the

FY 2025 deposit was appropriated by Laws 2022, Chapter 366, the amount will not be included in the General Appropriation Act.

The \$333,000,000 deposit in FY 2025 is the third year of a 3-year commitment in Laws 2022, Chapter 366. With the FY 2024 revision of \$189,200,000 and a transfer of \$334,000,000 from a diversion of the state's share of Transaction Privilege Tax (TPT) in FY 2023, the 3-year total is \$856,200,000 rather than the original commitment of \$1,000,000,000. The reduction in the FY 2024 deposit was associated with the FY 2024 budget funding 15 water projects with direct appropriations. (See the WIFA section of the FY 2024 Appropriations Report for more information).

Laws 2022, Chapter 366 required that 75% of the monies from the 3-year funding allocation are reserved for 1 or more projects that import water from outside of Arizona.

The monies in this fund are to be used for funding water supply development projects that import water from outside of Arizona, purchasing imported water or rights to imported water, acquiring or constructing facilities to convey and deliver imported water, financial assistance to eligible entities to finance or refinance water supply development projects within Arizona and other expenses related to these endeavors including water studies, assessments, and environmental reviews. An eligible entity is a water provider or any city, town, county, district, commission, authority or other public entities for this fund as defined in A.R.S. § 49-1301. The fund may be used for administrative costs, but expenditures are limited to funding no more than 10 FTE Positions at WIFA.

The WIFA Board will approve assistance from this fund and will receive recommendations from a Long-Term Water Augmentation subcommittee comprised of board members. Awards of more than \$50,000,000 from the fund are required to be reviewed by the 9-member Joint Legislative Water Committee established by A.R.S. § 49-1215.

Water Projects Assistance Grants

The Baseline includes no funding in FY 2025 for the Water Projects Assistance Grants line item. Adjustments are as follows:

Remove One-Time Water Projects Funding

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2025 to remove one-time funding for water project financial assistance grants.

The FY 2024 appropriation of \$3,000,000 was allocated as follows: 1) \$1,000,000 to cities and towns that provide water in Navajo and Apache Counties; 2) \$1,000,000 to irrigation districts in Graham County and 3) \$1,000,000 to irrigation districts in Cochise County along the San Pedro River. Pursuant to a budget footnote, WIFA is required to distribute these monies by December 31, 2023.

Monies in this line item are for grants to be used to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the relevant entity to adequately perform their duties. Prior to the FY 2023 budget, this line item was named Eastern Arizona Water Projects Assistance Grants. *(Please see the FY 2022, FY 2023, and FY 2024 Appropriations Reports for prior grant distribution amounts and requirements.)*

Gilbert Wells Project

The Baseline includes no funding in FY 2025 for the Gilbert Wells Project line item. Adjustments are as follows:

Remove One-Time Water Projects Funding

The Baseline includes a decrease of \$(27,800,000) from the General Fund in FY 2025 to remove one-time funding allocated to the Town of Gilbert to support the rehabilitation and drilling of new water wells to access previously conserved groundwater.

Glendale Irrigation and Xeriscaping

The Baseline includes no funding in FY 2025 for the Glendale Irrigation and Xeriscaping line item. Adjustments are as follows:

Remove One-Time Water Projects Funding

The Baseline includes a decrease of \$(810,000) from the General Fund in FY 2025 to remove one-time funding allocated to the City of Glendale for xeriscaping and irrigation system improvements.

Little Colorado River Levee

The Baseline includes no funding in FY 2025 for the Little Colorado River Levee line item. Adjustments are as follows:

Remove One-Time Water Projects Funding

The Baseline includes a decrease of \$(20,000,000) from the General Fund in FY 2025 to remove one-time funding allocated to Navajo County to support the reconstruction of the Little Colorado River levee.

The FY 2024 General Appropriation Act distributed the monies to the City of Winslow. Laws 2022, Chapter 166 amended the General Appropriations Act to direct the monies to Navajo County. That entity will manage the rebuilding project along with the Army Corps of Engineers. The rebuilding of the levee will protect the City of Winslow and Interstate 40, along with nearby railroad lines and other infrastructure.

Mohave Wash Recharge Basin

The Baseline includes no funding in FY 2025 for the Mohave Wash Recharge Basin line item. Adjustments are as follows:

Remove One-Time Water Projects Funding

The Baseline includes a decrease of \$(3,400,000) from the General Fund in FY 2025 to remove one-time funding allocated to Mohave County to design and construct the

Mohave Wash recharge basin for the capture of stormwater at the confluence of the Mohave Wash and Rattlesnake Wash.

Peoria Wells Project

The Baseline includes no funding FY 2025 for the Peoria Wells Project line item. Adjustments are as follows:

Remove One-Time Water Projects Funding

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 to remove one-time funding allocated to the City of Peoria to support the construction of 5 new water wells and water infrastructure projects.

Other Issues

Water Conservation Grant Fund

Laws 2022, Chapter 366 established the Water Conservation Grant Fund. Laws 2023, Chapter 197 expanded the fund eligibility to include tribal entities and private water systems to the list of eligible entities (which also includes cities, towns, counties, public water systems, natural resources conservation districts and irrigation districts, along with non-government organizations partnering with an eligible entity).

These entities may apply to receive funds for voluntary water conservation programs such as: education, rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection.

Chapter 366 did not provide an initial state funding allocation to the fund. The fund has been allocated \$200,000,000 of Federal Funds for this purpose. As of September 2023, WIFA awarded \$66,293,200 during the first four grant cycles.

Small Drinking Water Systems Fund

The Small Drinking Water Systems Fund provides information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency and non-emergency grants to small water systems for infrastructure repair. An FY 2022 General Appropriation Act footnote requires WIFA to report the previous fiscal year's Small Drinking Water Systems Fund expenditures to JLBC by December 31 of 2021, 2022, and 2023.

The fund was created in FY 2017 and received an initial deposit of \$500,000. The fund also received appropriations of \$500,000 in FY 2020 and \$1.0 million in FY 2022 to the fund. For the FY 2022 report, WIFA reports this \$2,018,100 of total funding (the appropriations plus interest) has been allocated as follows: \$1.4 million was expended for 26 completed projects, \$572,800 has been granted towards 10 pending projects, which leaves \$45,400 of funding available for additional projects.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Clean Water Annual Debt Service Interest Fund (FAA4313/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Interest from issued loans.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	1,239,700	1,654,700
Year-End Fund Balance	22,644,100	24,238,400
Clean Water Annual Debt Service Principal Fund (FAA4312/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Repayment on the principal of issued loans.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	21,964,300	12,619,000
Year-End Fund Balance	69,364,100	80,808,600

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Clean Water Debt Service Reserve - Clean Water Fund (FAA4315/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Upfront payment from loan recipients with lower credit scores.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	3,883,700	4,008,500
Clean Water Federal Loan Fund (FAA4310/A.R.S. § 49-1221)		Federal Funds
Source of Revenue: Federal monies.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	7,024,500	20,582,000
Year-End Fund Balance	0	0
Clean Water Fee Program Income Fund (FAA4309/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Administrative fee from the issuance of a loan.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	939,100	12,300
Year-End Fund Balance	2,585,000	2,671,800
Clean Water Fees Non Program Income Fund (FAA4317/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Administrative fees from Qualified Not Pledged (QNP) and Not Qualified (NQ) loans.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	1,626,500	46,500
Year-End Fund Balance	9,645,800	13,724,200
Clean Water Financial Assistance Fund (FAA4319/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Principal and interest from Qualified Not Pledged (QNP) and Not Qualified (NQ) loan payments.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	6,721,600	0
Year-End Fund Balance	10,518,400	18,057,200
Clean Water State Loan Fund (FAA4311/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Revenue generated from bond sales.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Drinking Water Annual Debt Service Interest Fund (FAA4333/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Interest from issued loans.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	3,843,200	6,150,500
Year-End Fund Balance	3,660,300	1,500
Drinking Water Annual Debt Service Principal Fund (FAA4332/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Repayment on the principal of issued loans.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	26,222,800	27,910,000
Year-End Fund Balance	69,189,300	64,129,100
Drinking Water Debt Service Reserve Fund (FAA4320/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Upfront payment from loan recipients with lower credit scores.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	2,254,300	2,345,200
Drinking Water Federal Loan Fund (FAA4335/A.R.S. § 49-1261)		Federal Funds
Source of Revenue: Federal monies.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	25,892,800	62,717,900
Year-End Fund Balance	0	0
Drinking Water Fees Non-Program Fund (FAA4322/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Administrative fees from Qualified Not Pledged (QNP) and Not Qualified (NQ) loans.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	17,612,400	300,700
Year-End Fund Balance	2,606,500	9,854,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Drinking Water Fees Program Income Fund (FAA4336/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Administrative fee from the issuance of a loan.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	976,500	0
Year-End Fund Balance	23,700	2,478,500
Drinking Water Financial Assistance Fund (FAA4324/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Principal and interest from Qualified Not Pledged (QNP) and Not Qualified (NQ) loan payments.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	15,240,500	0
Year-End Fund Balance	148,800	15,984,000
Drinking Water State Loan Fund (FAA4331/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Revenue generated from bond sales.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Long-Term Water Augmentation Fund (WFA9999/A.R.S. § 49-1302)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund. The fund may also receive revenues from the sale of long-term water augmentation bonds and from public-private partnership agreements.		
Purpose of Fund: To fund water supply development projects, including those that import water from outside of Arizona and other related expenses such as water studies, assessments, and environmental reviews. Eligible entities include water providers and cities, counties or another public entity/district/commission. The fund may be used for administrative costs, not to exceed 10 FTE Positions. Awards of more than \$50,000,000 from the fund are required to be reviewed by the Joint Legislative Water Committee. Laws 2022, Chapter 366 included a 3-year commitment to depositing \$1.0 billion in the fund, a \$334,000,000 TPT diversion in FY 2023 and General Fund appropriations of \$333,000,000 in FY 2024 and \$333,000,000 in FY 2025 for deposit into the fund. The FY 2024 budget reduced the General Fund deposit in FY 2024 from \$333,000,000 to \$189,200,000. With the FY 2024 revision, the 3-year total is \$856,200,000. For these monies deposited in FY 2023, FY 2024, and FY 2025, 75% is reserved for 1 or more projects that import water from outside of Arizona.		
Funds Expended	62,000	2,324,000
Year-End Fund Balance	337,935,300	530,998,100
Small and Disadvantaged Communities Drinking Water Assistance Fund (FAA2230/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal monies.		
Purpose of Fund: To assist small and disadvantaged communities to comply with the Safe Drinking Water Act (SDWA).		
Funds Expended	652,700	7,656,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Small Drinking Water Systems Fund (FAA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest. The FY 2020 budget included a one-time deposit of \$500,000 from the General Fund. The FY 2022 budget included a one-time deposit of \$1,000,000 from the General Fund.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair. These expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	144,400	87,700
Water Conservation Grant Fund (WFA9998/A.R.S. § 49-1332)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund.		
Purpose of Fund: Monies are to facilitate voluntary water conservation programs or projects by eligible entities that result in long-term reductions in water use and/or improvements in water use efficiency or water reliability. Eligible entities include public and private water providers, tribal entities, and cities, counties or another public entity/district/commission. Projects and eligible programs range include education, research and other programs for water conservation and efficiency activities, including but not limited to: rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection. Funds can be used for program implementation and the administrative costs for eligible programs.		
Funds Expended	0	125,000,000
Year-End Fund Balance	0	0
Water Supply Development Revolving Fund (WFA2336/A.R.S. § 49-1271)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest. Pursuant to Laws 2022, Chapter 366, the Drought Mitigation Revolving Fund within the Drought Mitigation Board was repealed and the remaining balance was required to be transferred to the Water Supply Development Revolving Fund. The remaining balance of \$151,478,449 was transferred to the Water Supply Development Revolving Fund on September 24, 2022.		
Purpose of Fund: To be used for loans to construct water supply projects in Arizona by eligible entities, to provide technical assistance or grants to eligible entities. An eligible entity includes a water provider that distributes or sells water outside of the boundaries of an initial active management area in which part of the Central Arizona Project (CAP) aqueduct is located, or any city, county or public entity/district/commission located outside of the boundaries of an initial active management area in which part of the CAP aqueduct is located. A single loan may not exceed \$3,000,000, and a single grant shall not exceed \$2,000,000. The fund may also be used for debt refinancing, bond insurance for projects related to water supply development purposes, and water supply studies.		
Funds Expended	63,000	10,480,900
Year-End Fund Balance	203,053,700	197,836,700

Department of Water Resources

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	149.0	179.0	179.0 ^{1/}
Personal Services	8,223,200	9,039,500	9,039,500
Employee Related Expenditures	2,993,600	3,298,500	3,298,500
Professional and Outside Services	545,700	329,300	329,300
Travel - In State	121,900	61,200	61,200
Travel - Out of State	67,500	57,800	57,800
Other Operating Expenditures	3,412,500	2,277,800	2,277,800
Equipment	509,600	145,200	145,200
OPERATING SUBTOTAL	15,874,000	15,209,300	15,209,300
SPECIAL LINE ITEMS			
Adjudication Support	1,806,600	1,889,400	1,889,400 ^{2/}
Assured and Adequate Water Supply Administration	2,358,700	2,501,500	2,501,500 ^{3/}
Automated Groundwater Monitoring	411,900	416,600	416,600
Arizona Water Protection Fund Deposit	1,250,000	1,250,000	1,250,000
Brackish Groundwater Study	0	100,000	0
Brackish Groundwater Recovery Pilot Program	0	11,000,000	0
Colorado River Legal Expenses	14,600	500,000	500,000 ^{4/5/}
Conservation and Drought Program	404,300	427,700	427,700
New River Flood Insurance Study	265,900	0	0
Rural Water Studies	1,177,700	1,283,900	1,283,900 ^{6/}
Santa Rosa Canal Groundwater Delivery	0	25,000,000	0
Statewide Water Resources Planning	0	5,000,000	0
Water Supply and Demand Assessment	1,045,300	3,500,000	3,500,000
AGENCY TOTAL	24,609,000	68,078,400	26,978,400 ^{7/}
FUND SOURCES			
General Fund	23,087,100	66,059,400	24,959,400
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	268,300	292,500	292,500
Water Resources Fund	1,253,600	1,726,500	1,726,500
SUBTOTAL - Other Appropriated Funds	1,521,900	2,019,000	2,019,000
SUBTOTAL - Appropriated Funds	24,609,000	68,078,400	26,978,400
Other Non-Appropriated Funds	19,904,200	16,452,800	14,987,300
Federal Funds	14,025,700	20,469,100	20,469,100
TOTAL - ALL SOURCES	58,538,900	105,000,300	62,434,800

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

FOOTNOTES

- ^{1/} Includes 93 GF FTE Positions funded from Special Line Items in FY 2025.
- ^{2/} Monies in the adjudication support line item may be used only for the exclusive purposes prescribed in section 45-256, Arizona Revised Statutes, and section 45-257, subsection B, paragraph 4, Arizona Revised Statutes. The department of water resources may not transfer any monies into or out of the adjudication support line item. (General Appropriation Act footnote)
- ^{3/} Monies in the assured and adequate water supply administration line item may be used only for the exclusive purposes prescribed in sections 45-108, 45-576, 45-577, 45-578 and 45-579, Arizona Revised Statutes. The department of water

resources may not transfer any monies into or out of the assured and adequate water supply administration line item. (General Appropriation Act footnote)

- 4/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 5/ The department of water resources may not transfer any monies from the Colorado River legal expenses line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)
- 6/ The legislature intends that monies in the rural water studies line item be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside this state's active management areas and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$15,209,300 and 86 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$13,982,800
Water Resources Fund	1,226,500

These amounts are unchanged from FY 2024.

Adjudication Support

The Baseline includes \$1,889,400 and 21 FTE Positions from the General Fund in FY 2025 for Adjudication Support. These amounts are unchanged from FY 2024.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state.

Assured and Adequate Water Supply Administration

The Baseline includes \$2,501,500 and 24 FTE Positions in FY 2025 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	2,209,000
AAWS Administration Fund	292,500

These amounts are unchanged from FY 2024.

Within the state's 6 Active Management Areas (AMAs), all new subdivisions must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply

must demonstrate the availability of water for the next 100 years.

The state has 5 existing AMAs, which cover the following general regions: Prescott, Phoenix, Pinal County, Tucson, and Santa Cruz County. At the 2022 General Election, a local ballot measure approved a new 6th AMA located in the Douglas area.

New developers outside the 6 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The Baseline includes \$416,600 and 2 FTE Positions from the General Fund in FY 2025 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2024.

This line item funds automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the department's water management programs.

Arizona Water Protection Fund Deposit

The Baseline includes \$1,250,000 from the General Fund in FY 2025 for the Arizona Water Protection Fund Deposit line item. This amount is unchanged from FY 2024.

This line item funds an annual deposit to the Arizona Water Protection Fund. The fund provides grants for projects that protect water quality and quantity, as well as to maintain, enhance and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grants and determines annual recipients.

Brackish Groundwater Study

The Baseline includes no funding in FY 2025 for a Brackish Groundwater Study. Adjustments are as follows:

Remove One-Time Study Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 to remove funding for the updating of studies on the availability of brackish groundwater in this state.

A FY 2024 budget footnote directs the Department of Water Resources to review and update the information in studies on the availability of brackish groundwater in this state. The monies in this line item are non-lapsing.

Brackish Groundwater Recovery Pilot Program

The Baseline includes no funding in FY 2025 for the Brackish Groundwater Recovery Pilot Program line item. Adjustments are as follows:

Remove One-Time Pilot Program Funding

The Baseline includes a decrease of \$(11,000,000) from the General Fund in FY 2025 to remove funding for the development of a pilot program to enhance groundwater recovery through desalination in the state's AMAs.

A FY 2024 budget footnote allocates the \$11,000,000 as follows: 1) \$2,000,000 to the Department of Water Resources to support a brackish groundwater desalination program within the agency's AMA section and projects to further the recovery of groundwater through desalination within the state's AMAs; and 2) \$9,000,000 is allocated for matching participants dollar-for-dollar for brackish groundwater desalination projects within AMAs undertaken for the benefit of those receiving water from the Central Arizona Project (CAP). CAP shall receive three dollars for every dollar it contributes to this pilot program.

The program is intended to follow the model of work undertaken by the Texas Water Development Board. The monies in this line item are non-lapsing.

Colorado River Legal Expenses

The Baseline includes \$500,000 from the Water Resources Fund in FY 2025 for Colorado River Legal Expenses. This amount is unchanged from FY 2024.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. The monies in this line item are non-lapsing. *(See the FY 2022 Appropriations Report for more historical information.)*

Conservation and Drought Program

The Baseline includes \$427,700 and 5 FTE Positions from the General Fund in FY 2025 for the Conservation and Drought Program. These amounts are unchanged from FY 2024.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs. This also includes the Community Water Systems program, including but not limited to annual water use reporting (mailings, electronic notification, and submittals), improvements to increase efficiencies of reporting and data collection, data analysis, and compliance.

Rural Water Studies

The Baseline includes \$1,283,900 and 11 FTE Positions from the General Fund in FY 2025 for Rural Water Studies. These amounts are unchanged from FY 2024.

This line item funds the department's administration, data collection, and evaluation of rural water studies. Local communities use these funds to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The studies are primarily conducted and administered by local and federal partners, with the department providing technical support as needed or financial assistance.

Santa Rosa Canal Groundwater Delivery

The Baseline includes no funding in FY 2025 for the Santa Rosa Canal Groundwater Delivery line item. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(25,000,000) from the General Fund in FY 2025 to remove funding for the Department of Water Resources to distribute monies for the construction of alternative infrastructure to deliver groundwater to the Ak-Chin Indian Community by means other than the Santa Rosa Canal.

An alternative delivery method is needed due to a settlement between the Maricopa-Stanfield Irrigation and Drainage District (MSIDD), the Central Arizona Irrigation and Drainage District (CAIDD) and the Ak-Chin Indian community related to water quality and water salinity issues. Pursuant to a FY 2024 budget footnote, the monies are to be distributed equally between the MSIDD and the CAIDD. The monies in this line item are non-lapsing.

Statewide Water Resources Planning

The Baseline includes no funding in FY 2025 for statewide water resources planning. Adjustments are as follows:

Remove One-Time Planning Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove funding for additional support for statewide water resources planning.

Pursuant to a FY 2024 budget footnote, the Department of Water Resources shall report on or before July 31, 2024 to the JLBC and OSPB on the uses of the monies.

Water Supply and Demand Assessment

The Baseline includes \$3,500,000 and 30 FTE Positions from the General Fund in FY 2025 for the Water Supply and Demand Assessment line item. These amounts are unchanged from FY 2024.

Laws 2022, Chapter 366 appropriated \$3,500,000 from the General Fund in FY 2023 for an annual water supply and demand assessment of at least 6 groundwater districts each year. The FY 2024 budget included an increase of 30 authorized FTE Positions from the General Fund (with no funding change) to increase the staff to support the assessments.

The monies in this line item provide funding for the Department of Water Resources to meet the statutory requirement to prepare, issue and submit water supply and demand assessments for at least 6 of the 51 groundwater basins and initial AMAs established in statute no later than December 1, 2023 and on or before of December 1 of each following year. An assessment is to be completed for all of the groundwater basins at least once every 5 years. The Department of Water Resources may contract with outside entities to perform some or all of the assessments.

The initial round of water supply and demand assessments completed by DWR for 2023 covered the following groundwater basins: Douglas AMA, Willcox, San Bernardino Valley, Butler Valley, McMullen Valley, Harquahala INA, and Tiger Wash.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2025.

Colorado River Usage Reductions

The Colorado River system supplies water to 7 states and to Mexico. The use of water from the river was established by a compact between the states signed in 1922 and subsequent agreements about the delivery, storage, and use of water. A 2007 agreement mandated a series of reductions to the state's allocation as the water levels decrease in the Colorado River system, measured by the water level in Lake Mead.

Subsequently, the Drought Contingency Plan (DCP) signed in May 2019 by all the relevant states and federal government institutes more immediate reductions at amounts higher than the 2007 agreement to preserve water in Lake Mead, as well as including incentives for additional water conservation by the parties.

Due to ongoing declines in the Colorado River system at both Lake Mead and Lake Powell, the federal government announced that additional usage reductions would be necessary over the next 3 years. After negotiations, Arizona, California, and Nevada agreed to reduce their combined water use by 3,000,000 acre-feet through the end of 2026. This agreement has been submitted to the federal Bureau of Reclamation and there may be additional measures taken to fully meet federal conservation guidelines. In general, the proposed multi-state agreement involves the use of federal monies from the Infrastructure Investment and Jobs Act (IIJA) to pay entities including tribes, cities, and agricultural users to keep water in the Colorado River system rather than drawing it down for use.

The DCP agreement and the 2007 agreement expires in 2026, and negotiations for a post-2026 plan commenced in the summer of 2023.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona System Conservation Fund (WCA9900/A.R.S. § 45-118)		Non-Appropriated
Source of Revenue: Legislative appropriations and grants and contributions from private and public entities.		
Purpose of Fund: Reduce Colorado River water use by funding conservation measures, water diversions, and forgoing water deliveries.		
Funds Expended	8,720,000	3,000,000
Year-End Fund Balance	8,725,600	5,977,600
Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Non-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own subaccount within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances.		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA.		
Funds Expended	7,128,300	5,084,800
Year-End Fund Balance	1,535,800	1,471,700
Arizona Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water and legislative appropriations.		
Purpose of Fund: To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission.		
Funds Expended	275,800	2,774,600
Year-End Fund Balance	4,129,600	2,718,600
Arizona Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	167,400	206,300
Year-End Fund Balance	189,900	128,000
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supply regulations for newly-created subdivisions.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	268,300	292,500
Year-End Fund Balance	412,000	274,100
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own subaccount within the fund.		
Funds Expended	1,114,200	925,000
Year-End Fund Balance	2,564,700	2,362,600

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	33,600	29,000
Year-End Fund Balance	700	700
Coronavirus State and Local Fiscal Recovery Fund (WCA2985/P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	13,225,200	20,000,000
Year-End Fund Balance	5,538,300	5,538,300
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	158,900	300,000
Year-End Fund Balance	7,216,800	7,888,800
Employee Recognition Fund (WCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from a public entity, a private entity, or any person.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	2,600	2,500
Year-End Fund Balance	1,700	1,700
Federal Grants (WCA2000/A.R.S. § 45-105)		Federal Funds
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	800,500	469,100
Year-End Fund Balance	480,200	461,400
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	8,400	10,000
Year-End Fund Balance	371,200	372,900
General Adjudication Personnel and Support Fund (SPA1098/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: For the Supreme Court to provide additional personnel for general adjudication, case management, and other support equipment and the Department of Water Resources for additional personnel, equipment, and services related to general adjudication. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	671,900	671,900

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	29,000	23,000
Year-End Fund Balance	31,300	31,300
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashing.		
Funds Expended	714,200	270,900
Year-End Fund Balance	1,497,700	1,631,700
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	425,200	273,600
Year-End Fund Balance	185,200	286,700
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	0	0
Year-End Fund Balance	4,900	5,500
Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	0	0
Year-End Fund Balance	8,600	8,600
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own subaccount within the fund.		
Funds Expended	0	0
Year-End Fund Balance	4,700	9,400
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	0	100
Year-End Fund Balance	177,500	177,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Temporary Groundwater and Irrigation Efficiency Projects Fund (WCA9901/A.R.S. § 45-615.01)		Non-Appropriated
Source of Revenue: General Fund monies, groundwater withdrawal fees collected in the Pinal active management area, grants from federal agencies, and monies deposited in the fund by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area.		
Purpose of Fund: Funding projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the Phoenix active management area, the Pinal active management area, and the Harquahala irrigation non-expansion area.		
Funds Expended	183,200	2,500,000
Year-End Fund Balance	5,211,800	4,072,100
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by the Department of Water Resources to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities including management of the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	1,253,600	1,726,500
Year-End Fund Balance	4,492,800	1,357,200
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	943,400	1,053,000
Year-End Fund Balance	970,000	556,000

CAPITAL OUTLAY ESTIMATES

Capital Outlay - Arizona Department of Administration

	FY 2025 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	14,000,000
AGENCY TOTAL	14,000,000

FUND SOURCES	
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	14,000,000
SUBTOTAL - Other Appropriated Funds	14,000,000
SUBTOTAL - Appropriated Funds	14,000,000
TOTAL - ALL SOURCES	14,000,000

AGENCY DESCRIPTION - The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) and the Arizona Department of Transportation (ADOT). Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes (Capital Outlay Appropriation Act footnote)
- 2/ The department of administration shall allocate the monies to state agencies for necessary building renewal. If monies in the capital outlay stabilization fund established by section 41-792.01, Arizona Revised Statutes, are insufficient to fund the appropriation to the department of administration for building renewal, the appropriation to the department of administration is reduced by the difference between the amount appropriated to the department of administration from the capital outlay stabilization fund and the balance in the capital outlay stabilization fund. ~~Notwithstanding title 41, chapter 4, article 7, Arizona Revised Statutes, the department of administration may use monies appropriated for building renewal in fiscal year 2023-2024 for building projects related to retrofitting facilities for space consolidation initiatives.~~ (Capital Outlay Appropriation Act footnote)
- 3/ The department of administration may spend up to five percent of the amounts appropriated to the department in this act, excluding amounts to be distributed to non-state agencies, for expenditures for project management of building renewal and capital projects. All other monies appropriated to the department in this act may not be spent for personal services or employee-related expenditures or for maintenance contracts on building components and equipment without review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 4/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$14,000,000 from the Capital Outlay Stabilization Fund (COSF) in FY 2025 for building renewal. These monies are to be used for major repair and maintenance of ADOA-owned buildings. This amount funds 22.5% of the ADOA building renewal formula.

The FY 2024 appropriation to ADOA for building renewal was \$39,124,700, which consisted of \$25,124,700 from the General Fund and \$14,000,000 from COSF. This total

funding level in FY 2024 represented 58.2% of the ADOA formula. In FY 2025, 100% of the formula would be \$62,158,400.

The Baseline deletes a footnote that was included in the FY 2023 and FY 2024 budgets that allowed ADOA to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives. This footnote was included in prior year budgets as part of specific space consolidation initiatives.

Other Issues

Rent Adjustments

In FY 2024, state building rent payments total \$31,612,900 which is estimated to be paid from the following fund sources: \$18,269,700 from the General Fund, \$9,530,100 from Other Appropriated Funds, and \$3,813,100 from Non-Appropriated Funds

The FY 2025 Baseline does not adjust agency budgets for any changes in space or rental charges. The current rental charges are as follows: Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft. *(Please see the Summary of Rent Charges in the FY 2024 Appropriations Report for agency rent charges as of July 1, 2023).*

Capital Outlay - Arizona Department of Corrections

	FY 2025 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	5,864,300 ^{1/2/}
Replace Evaporative Cooling with HVAC	29,832,100
AGENCY TOTAL	35,696,400
FUND SOURCES	
General Fund	29,832,100
<u>Other Appropriated Funds</u>	
Department of Corrections Building Renewal Fund	5,864,300
SUBTOTAL - Other Appropriated Funds	5,864,300
SUBTOTAL - Appropriated Funds	35,696,400
TOTAL - ALL SOURCES	35,696,400 ^{3/4/}

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) is included in the Arizona Department of Administration (ADOA) Building System. Since FY 2012, ADC has received a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes. (Capital Outlay Appropriation Act footnote)
- 2/ The state department of corrections may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriation Act footnote)
- 3/ The monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 4/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$5,864,300 in FY 2025 from the Department of Corrections Building Renewal Fund for major repair and maintenance of ADC-owned buildings.

The ADOA building renewal formula amount for ADC in FY 2025 is \$46,962,600. The Baseline funding represents 12.5% of the formula amount.

Replace Evaporative Cooling Statewide with HVAC

The Baseline includes \$29,832,100 in FY 2025 from the General Fund to replace evaporative cooling in inmate housing units with air conditioning. The FY 2024 budget's 3-year spending plan also includes \$23,700,000 in FY 2026 for this project.

The FY 2023 budget included \$47,600,000 for this project and the FY 2024 budget appropriated \$66,783,600. The 4-year total cost is expected to be \$167,915,700 and will convert all remaining evaporative cooling systems in state-operated prison housing units to air conditioning.

Capital Outlay - Arizona Game and Fish Department

	FY 2025 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	1,795,000 ^{1/}
AGENCY TOTAL	1,795,000
FUND SOURCES	
<u>Other Appropriated Funds</u>	
Game and Fish Fund	1,795,000
SUBTOTAL - Other Appropriated Funds	1,795,000
SUBTOTAL - Appropriated Funds	1,795,000 ^{2/}
TOTAL - ALL SOURCES	1,795,000

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- ^{1/} Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes (Capital Outlay Appropriation Act footnote)
- ^{2/} The monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$1,795,000 from the Game and Fish Fund in FY 2025 for 100% of formula funding for major repair and maintenance of AGFD-owned buildings.

The FY 2024 appropriation of \$1,776,400 from the Game and Fish Fund also represented 100% of the agency's building renewal formula.

Capital Outlay - Arizona State Parks Board

FY 2025
BASELINE

SPECIAL LINE ITEMS

Red Rock Renovation	4,000,000 ^{1/2/3/}
San Rafael Renovation	1,500,000 ^{1/2/3/}
Yuma Territorial Prison Renovation	5,945,000 ^{1/2/3/}
Statewide Campground Improvements	4,100,000 ^{1/2/3/}
Statewide Sunshade Structures	2,233,300 ^{1/2/3/}
Statewide Water Conservation	1,339,000 ^{1/2/3/}
AGENCY TOTAL	19,117,300 ^{4/5/}

FUND SOURCES

Other Appropriated Funds

State Parks Revenue Fund	19,117,300
SUBTOTAL - Other Appropriated Funds	19,117,300
SUBTOTAL - Appropriated Funds	19,117,300
TOTAL - ALL SOURCES	19,117,300

AGENCY DESCRIPTION — The Arizona State Parks Board (ASPB) is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Laws 2022, Chapter 309 appropriated \$19,117,333 in FY 2025 from the State Parks Revenue Fund for capital projects at the Arizona State Parks Board. As a result, these monies will not appear in the FY 2025 Capital Outlay Appropriation Act.
- 2/ The Arizona state parks board may use up to ten percent of the monies from any project listed in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. After review by the joint committee on capital review, the Arizona state parks board may use more than ten percent of the monies appropriated for a project in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. (FY 2023 Capital Outlay Appropriation Act footnote) All of the projects displayed in line items were in subsection A.
- 3/ The Arizona state parks board shall report promptly to the joint committee on capital review and the governor's office of strategic planning and budgeting if the board revises the plan for any project for which monies are appropriated by this section because the board receives land and water conservation grant funding. (FY 2023 Capital Outlay Appropriation Act footnote)
- 4/ The monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (FY 2023 Capital Outlay Appropriation Act footnote)
- 5/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

Red Rock Renovation

The Baseline includes \$4,000,000 from State Parks Revenue Fund (SPRF) in FY 2025 to fund renovations to the House of Apache Fire at Red Rock State Park, which ASPB plans to reopen for public use upon completion.

This funding was appropriated in Laws 2022, Chapter 309 and will not appear in the FY 2025 Capital Outlay Bill.

San Rafael Renovation

The Baseline includes \$1,500,000 from SPRF in FY 2025 to fund wildfire mitigation efforts for and structural repairs to the McClintock ranch house at San Rafael State Natural Area.

This funding was appropriated in Laws 2022, Chapter 309 and will not appear in the FY 2025 Capital Outlay Bill.

Yuma Territorial Prison Renovation

The Baseline includes \$5,945,000 from SPRF in FY 2025 to fund renovations at Yuma Territorial Prison, including repairs to adobe structures and replacement of the security fence.

This funding was appropriated in Laws 2022, Chapter 309 and will not appear in the FY 2025 Capital Outlay Bill.

In FY 2024, the Legislature appropriated \$750,000 from SPRF for the first stage of this project.

Statewide Campground Improvements

The Baseline includes \$4,100,000 from SPRF in FY 2025 for statewide campground improvements.

This funding was appropriated in Laws 2022, Chapter 309 and will not appear in the FY 2025 Capital Outlay Bill.

Statewide Sunshade Structures

The Baseline includes \$2,233,333 from SPRF in FY 2025 for the construction of shade structures statewide. These structures will provide shade to park visitors and electricity to the parks.

This funding was appropriated in Laws 2022, Chapter 309 and will not appear in the FY 2025 Capital Outlay Bill.

Statewide Water Conservation

The Baseline includes \$1,339,000 from SPRF in FY 2025 for the statewide installation of low-flow fixtures and other water conservation efforts.

This funding was appropriated in Laws 2022, Chapter 309 and will not appear in the FY 2025 Capital Outlay Bill.

Other Issues

Arizona State Parks Board 3-Year Spending Plan

The FY 2023 Capital Outlay Bill appropriated \$20,517,600 from SPRF to ASPB in FY 2023, \$19,143,800 in FY 2024, and \$19,117,333 in FY 2025 for capital projects. *Table 1* shows a list of ASPB's planned capital projects through FY 2025.

An FY 2023 budget footnote requires that prior to ASPB using more than 10% of a specific project's budget for another project that was allocated funding for that year, ASPB shall submit the proposed expenditure plan and funding reallocation to JCCR for review.

Table 1

FY 2023 – FY 2025 Parks Capital Projects

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Dead Horse Amphitheater – Cost Increase	\$ 210,000		
Rockin' River State Park – Cost Increase	336,800		
Jerome State Park Fire Suppression System	1,540,000		
Southern Construction Services Relocation	2,000,000		
Tonto Bridge State Park Historic Building	3,500,000		
Tombstone State Park Main House Renovation	2,008,500		
Rockin' River State Park Main House Renovation	1,750,000		
Catalina State Park Main Entrance Bridge	1,500,000	\$5,813,000	
Statewide Campground Improvements	4,100,000	4,100,000	\$4,100,000
Statewide Sunshade Structures	2,233,300	2,233,300	2,233,333
Statewide Water Conservation	<u>1,339,000</u>	1,339,000	1,339,000
Yuma Territorial Prison Park Historic Building		750,000	5,945,000
Riordan Mansion Park Historic Building		2,900,000	
Oracle State Park Historic Building		<u>2,008,500</u>	
Red Rock State Park Historic Building			4,000,000
San Rafael State Park Historic Building			<u>1,500,000</u>
Total	\$20,517,600	\$19,143,800	\$19,117,333

Capital Outlay - Arizona State Lottery Commission

FY 2025
BASELINE

SPECIAL LINE ITEMS

Building Renewal	218,200
AGENCY TOTAL	218,200 ^{1/2/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	218,200
SUBTOTAL - Other Appropriated Funds	218,200
SUBTOTAL - Appropriated Funds	218,200
TOTAL - ALL SOURCES	218,200 ^{3/}

AGENCY DESCRIPTION — The Arizona Lottery is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes (Capital Outlay Appropriation Act footnote)
- 2/ The monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 3/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$218,200 in FY 2025 from the State Lottery Fund for major repair and maintenance of Lottery owned buildings. This amount funds 100% of the Lottery building renewal formula.

The FY 2024 appropriation of \$214,200 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Capital Outlay - Arizona Department of Transportation

FY 2025
BASELINE

SPECIAL LINE ITEMS

Building Renewal	22,420,200 ^{1/}
Airport Planning and Development	25,550,000 ^{2/3/5/}
Controlled Access Highways	137,319,000 ^{4/-8/}
Debt Service	128,482,000 ^{4/-8/}
Statewide Highway Construction	196,687,000 ^{4/-8/}
AGENCY TOTAL	510,458,200 ^{9/10/}

FUND SOURCES

Other Appropriated Funds

State Aviation Fund	25,991,900
State Highway Fund	484,466,300
SUBTOTAL - Other Appropriated Funds	510,458,200
SUBTOTAL - Appropriated Funds	510,458,200

Other Non-Appropriated Funds	889,647,000
Federal Funds	1,053,828,000
TOTAL - ALL SOURCES	2,453,933,200

AGENCY DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes. (Capital Outlay Appropriation Act footnote)
- 2/ The sum of \$25,550,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2024-2025 to the department of transportation to plan, construct, develop and improve state, county, city or town airports as determined by the state transportation board. Any balances and collections in the state aviation fund that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department of transportation in fiscal year 2024-2025 for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 3/ On or before December 31, 2024, the department of transportation shall report to the joint legislative budget committee staff on the status of all aviation grant awards and aviation grant distributions. The report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)
- 4/ The sum of \$462,488,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2024-2025 to the department of transportation to plan and construct state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, to acquire rights-of-way and to provide for the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the state highway fund that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 5/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriations made in subsection A of this section are not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 6/ On or before November 1, 2024, the department of transportation shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The

report shall be in the same format as in the prior year unless the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting have approved modifications to the format. (Capital Outlay Appropriation Act footnote)

- 7/ On or before November 1, 2024, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2025-2026 and the estimated debt service payment amount for each of fiscal years 2025-2026, 2026-2027, 2027-2028 and 2028-2029 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This report shall include state highway fund statewide construction bonds, Arizona highway user revenue fund bonds, Maricopa association of governments and Pima association of governments controlled access bonds, Maricopa regional area road fund bonds and grant anticipation notes and is intended to be comparable to the information in the fiscal year 2023-2024 appropriations report. (Capital Outlay Appropriation Act footnote)
- 8/ On or before November 1, 2024, the department of transportation shall report capital outlay information for fiscal years 2023-2024, 2024-2025 and 2025-2026 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This information shall appear in the same format as tables two, three and six, as found in the fiscal year 2023-2024 appropriations report. (Capital Outlay Appropriation Act footnote)
- 9/ The monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 10/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

The following reflects one-time appropriations:

Building Renewal

Building Renewal

The Baseline includes \$22,420,200 in FY 2025 for Building Renewal within ADOT's Building System. This amount consists of \$21,978,300 from the State Highway Fund (SHF) and \$441,900 from the State Aviation Fund (SAF). The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings. The amounts represent 99.5% funding of the FY 2025 highway building renewal formula and 96.6% funding of the FY 2025 aviation building renewal formula. The FY 2024 budget appropriated \$21,978,300 from the SHF and \$441,900 from the SAF, which represented 100% funding of the FY 2024 highway building renewal formula and 100% funding of the FY 2024 aviation building renewal formula.

Airport Planning and Development

Airport Planning and Development

The Baseline includes \$25,550,000 from the State Aviation Fund (SAF) in FY 2025 for ADOT's airport capital improvement program. Fund revenues are generated from the jet fuel tax and Grand Canyon Airport operational revenues. This amount corresponds to the programmed amount in the department's FY 2024-2028 Airport Capital Improvement Program (ACIP). ADOT develops an annual Five-Year ACIP to program airport

planning and development monies, subject to the approval of the State Transportation Board. By aligning the airport planning and development appropriation with the programmed amount, the appropriation reflects the amount ADOT plans to award. In comparison, the FY 2024 budget included \$35,000,000 for this purpose.

Interstate and State Highway Road Projects

Controlled Access Highways

The Baseline includes an estimated urban freeway controlled access funding level of \$137,319,000 from SHF in FY 2025. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%. These amounts are deposited into 4 subaccounts of the SHF: the MAG 12.6% account, MAG 2.6% account, PAG 12.6% account, and PAG 2.6% account. The 12.6% accounts refer to the statutory HURF distribution and the 2.6% accounts refer to the State Transportation Board policy amount. ADOT spends these amounts as programmed by MAG and PAG.

Debt Service

The Baseline includes \$128,482,000 from SHF in FY 2025 for the appropriated portion of the debt service on bonds. ADOT has approximately \$840,965,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2025 debt service payments. *(Please see Table 5 for more information on debt service.)*

Statewide Highway Construction

The Baseline includes \$196,687,000 from SHF in FY 2025 for new highway construction. Only a small portion of the state's total \$2,220,800,000 highway construction funding is appropriated. Other monies available for highway

construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund (MRARF), and HURF for controlled access roads. *(See the Total Highway Construction Funding discussion and Table 5 in Other Issues for additional information.)* A footnote in the FY 2025 Baseline appropriates any additional monies in SHF above the appropriation to ADOT for highway construction.

Expenditure of highway construction funding is determined by the State Transportation Board, which approves a 5-Year Program developed by ADOT.

Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5-Year Program after all other allocations have been made. *(Please see the Summary of Highway Construction section and Table 6 for more information.)*

Table 1 shows the allocation of the highway construction budget prior to any ADOT operating and capital issues and statewide adjustments made during the budget process, which would reduce the level of available highway construction funding.

As noted in the HURF distribution table *(please see Table 6)*, an additional amount of \$586,163,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2025.

Table 1

**State Highway Fund
FY 2025 Highway Construction & Debt Service**

	<u>Capital Outlay Bill</u>
Controlled Access	\$137,319,000
Debt Service	128,482,000
Highway Construction	<u>196,687,000</u>
Total	\$462,488,000

Other Issues

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$1,381,746,000 in FY 2023 to \$2,060,156,000 in FY 2024 and \$1,943,475,000 in FY 2025.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2025 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

Table 2

**Non-Appropriated Capital Fund Expenditures
(\$ in Thousands)**

	<u>FY 2023 Actual</u>	<u>FY 2024 Estimate</u>	<u>FY 2025 Estimate</u>
Aviation Federal Funds	\$1,208	\$1,912	\$1,546
Highway Federal Grants	<u>916,499</u>	<u>976,598</u>	<u>1,052,282</u>
Subtotal - Federal Funds	\$917,707	\$978,510	\$1,053,828
Bond Proceeds	\$33,466	\$156,234	\$174,185
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	2,591	28,709	6,282
Maricopa Regional Area Road Fund	426,982	895,703	708,180
Subtotal - Other Non- Appropriated Funds	\$464,039	\$1,081,646	\$889,647
Total	\$1,381,746	\$2,060,156	\$1,943,475

Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the board on June 15, 2023 includes monies from a diversion of General Fund transaction privilege tax (TPT) revenues, SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$2,557,565,000 for FY 2025. *(Please see Table 3 for additional details.)*

Table 3

**State Highway Fund
Highway Construction Projects Beginning in FY 2025
(\$ in Thousands)**

	<u>FY 2025 ^{1/}</u>
Construction	\$378,709
Urban Controlled Access ^{2/}	1,492,876
Pavement Preservation Maintenance	551,666
Other ^{3/}	<u>134,314</u>
Total	\$2,557,565

^{1/} Data from ADOT's 2024-2028 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2025.

^{2/} Includes expenditures from SHF for controlled access, PAG, and MRARF.

^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. The FY 2025

Baseline includes \$462,488,000 for highway construction, including \$196,687,000 of net SHF monies for statewide highway construction.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2023 through FY 2025 on a cash flow basis, as provided by ADOT. *Table 3*, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it only shows the total dollar cost of highway projects scheduled to begin in FY 2025 by category of construction. *Table 5* also includes monies from the Local Agency Deposits Fund, while *Table 3* does not.

For FY 2023, *Table 5* shows that total cash highway construction expenditures were \$1,340,700,000 while \$308,600,000 was spent on debt service. In FY 2024, total estimated cash highway construction expenditures are \$1,983,900,000 with total debt service of \$308,600,000. In FY 2025, total estimated cash highway construction expenditures are \$1,918,900,000 with total debt service of \$301,900,000.

The major sources of highway construction funding are SHF, Federal Aid, the half-cent sales tax in Maricopa County (MRARF), bond proceeds, and the Local Agency Deposits Fund. The Local Agency Deposits Fund receives monies from the federal government and local agencies for the payment of local agency sponsored county secondary road construction projects.

Table 5 does not include highway maintenance spending of \$168,295,200 in FY 2023, \$160,760,600 in FY 2024, and \$160,760,600 in FY 2025. Of the \$301,900,000 total FY 2025 debt service amount in *Table 5*, only \$128,500,000 is appropriated.

Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver's license, and others. *Table 4* explains the formula distribution of HURF monies between state and local governments. *Table 6* presents the overall HURF distribution for FY 2023 through FY 2025. The line in *Table 6* showing net SHF Available for Statewide Highway Construction, which totals \$196,687,000 for FY 2025, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. This line represents the amount that is available from the discretionary SHF to fund the State Transportation Board's 5-Year Program.

Total FY 2023 HURF collections of \$1,749,295,000 were 1.2% above FY 2022 collections. As of October 2024, FY 2024 HURF year-to-date collections were 3.9% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 33.2% of HURF revenue in FY 2023, a percentage which has been increasing in recent years. From FY 2019 to FY 2023, the gas tax share of total collections has decreased by (3.7)% while VLT's share has increased by 2.3%.

The gas tax comprises the second largest source of HURF collections at 31.2%.

ADOT forecasts HURF collections 10 years out each summer using a model based on the state's nominal personal income, population, non-farm employment, fleet fuel efficiency and nominal gas price.

Table 4 breaks down the distribution of HURF monies between cities, counties, controlled access, and the SHF.

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	42.8%
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (15.2% of 50.5% = 7.7% displayed in the table above). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Table 5

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2023</u> <u>Actual</u>	<u>FY 2024</u> <u>Estimate</u>	<u>FY 2025</u> <u>Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 116.4	\$ 114.9	\$ 106.0
HURF - MAG Debt Service	19.1	23.6	22.5
MAG/PAG 15.2% Controlled Access - Construction	12.6	27.7	22.2
Net SHF Funds Available for Statewide Highway	163.2	143.4	196.7
Total SHF - Appropriated	\$ 311.3	\$ 309.6	\$ 347.4
Non-Appropriated			
SHF Highway Construction ^{1/}	\$ -	\$ -	\$ -
Total SHF - Non-Appropriated	\$ -	\$ -	\$ -
Total SHF Highway Construction Expenditures	\$ 311.3	\$ 309.6	\$ 347.4
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 916.5	\$ 976.6	\$ 1,052.3
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 242.3	\$ 681.4	\$ 497.2
MRARF Debt Service	143.1	140.0	143.4
Total Maricopa Regional Area Road Fund Highway	\$ 385.4	\$ 821.4	\$ 640.6
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 0	\$ 126.2	\$ 144.2
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	33.5	30.0	30.0
Total Bond Proceeds Highway Construction Expenditures	\$ 33.5	\$ 156.2	\$ 174.2
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	2.6	28.7	6.3
Total Local Agency Deposits Fund Highway Construction	\$ 2.6	\$ 28.7	\$ 6.3
Total Highway Construction Expenditures	\$ 1,649.3	\$ 2,292.5	\$ 2,220.8
Total Debt Service			
SHF	\$ 135.5	\$ 138.5	\$ 128.5
Federal Aid	30.0	30.0	30.0
MRARF	143.1	140.1	143.4
Total Debt Service	\$ 308.6	\$ 308.6	\$ 301.9 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 175.8	\$ 171.0	\$ 218.8
Federal Aid	886.5	946.6	1,022.3
MRARF	242.3	681.4	497.3
Bond Proceeds	33.5	156.2	174.2
Local Agency Deposits Fund	2.6	28.7	6.3
Total Cash Highway Construction Expenditures	\$ 1,340.7	\$ 1,983.9	\$ 1,918.9
Total Highway Construction Expenditures	\$ 1,649.3	\$ 2,292.5	\$ 2,220.8

^{1/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{2/} Information provided by the department. Includes \$128,481,572 for HURF bonds (\$105,988,542 for statewide program and \$22,493,030 MAG program); \$29,971,500 for Grant Anticipation Notes; and \$143,372,676 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,776,318	\$1,793,807	\$1,857,538
Less: ServiceArizona ATP Fee Retention	7,528	7,602	7,872
Brick and Mortar ATP Fee Retention	7,444	7,517	7,784
ServiceArizona ATP Credit Card Fee Reimbursements	10,274	10,376	10,744
Brick and Mortar ATP Credit Card Fee Reimbursements	1,507	1,522	1,576
ServiceArizona ATP Check Reimbursement	270	270	270
Total HURF Collections	\$1,749,295	\$1,766,520	\$1,829,292
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	877	899	899
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,456	11,530	11,699
Net HURF Collections	\$1,735,962	\$1,753,091	\$1,815,694
Less: Cities ^{2/}	529,468	534,693	553,787
Counties ^{2/}	329,833	333,087	344,982
VLT Transfer to Parity Compensation Fund ^{3/}	4,187	4,414	4,809
VLT Transfer to General Fund (5-Year VLT) ^{4/}	3,500	3,650	3,800
VLT Transfer to General Fund (Abandoned Vehicle) ^{5/}	4,520	4,700	4,900
Controlled Access ^{6/}	131,397	132,627	137,319
Net SHF (Discretionary)	\$ 733,057	\$ 739,920	\$ 766,097
Plus: Other Income ^{7/}	105,327	122,722	119,124
Less: Operating Budget	448,968	479,160	475,053
Dept of Public Safety Transfer from Highway Fund	8,167	6,367	6,367
Capital Outlay	19,416	20,100	0
Building Renewal	18,139	21,978	21,978
ServiceArizona ATP VLT Retention ^{8/}	22,224	22,600	24,708
Brick and Mortar ATP VLT Retention ^{8/}	14,972	15,226	16,646
HURF Exchange Program ^{9/}	7,816	15,300	15,300
Debt Service ^{10/}	135,486	138,491	128,482
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{11/12/}	\$ 163,196	\$ 143,420	\$ 196,687
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	407,465	515,953	586,163
STAN Account Beginning Balance	0	0	0
Total SHF Available for Statewide Highway Construction	\$ 570,661	\$ 659,373	\$ 782,850

^{1/} Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board.

^{2/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{3/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{4/} A.R.S § 28-5808E transfers the SHF share of the HURF VLT to the state General Fund that is generated from the difference between a 2-year registration and a 5-year registration.

^{5/} A.R.S § 28-5808D also transfers the SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4802A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

^{6/} A statutorily defined distribution of SHF monies for design, acquisition, and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

^{7/} Includes transfers from the MAG 12.6% subaccount to the SHF for debt service on HURF bonds, miscellaneous receipts, rental income, sale of capital assets, underground storage tank deposits, investment income, grants from Governor's Office of Highway Safety, retained MVD fees, oversize permits, and abandoned vehicle fees. This excludes the \$874,447,500 of TPT General Fund collections that were deposited into the State Highway Fund to fund individual transportation projects in FY 2023.

^{8/} Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

^{9/} Local entities can exchange federal aid monies for State Highway Fund monies.

^{10/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{11/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

^{12/} The amounts displayed in the Net SHF Available for Statewide Highway Construction do not match the amounts contained in the respective Capital Outlay Bill for each fiscal year due to spending changes in ADOT's operating budget, building renewal, and capital outlay projects.

Capital Outlay

Arizona Board of Regents Building Systems

	FY 2025 Baseline
BUILDING RENEWAL	
Arizona Board of Regents	0
TOTAL - ALL PROJECTS	<u>0 1/2</u>
FUND SOURCES	
General Fund	0
TOTAL - ALL SOURCES	<u>0</u>

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by ABOR on behalf of the universities.

FOOTNOTES

- 1/ A.R.S. § 15-1670 appropriates \$32,592,100 to the universities from the General Fund in FY 2025 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$30,108,700 to the universities from the General Fund in FY 2025 for capital infrastructure projects.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on a formula determined by the Joint Committee on Capital Review (JCCR). As required by A.R.S. § 41-793.01, the formula accounts for the replacement value, age, and life cycle of a building. In FY 2025, ABOR reports funding 100% of the building renewal formula would be \$241,463,400. The Baseline includes no funding for Building Renewal in the ABOR Building System.

Summary of University Debt

ABOR estimates that as of the end of FY 2025, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$4,095,561,600 of which \$3,853,130,000 is for outstanding bonds and \$242,386,600 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,473,978,000
NAU	368,660,000
UA (all campuses)	<u>1,252,878,600</u>
Total	\$4,095,561,600

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2025 will be \$398,578,500. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$219,849,300
NAU	42,647,400
UA (all campuses)	<u>136,081,800</u>
Total	\$398,578,500

In addition to university system revenues being allocated for FY 2025 debt service payments, \$43,185,200 would be paid by Lottery monies, \$32,592,100 would be paid by the General Fund for 2003 research infrastructure projects, and \$17,215,000 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects.

The universities' expenditures for debt service payments are included in the budget of each university's individual agency section. *(Please see the individual university sections for more information.)*

State Bonding Programs

University Lottery Bonds

One component of the \$3,853,130,000 bond balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds. Pursuant to A.R.S. § 5-522 and § 15-1682.03, ABOR is authorized to enter into bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities. Debt service payments for SPEED bonds will total \$53,981,500 in FY 2025, of which 80% will be paid by Lottery monies and 20% with university system revenues.

2017 Capital Infrastructure Appropriations

Another component of the \$3,853,130,000 bond balance is 2017 Capital Infrastructure funding. Pursuant to A.R.S. § 15-1671, universities receive annual General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The universities may use this funding to pay cash for projects or for debt service. In the latter case, the General Fund may only pay for 50% of debt service (with the remainder financed through other university system revenues).

The original legislation appropriated \$27,000,000 from the General Fund to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2025 Baseline assumes a 2.0% increase from FY 2024, resulting in an FY 2025 General Fund appropriation of \$30,108,700. If the universities utilized the full appropriation for debt service, this amount would support \$60,217,400 in debt service payments.

Since FY 2019, however, the universities have not fully used their debt service capacity and have used a portion of their appropriation to fund projects with cash. As a result, the appropriation does not equate to the annual debt service payments. Debt service payments are projected to total \$34,430,100 in FY 2025, of which 50% will effectively be supported by the General Fund.

For additional information on state bonding programs for universities, please see the *Lottery Bonds and Capital Infrastructure Funding Program Summary* on the JLBC website.

University Debt Ratio Policy

In authorizing ABOR to issue bonds on behalf of the universities, A.R.S. § 15-1683 limits the debt service payments each university is allowed to make based on its financial resources.

Specifically, the statute requires that the projected debt service payments on outstanding and proposed bonds and certificates of participation (COPs) not exceed 8.0% of each institution's total projected expenditures and mandatory transfers in any fiscal year. University SPEED bonds are exempt from the debt ratio calculations. The universities' Capital Improvement Plans project expected debt ratios through FY 2028. The rate and year in which each university is projected to have its highest debt ratio is listed below. The ratio is also displayed if the university lottery bonds were applied to the calculation.

- ASU: 5.1% (5.5% with SPEED) in FY 2026
- NAU: 4.8% (6.3% with SPEED) in FY 2025
- UA: 5.0% (6.0% with SPEED) in FY 2024

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$3,573,800,000 in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay

Debt and Lease-Purchase Financing

Long-Term Financing Summary

The state's long-term financing consists of 2 different types of transactions.

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the Universities have entered into lease-purchase agreements for the acquisition and construction of state facilities. The ADOA School Facilities Division (SFD) also entered into lease-purchase agreements for the construction of new schools prior to FY 2012.

At the end of FY 2025, the outstanding balance of lease-purchase agreements is expected to be \$613.3 million.

Table 1 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the Universities and the Arizona Department of Transportation have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

At the end of FY 2025, the outstanding balance of bond financing is expected to be \$4.69 billion.

Table 1 provides information related to current outstanding state bond financing.

January 31 JLBC Debt Report

A.R.S. § 41-1277 requires the JLBC Staff to present to the House and Senate Appropriations Committees a report on state debt and obligations. Due by January 31 of each year, the report includes the following information from the prior fiscal year:

- The statewide aggregate level of outstanding principal, by type of debt or obligation;
- The principal and interest payments on each of the state's long-term obligations;
- A description of the state's payment deferrals ("rollovers") by agency, including: the date the payment was originally scheduled to be made,

interest paid to date on the deferral, and interest paid in the prior and current fiscal years; and

- Historical information on the state's overall debt balance and per capita debt obligations, based on available data.

To the extent possible, A.R.S. § 41-1277 requires data contained in the report to be based on the Department of Administration's (ADOA) Report of Bonded Indebtedness, which is published annually along with an online searchable database.

This report provides a current and historical summary of the state's outstanding financing obligations. In addition, it includes specific details on each of the individual financing issuances and the state's payment deferrals.

The January 31, 2024 debt report would typically provide debt information on the prior fiscal year (FY 2023). To provide a more updated display of the state's current outstanding debt, the January 31, 2024 report will include information from *Table 1*, which shows debt payments and year-end balances for the upcoming fiscal year (FY 2025).

Table 1

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance	^{1/} GF Balance	Overall FY 25 Payment	FY 25 GF Payment	Retirement FY
ADOA Building System					
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 8,365,000	\$ 5,019,000	\$ 4,215,600	\$ 2,529,400	FY 29
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 14,245,000	\$ 6,162,200	\$ 10,439,700	\$ 4,516,100	FY 28
<i>Subtotal - ADOA</i>	<i>\$ 22,610,000</i>	<i>\$ 11,181,200</i>	<i>\$ 14,655,300</i>	<i>\$ 7,045,500</i>	
ADOA - School Facilities Division					
Federal Bonds	\$ 15,086,700	\$ 15,086,700	\$ 9,938,100 ^{3/}	\$ 9,938,100 ^{3/}	FY 28
ABOR Building System					
Arizona State University	\$ 126,323,000	\$ 73,245,000	\$ 22,626,200	\$ 13,459,300	FY 39
Northern Arizona University	25,345,000	25,345,000	4,885,500	4,885,500	FY 31
University of Arizona	90,718,600	71,490,000	26,037,000	14,247,300	FY 72
<i>Subtotal - ABOR</i>	<i>\$ 242,386,600</i>	<i>\$ 170,080,000</i>	<i>\$ 53,548,700</i>	<i>\$ 32,592,100</i>	
Phoenix Convention Center ^{4/}	\$ 333,225,000	\$ 333,225,000	\$ 25,998,700	\$ 25,998,700	FY 44
<i>TOTAL - Lease-Purchase</i>	<i>\$ 613,308,300</i>	<i>\$ 529,572,900</i>	<i>\$ 104,140,800</i>	<i>\$ 75,574,400</i>	
Bonding Summary					
Department of Transportation ^{5/}	\$ 840,965,000	\$ -	\$ 158,453,100	\$ -	FY 14 - 38
ABOR Building System					
Arizona State University	\$ 1,782,840,000	\$ -	\$ 160,467,900	\$ -	FY 55
Northern Arizona University	260,600,000	-	27,726,600	-	FY 44
University of Arizona	707,130,000	-	68,423,600	-	FY 48
University Lottery Bond (SPEED)	537,380,000 ^{6/}	-	53,981,600	-	FY 48
University Infrastructure (2017) ^{7/}	565,180,000	282,590,000	34,430,100	17,215,000	FY 44
<i>Subtotal - ABOR</i>	<i>\$ 3,853,130,000</i>	<i>\$ 282,590,000</i>	<i>\$ 345,029,800</i>	<i>\$ 17,215,000</i>	
<i>TOTAL - Bonding</i>	<i>\$ 4,694,095,000</i>	<i>\$ 282,590,000.00</i>	<i>\$ 503,482,900</i>	<i>\$ 17,215,000</i>	
TOTAL - Lease-Purchase & Bonding	\$ 5,307,403,300	\$ 812,162,900	\$ 607,623,700	\$ 92,789,400	

^{1/} Represents principal balances as of June 30, 2025. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.

^{2/} Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 25 GF Payment" column.

^{3/} This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account prior federal budget reductions, in FY 2025 this subsidy is expected to be \$3,729,900 of the \$9,938,100 payment.

^{4/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30.0 million. Monies are given to the city to pay this portion of the lease-purchase payment. Laws 2015, Chapter 10 made a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.

^{5/} Includes \$745,955,000 for Highway User Revenue Fund bonds and \$95,010,000 for Grant Anticipation Notes.

^{6/} Represents outstanding balance as of the end of FY 2025 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

^{7/} The universities will receive \$30,108,700 from the General Fund in FY 2025 for the 2017 Capital Infrastructure Funding program. The General Fund is expected to pay \$17,215,000 in FY 2025 for debt service.

LEASE-PURCHASE APPROPRIATIONS ^{1/} Department of Administration Building System

	Fiscal Year 2024 - Appropriations Report				Fiscal Year 2025 - Baseline				Difference FY 2025 - FY 2024			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$124,300		\$124,300		\$125,700		\$125,700	-	\$1,400	-	\$1,400
Administration, Arizona Department of	\$244,300	629,400	\$65,800	939,500	\$247,100	636,700	\$66,500	950,300	\$2,800	7,300	\$700	10,800
Deaf and the Hard of Hearing, Commission for the		238,500		238,500		241,300		241,300	-	2,800	-	2,800
Education, Department of	401,500	111,500	602,300	1,115,300	406,100	112,800	609,200	1,128,100	4,600	1,300	6,900	12,800
Equalization, State Board of	97,300			97,300	98,400			98,400	1,100	-	-	1,100
Gaming, Department of		415,100		415,100		419,800		419,800	-	4,700	-	4,700
Insurance & Financial Institutions, Department of	355,800	67,800		423,600	359,900	68,500		428,400	4,100	700	-	4,800
Juvenile Corrections, Department of	294,000			294,000	297,400			297,400	3,400	-	-	3,400
Real Estate Department, State	193,100			193,100	195,300			195,300	2,200	-	-	2,200
Tax Appeals, State Board of	37,400			37,400	37,800			37,800	400	-	-	400
Subtotal - ADOA Building	\$1,623,400	\$1,586,600	\$668,100	\$3,878,100	\$1,642,000	\$1,604,800	\$675,700	\$3,922,500	\$18,600	\$18,200	\$7,600	\$44,400
Department of Environmental Quality Building												
Agriculture, Department of	\$397,800		\$352,700	\$750,500	\$402,300		\$356,800	\$759,100	\$4,500	-	\$4,100	\$8,600
Citizens Clean Elections Commission			73,500	73,500			74,400	74,400	-	-	900	900
Criminal Justice Commission, Arizona		\$12,900	202,000	214,900		\$13,000	204,300	217,300	-	\$100	2,300	2,400
Environmental Quality, Department of		1,966,800		1,966,800		1,989,400		1,989,400	-	22,600	-	22,600
Forestry and Fire Management, AZ Department of	233,500		34,900	268,400	236,200		35,300	271,500	2,700	-	400	3,100
Housing, AZ Department of	34,300	11,400	182,800	228,500	34,700	11,500	184,900	231,100	400	100	2,100	2,600
Independent Redistricting Commission	39,600			39,600	40,100			40,100	500	-	-	500
State Land Department	872,000			872,000	882,000			882,000	10,000	-	-	10,000
Arizona State Parks Board			318,200	318,200			321,800	321,800	-	-	3,600	3,600
Pharmacy, Arizona State Board of		133,900		133,900		135,400		135,400	-	1,500	-	1,500
Residential Utility Consumer Office		115,000		115,000		116,300		116,300	-	1,300	-	1,300
Technical Registration, State Board of		197,700		197,700		200,000		200,000	-	2,300	-	2,300
Tourism, Office of	194,000			194,000	196,200			196,200	2,200	-	-	2,200
Water Resources, Department of	1,070,300			1,070,300	1,082,600			1,082,600	12,300	-	-	12,300
Subtotal - ADEQ Building	\$2,841,500	\$2,437,700	\$1,164,100	\$6,443,300	\$2,874,100	\$2,465,600	\$1,177,500	\$6,517,200	\$32,600	\$27,900	\$13,400	\$73,900
Health Services, Department of												
Health Services Building - Refinance	\$2,446,600	\$1,631,100		\$4,077,700	\$2,529,400	\$1,686,200		\$4,215,600	\$82,800	\$55,100	\$0	\$137,900
Health Lab - Refinance				-				-	\$0	\$0	\$0	\$0
Subtotal - Department of Health Services	\$2,446,600	\$1,631,100	\$0	\$4,077,700	\$2,529,400	\$1,686,200	\$0	\$4,215,600	\$82,800	\$55,100	\$0	\$137,900
GRAND TOTAL	\$6,911,500	\$5,655,400	\$1,832,200	\$14,399,100	\$7,045,500	\$5,756,600	\$1,853,200	\$14,655,300	\$134,000	\$101,200	\$21,000	\$256,200

^{1/} Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

Capital Outlay - Local Assistance

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING SUBTOTAL			
SPECIAL LINE ITEMS			
Phoenix Convention Center	24,999,400	25,498,600	25,998,700 ^{1/}
Rio Nuevo District	17,113,500	17,000,000	17,000,000 ^{2/}
AGENCY TOTAL	42,112,900	42,498,600	42,998,700 ^{3/}
FUND SOURCES			
General Fund	42,112,900	42,498,600	42,998,700
SUBTOTAL - Appropriated Funds	42,112,900	42,498,600	42,998,700
TOTAL - ALL SOURCES	42,112,900	42,498,600	42,998,700

AGENCY DESCRIPTION — The State Treasurer makes distributions to the City of Phoenix to service debt on the Phoenix Convention Center and to the Rio Nuevo Multipurpose Facility District for use in authorized development projects and to service debt issued by the district.

FOOTNOTES

- ^{1/} Pursuant to section 9-602, Arizona Revised Statutes, \$25,998,700 of state general fund revenue is allocated in fiscal year 2024-2025 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriation Act footnote)
- ^{2/} Pursuant to section 42-5031, Arizona Revised Statutes, a portion of the state transaction privilege tax revenues will be distributed to a multipurpose facility district. The Rio Nuevo multipurpose facility district is estimated to receive \$17,000,000 in fiscal year 2024-2025. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The Baseline includes \$25,998,700 from the General Fund in FY 2025 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. Adjustments are as follows:

Distribution Increase

The Baseline includes an increase of \$500,100 from the General Fund in FY 2025 to increase the distribution to the City of Phoenix pursuant to A.R.S. § 9-602.

Background – In FY 2005, the City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs) to finance expansion of the Phoenix Convention Center. Of that amount, \$300,000,000 will be repaid by the state. The project was completed in January 2009.

There is a statutory debt service schedule for these payments. Under this schedule, the state's annual contribution is scheduled to gradually increase to \$29,998,925 by FY 2044.

Table 1

Phoenix Convention Center Debt Service

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2025	25,998,700	FY 2035	29,995,775
FY 2026	26,497,375	FY 2036	29,999,975
FY 2027	26,997,100	FY 2037	29,995,825
FY 2028	27,495,125	FY 2038	29,995,850
FY 2029	27,998,700	FY 2039	29,996,750
FY 2030	28,499,525	FY 2040	29,995,225
FY 2031	28,999,575	FY 2041	29,997,975
FY 2032	29,495,550	FY 2042	29,996,150
FY 2033	29,999,150	FY 2043	29,996,175
FY 2034	29,996,250	FY 2044	29,998,925

Statute requires the Auditor General to estimate annually how the amounts of General Fund revenues resulting from the Convention Center expansion compare to debt service payments made by the state since the project's calendar year (CY) 2009 completion. If the cumulative estimated revenues from the project fail to meet the state's cumulative debt service, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

The latest study found that estimated General Fund revenues exceeded the state's debt service payments by \$6,989,100 through CY 2022 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time.

Table 2
Project Revenue and Debt Service Payments
(\$ in Millions)

Calendar Year ^{1/}	Project Revenue	Debt Service	Annual Net Revenues ^{2/}	Cumulative Net Revenues
2022	\$19.2	\$25.0	\$(5.8)	\$7.0
2021	6.6	24.5	(17.9)	12.8
2020	7.2	24.0	(16.8)	30.7
2019	23.6	23.5	0.1	47.5
2018	23.5	23.0	0.5	47.4
2017	19.0	22.5	(3.5)	46.9
2016	20.6	20.4	0.2	50.4
2015	20.5	20.4	0.1	50.2
2014	15.0	20.4	(5.4)	50.1
2013	9.1	20.4	(11.3)	55.5
2012	13.6	5.6	8.0	66.8
2011	15.4	0.0	15.4	58.8
2010	14.7	10.0	4.7	43.4
2009	17.3	5.0	12.3	38.7
2004-2008	26.4	0.0	26.4	26.4

1/ Statute requires the Auditor General study to include estimates by calendar year but specifies the state's debt service obligation by fiscal year. Debt service payments for fiscal years are listed in the calendar year they were made.
2/ Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2022)*

The study compares current convention center revenues to a "base scenario" (had the facility not been upgraded) in order to determine the project's net revenues. This "base scenario" assumed the facility would become functionally obsolete and generate minimal revenues by 2021.

Rio Nuevo District

The Baseline includes \$17,000,000 from the General Fund in FY 2025 for distributions to finance the development of a multipurpose facility and supporting projects in the Rio Nuevo Multipurpose Facilities District. This amount is unchanged from FY 2024.

The FY 2024 General Appropriation Act displayed the projected Rio Nuevo distribution as \$16,000,000 in FY 2024. This amount was based on continuing the assumed Rio Nuevo distribution of \$16,000,000 in FY 2023.

Subsequent to the passage of the FY 2024 budget, actual FY 2023 information became available, and the FY 2023 actual distribution was \$17,113,500.

Given that data, the FY 2025 JLBC Baseline subsequently revised both the FY 2024 and FY 2025 Rio Nuevo distribution estimates to \$17,000,000.

While the General Appropriation Act each year displays a projected amount for information purposes, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Background – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District. The district receives a diversion of state Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Boulevard. (See Table 3 for the history of Rio Nuevo TPT payments).

Table 3
State TPT Payments to the Rio Nuevo District

Fiscal Year	Distributions
FY 2023	\$17,113,500
FY 2022	16,516,600
FY 2021	9,525,700
FY 2020	14,478,800
FY 2019	15,958,900
FY 2018	13,562,700
FY 2017	13,988,500
FY 2016	13,088,800
FY 2015	6,958,000
FY 2014	9,486,100
FY 2013	9,755,800
FY 2012	11,957,900
FY 2011	14,099,900
FY 2010	8,727,300
FY 2009	10,399,300
FY 2008	15,456,200
FY 2007	14,974,900
FY 2006	10,968,200
FY 2005	7,469,600
FY 2004	5,081,200
Total	\$239,567,900

A.R.S. § 48-4203 requires that any construction project (or other improvement to real property) controlled by the District with a cost of more than \$500,000 be presented to the Joint Committee on Capital Review (JCCR).

The Rio Nuevo Board of Directors submitted information to JCCR in September 2023 regarding 5 projects that have been approved by the District. The board agreed to spend a total of \$7.6 million on these projects. The Committee took no action on this report.

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2024

FY 2024 Baseline General Fund revenues are projected to be \$16.92 billion. This is a decrease of \$(907.9) million compared to the original revenue estimate included in the FY 2024 budget enacted in May 2023.

The reduced revenue amount is the result of:

- A decrease of \$(891.6) million in net revenues due to lower levels of collections than originally projected.
- The cost of the individual income tax rebate program being \$(13.1) million higher than assumed in the enacted budget.
- A \$(3.2) million decrease in the balance forward from FY 2023. The original budget assumed an ending balance of \$2.530 billion for FY 2023 while the actual balance carried forward was \$2.527 billion.

The starting point for developing the Baseline net revenue forecast for the current fiscal year and the next 3 fiscal years is a consensus forecasting process known as the "4-sector" approach. Under this approach, the projected Baseline growth rates for the "Big 3" revenue categories of sales, individual income, and corporate income taxes are produced by averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2024. Consisting of 11 public and private sector economists, this independent panel usually meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona's economy and is updated quarterly.
- EBR's more cautious forecast model, and
- JLBC Staff projections.

The projected net revenue growth rates from each sector of the forecast for FY 2024 through FY 2027 are displayed in *Table 1*.

"Net Revenue" includes the impact of the phase-in of the 2.5% single individual income tax rate along with other previously enacted tax legislation but excludes Urban Revenue Sharing and one-time revenue adjustments.

Year to date through December, net General Fund revenue is down by (8.5)% compared to the same period in FY 2023 and is \$(488) million below the enacted budget forecast.

Under the 4-sector average forecast, net revenue is projected to decline by (1.8)% for all of FY 2024, as shown in *Table 1*. In dollar terms, a (1.8)% decline would result in a FY 2024 revenue loss of \$(622) million relative to the enacted budget. This means that since the year-to-date forecast loss through December is \$(488) million, the 4-sector forecast could only withstand an additional forecast loss of \$(134) million over the next 6 months of FY 2024.

Compared to the 4-sector, the JLBC-only sector has a (3.4)% revenue decline in FY 2024 (*see Table 1*). Under this forecast, net revenue would decrease by \$(905) million relative to the enacted budget. In developing the January Baseline, we have used the JLBC sector in FY 2024 to provide a greater "margin of error."

FY 2025 and Beyond

While the JLBC Staff forecast was used to develop the FY 2024 Baseline forecast, the FY 2025 to FY 2027 projected revenue levels were based on the average forecast of the 4 sectors.

As previously noted, under the January Baseline, total net General Fund revenue, which includes the impact of previously enacted tax legislation, Urban Revenue Sharing, one-time revenue adjustments and the beginning balance, is projected to be \$16.92 billion in FY 2024. The corresponding amount under the Baseline's FY 2025 forecast is \$15.39 billion, which is (9.0)%, or \$(1.53) billion, below the level in FY 2024. Net ongoing revenue, which excludes Urban Revenue Sharing, one-time revenue adjustments, and the beginning balance, is projected to grow by 2.6% under the January Baseline forecast relative to the FY 2024 level.

The FY 2025 Baseline also incorporates revenue planning estimates for FY 2026 and FY 2027, which are shown in *Table 4*. Under the January Baseline, net ongoing revenue would increase by 4.1% in FY 2026 and 4.7% in FY 2027.

The FY 2025 through FY 2027 growth rates from each of the 4 sectors of the forecast are listed in *Table 1* shown on the following page.

Table 1

4-Sector Estimates
Forecast Percentages (FY 2024 - FY 2027)
Net Revenue ^{1/}

	FY 2024					FY 2025				
	<u>JLBC</u> ^{2/}	<u>UA</u> <u>Low</u>	<u>UA</u> <u>Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA</u> <u>Low</u>	<u>UA</u> <u>Base</u>	<u>FAC</u>	<u>Avg</u>
Sales Tax	2.7%	1.3%	2.8%	3.3%	2.5%	4.8%	2.2%	4.0%	3.6%	3.7%
Individual Income Tax	(10.5)%	(8.1)%	(6.0)%	(9.8)%	(8.6)%	5.0%	6.8%	7.3%	4.6%	6.0%
Corporate Income Tax	(8.5)%	6.2%	8.7%	3.2%	2.4%	0.0%	1.7%	2.4%	(0.7)%	0.9%
Overall ^{3/}	(3.4)%	(1.7)%	(0.1)%	(1.7)%	(1.8)%	2.8%	2.3%	3.4%	2.1%	2.6%
	FY 2026					FY 2027				
	<u>JLBC</u>	<u>UA</u> <u>Low</u>	<u>UA</u> <u>Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA</u> <u>Low</u>	<u>UA</u> <u>Base</u>	<u>FAC</u>	<u>Avg</u>
Sales Tax	4.6%	4.4%	5.0%	4.8%	4.7%	4.9%	4.6%	4.9%	5.3%	4.9%
Individual Income Tax	4.9%	5.6%	6.2%	5.5%	5.6%	5.4%	5.7%	6.2%	5.3%	5.7%
Corporate Income Tax	3.0%	2.6%	3.6%	6.8%	4.0%	4.5%	3.0%	4.3%	6.2%	4.5%
Overall ^{3/}	3.8%	3.8%	4.4%	4.5%	4.1%	4.6%	4.4%	4.9%	5.0%	4.7%

^{1/} Includes impact of previously enacted tax legislation.

^{2/} Baseline revenue forecast for FY 2024 is solely based on the JLBC Staff sector forecast.

^{3/} The growth rates for each sector represent the weighted average of Big-3 revenue estimates plus JLBC Staff estimates of other revenue categories.

Risks to the Revenue Forecast

While the U.S. economy has proven more resilient than most economists predicted a year ago, there are still several factors that pose risks to the forecast, including potential problems in the banking sector, which first came to light in the spring of 2023, as well as the potential impact of ongoing conflicts in Ukraine and the Middle East on energy prices.

Over a few weeks in the spring of 2023, several relatively well-known regional banks collapsed, including Silicon Valley Bank, Signature Bank and First Republic Bank, resulting in the most significant systemwide banking stress since the Great Recession. Other risks to the banking sector are related to the commercial real estate market. Due to higher interest rates and more vacant office buildings (resulting from more people working from home than previously), there is an increased risk of defaults on loans made by banks to owners of commercial real estate. A wave of defaults could lead financial institutions to severely tighten their lending standards, which would curtail credit expansion. As a result, credit-dependent spending by households and small businesses

could be significantly reduced, which would have an adverse impact on economic activity.

Another risk to the U.S. and global economy is related to current conflicts in Ukraine and the Middle East. If those conflicts worsen, there could be a sharp increase in energy prices, which would have a dampening effect on both consumer spending and business investments.

Revenue Adjustments

Table 2 provides an overview of ongoing net revenue and total revenue growth for FY 2024 and FY 2025. Ongoing net General Fund revenue includes the impact of previously enacted tax legislation, such as the phase-in of the 2.5% single individual income tax rate, but excludes Urban Revenue Sharing, and one-time financing sources. As shown in Table 2, under the January Baseline, ongoing net revenue is projected to decline by (3.4)% in FY 2024,

Table 2

**General Fund Revenue Baseline
For FY 2024 and FY 2025 Budget
(\$ in Millions)**

	<u>FY 2024</u>	<u>%</u>	<u>FY 2025</u>	<u>%</u>
Net Revenue ^{1/}	\$16,231.5	(3.4)%	\$16,660.7	2.6%
Urban Revenue Sharing	(1,564.8)		(1,268.3)	
One-Time Financing Sources:				
Balance Forward	2,527.2		0.0	
One-Time Income Tax Rebate	<u>(272.9)</u>		<u>0.0</u>	
Subtotal	2,254.3		0.0	
Total Revenue	<u>\$16,921.0</u>	(7.0)%	<u>\$15,392.4</u>	(9.0)%

^{1/} Net revenue represents ongoing General Fund revenue after the impact of previously enacted tax legislation.

followed by an increase of 2.6% in FY 2025. Total revenue, which represents all net General Fund revenue, including Urban Revenue Sharing and one-time financing sources, is estimated to decrease by (7.0)% in FY 2024 and (9.0)% in FY 2025.

Budget Legislation

Each year there are statutory tax law and other revenue changes that affect the state's net revenue collections. These may include tax rate or tax exemption changes, state conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

As noted earlier, the Baseline revenue forecast was prepared on a net revenue basis, which means that the projected revenue levels already reflect the impact of prior tax laws, such as the phase-in of the 2.5% single tax rate. For more details on previously enacted tax legislation, see page 432 in the *FY 2024 Appropriations Report*.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. Through FY 2023, the amount distributed to cities and towns was 15% of net income tax collections from 2 years prior. Laws 2021, Chapter 412 increases the URS distribution from 15% to 18%, beginning in FY 2024.

As indicated in *Table 3*, total URS distributions will decrease from \$1.56 billion in FY 2024 to \$1.27 billion in FY 2025. As noted above, starting in FY 2024, URS distributions are calculated based on 18% of total net (individual plus corporate) income tax collections from 2 years prior. Therefore, the reason that URS distributions

decreased by (19)% from FY 2024 to FY 2025 is that net income tax collections declined by the same percentage from FY 2022 to FY 2023.

One-Time Financing

As shown in *Table 3*, the FY 2024 budget adopted in May 2023 includes the following one-time financing sources:

FY 2024

One-Time Income Tax Rebate

Laws 2023, Chapter 147 (Taxation Budget Reconciliation Bill) provides a one-time individual income tax rebate to an Arizona taxpayer who: (1) filed a full-year resident tax return for TY 2021, (2) claimed a dependent tax credit on the TY 2021 tax return, and (3) had a tax liability of at least \$1 in TY 2019, TY 2020, or TY 2021. The rebate is \$250 for each dependent tax credit claimed on the taxpayer's TY 2021 tax return for a dependent who was under age 17 at the end of 2021 and \$100 for each dependent who was at least 17 years old at the end of 2021. The maximum rebate that can be claimed is for 3 dependents. To be eligible for the dependent tax credit, a taxpayer's federal adjusted gross income cannot exceed \$219,000, or \$419,000 in the case of married couples filing jointly. DOR is required to issue the tax rebates between October 15, 2023 and November 15, 2023. A taxpayer who does not receive the rebate by November 15, 2024 can claim the rebate by filing an online form with DOR. The budget enacted in May 2023 assumed that the cost of the one-time rebate program would be \$(259.8) million in FY 2024. Based on currently available data from the Department of Revenue, the cost is now estimated to be \$(272.9) million.

Balance Forward

The FY 2023 General Fund ending balance carried into FY 2024 was \$2.527 billion.

FY 2025 – FY 2027

The Baseline assumes no one-time revenue sources in FY 2025 through FY 2027.

Table 3

GENERAL FUND REVENUE - FY 2023 - FY 2025

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2023	% CHANGE PRIOR YR	FORECAST FY 2024	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2025	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	7,677,789.3	6.5%	7,885,089.6	2.7%	207,300.3	8,173,718.4	3.7%	288,628.8
Income - Individual	5,239,552.9	-30.4%	4,689,399.8	-10.5%	(550,153.1)	4,967,499.1	5.9%	278,099.3
- Corporate	1,806,311.4	55.3%	1,652,774.9	-8.5%	(153,536.5)	1,666,740.6	0.8%	13,965.7
Property	22,208.0	-17.1%	21,763.9	-2.0%	(444.2)	21,328.6	-2.0%	(435.3)
Luxury - Tobacco	18,686.8	-10.5%	19,220.7	2.9%	533.8	19,028.5	-1.0%	(192.2)
- Liquor	45,379.8	4.1%	46,875.2	3.3%	1,495.4	49,500.2	5.6%	2,625.0
Insurance Premium	761,342.0	7.6%	769,716.8	1.1%	8,374.8	797,426.6	3.6%	27,709.8
Other Taxes	18,354.0	12.6%	19,730.6	7.5%	1,376.6	21,170.9	7.3%	1,440.3
Subtotal - Taxes	15,589,624.2	-6.7%	15,104,571.4	-3.1%	(485,052.8)	15,716,412.9	4.1%	611,841.5
Other Non-Tax Revenues:								
Lottery	175,812.0	-4.3%	222,285.2	26.4%	46,473.2	234,637.8	5.6%	12,352.6
Gaming Revenue	49,377.2	373.1%	36,590.0	-25.9%	(12,787.2)	39,157.0	7.0%	2,567.0
Licenses, Fees and Permits	42,181.8	3.9%	45,050.1	6.8%	2,868.4	46,942.2	4.2%	1,892.1
Interest	366,763.2	690.7%	360,000.0	-1.8%	(6,763.2)	240,000.0	-33.3%	(120,000.0)
Sales and Services	33,156.3	9.2%	34,482.5	4.0%	1,326.3	35,861.8	4.0%	1,379.3
Other Miscellaneous	178,644.0	14.7%	185,789.8	4.0%	7,145.8	193,221.4	4.0%	7,431.6
Transfers and Reimbursements	275,596.9	64.7%	166,909.0	-39.4%	(108,687.8)	80,301.0	-51.9%	(86,608.0)
Disproportionate Share Revenue	98,139.0	11.7%	75,853.5	-22.7%	(22,285.5)	74,162.9	-2.2%	(1,690.6)
Subtotal - Other Non-Tax	1,219,670.3	68.8%	1,126,960.2	-7.6%	(92,710.1)	944,284.1	-16.2%	(182,676.0)
Net Ongoing Revenue	16,809,294.5	-3.6%	16,231,531.6	-3.4%	(577,762.9)	16,660,697.0	2.6%	429,165.5
Urban Revenue Sharing (URS)	(1,106,958.7)	N/A	(1,564,826.3)	N/A	(457,867.7)	(1,268,255.6)	N/A	296,570.8
Net Ongoing Revenue w/ URS	15,702,335.8	-5.9%	14,666,705.3	-6.6%	(1,035,630.6)	15,392,441.4	4.9%	725,736.3
One-Time Financing Sources:								
Attorney General Settlement	75,462.1	N/A	0.0	-100.0%	(75,462.1)	0.0	N/A	0.0
TPT Diversions	(2,287,489.6)	N/A	0.0	N/A	2,287,489.6	0.0	N/A	0.0
One-Time Income Tax Rebate	0.0	N/A	(272,956.4)	N/A	(272,956.4)	0.0	N/A	272,956.4
Subtotal - One-Time Financing Sources	(2,212,027.5)	N/A	(272,956.4)	N/A	1,939,071.2	0.0	N/A	272,956.4
Subtotal - Revenues	13,490,308.3	-19.2%	14,393,748.9	6.7%	903,440.6	15,392,441.4	6.9%	998,692.7
Balance Forward	4,709,446.0	426.4%	2,527,233.0	-46.3%	(2,182,213.0)	0.0	-100.0%	(2,527,233.0)
Total - Resources	18,199,754.3	3.4%	16,920,981.9	-7.0%	(1,278,772.4)	15,392,441.4	-9.0%	(1,528,540.4)

Table 4

GENERAL FUND REVENUE - FY 2026 - FY 2027

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2026	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2027	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	8,557,678.1	4.7%	383,959.7	8,979,299.8	4.9%	421,621.7
Income - Individual	5,243,240.4	5.6%	275,741.2	5,539,962.4	5.7%	296,722.0
- Corporate	1,733,167.0	4.0%	66,426.4	1,811,385.3	4.5%	78,218.3
Property	20,902.0	-2.0%	(426.6)	20,484.0	-2.0%	(418.0)
Luxury - Tobacco	18,838.2	-1.0%	(190.3)	18,649.8	-1.0%	(188.4)
- Liquor	52,272.2	5.6%	2,772.0	55,199.5	5.6%	2,927.2
Insurance Premium	830,121.0	4.1%	32,694.5	864,156.0	4.1%	34,035.0
Other Taxes	22,652.9	7.0%	1,482.0	24,238.6	7.0%	1,585.7
Subtotal - Taxes	16,478,871.8	4.9%	762,458.9	17,313,375.3	5.1%	834,503.5
Other Non-Tax Revenues:						
Lottery	250,185.7	6.6%	15,547.9	266,504.7	6.5%	16,319.0
Gaming Revenue	41,010.9	4.7%	1,853.9	42,955.0	4.7%	1,944.1
Licenses, Fees and Permits	48,913.8	4.2%	1,971.6	50,968.2	4.2%	2,054.4
Interest	135,000.0	-43.8%	(105,000.0)	87,000.0	-35.6%	(48,000.0)
Sales and Services	37,296.3	4.0%	1,434.5	38,788.1	4.0%	1,491.9
Other Miscellaneous	200,950.2	4.0%	7,728.9	208,988.3	4.0%	8,038.0
Transfers and Reimbursements	80,859.5	0.7%	558.5	81,437.6	0.7%	578.1
Disproportionate Share Revenue	74,428.5	0.4%	265.6	74,452.7	0.0%	24.2
Subtotal - Other Non-Tax	868,644.9	-8.0%	(75,639.2)	851,094.5	-2.0%	(17,550.5)
Net Ongoing Revenue	17,347,516.7	4.1%	686,819.7	18,164,469.8	4.7%	816,953.1
Urban Revenue Sharing (URS)	(1,141,591.4)	N/A	126,664.1	(1,194,163.2)	N/A	(52,571.7)
Net Ongoing Revenue w/ URS	16,205,925.3	5.3%	813,483.8	16,970,306.6	4.7%	764,381.4
One-Time Financing Sources:						
Attorney General Settlement	0.0	N/A	0.0	0.0	N/A	0.0
TPT Public Infrastructure	0.0	N/A	0.0	0.0	N/A	0.0
One-Time Income Tax Rebate	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - Revenues	16,205,925.3	5.3%	813,483.8	16,970,306.6	4.7%	764,381.4
Balance Forward	0.0	N/A	0.0	0.0	N/A	0.0
Total - Resources	16,205,925.3	5.3%	813,483.8	16,970,306.6	4.7%	764,381.4

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
- Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.

- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
- If the annual growth rate of real adjusted personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- A.R.S. § 37-1305(E)(4) and A.R.S. § 35-144 allows the BSF to be used for the advance payment of wildfire suppression claims. Upon reimbursement of those claims by other entities, those monies are to be deposited into the BSF.
- Beginning in FY 2020, the BSF's total balance cannot be larger than 10.0% of the current year's General Fund revenues, excluding the beginning balance. Prior to Laws 2019, Chapter 54, the percentage was set at 7.0%.
- Laws 2023, Chapter 145 Budget Implementation Budget Reconciliation Bill (BRB) continues to notwithstanding the requirements for any deposit to or withdrawals from the BSF through FY 2026. Chapter 145 also notwithstanding the 10% BSF cap for FY 2024.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities (A.R.S. § 35-314.02).

Deposits/Withdrawals

FY 2023

Based on the EEC estimate of May 28, 2023, Arizona real adjusted personal income increased by 1.10% in CY 2022, with a trend growth rate of 3.19%. Since this was (2.09)% below the trend growth rate of 3.19% and below the 2% floor, the BSF formula recommended a withdrawal of \$(349.1) million in FY 2023. (For more details, see Table 1.)

The FY 2023 budget did not incorporate the formula recommendation. Instead, Laws 2022, Chapter 321

diverted \$425.0 million of General Fund Transaction Privilege Tax (TPT) revenues to the BSF in even monthly installments during FY 2023.

In FY 2023, the State Forester withdrew \$(7.3) million from the BSF for the advance payment of wildfire suppression claims and repaid \$13.4 million to the BSF for outstanding claims.

Laws 2022, Chapter 313 authorized DES to use up to \$25 million from the BSF to provide funding for reimbursement grants in FY 2023. Chapter 313 required the BSF to be fully reimbursed by September 1, 2023. A total of \$(25) million was withdrawn from the BSF in FY 2023, which was reimbursed to the BSF in the early part of FY 2024.

FY 2024

The University of Arizona's Economic and Business Research Center (EBR) currently estimates that Arizona real adjusted personal income increased by 2.60% in CY 2023. Since this is (0.5)% below the estimated trend growth rate of 3.10%, but above the 2% floor, the BSF formula is projected to recommend no deposit to or withdrawal from the BSF in FY 2024. *(For more details, see Table 1).*

Through the first 5 months of FY 2024, the State Forester withdrew \$(12.6) million from the BSF for the advance payment of wildfire suppression claims and repaid \$42,000 to the BSF for outstanding claims.

Laws 2023, Chapter 133 authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2024. Chapter 133 requires the BSF to be fully reimbursed by September 1, 2024.

FY 2025

EBR currently projects that Arizona real adjusted personal income will increase by 3.19% in CY 2024. Since this is 0.17% above the estimated trend growth rate of 3.02%, the BSF formula is projected to recommend a deposit of \$24.9 million in FY 2025. *(For more details, see Table 1.)*

Statutory Changes

The Baseline would, as session law, continue to notwithstanding the requirements for 1) any deposit to or withdrawals from the Budget Stabilization Fund through FY 2027 and 2) a 10% BSF cap for FY 2025.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2023	Estimate FY 2024	Estimate FY 2025
General Fund Revenues			
Adjusted Revenues	\$15,702,335.8	\$14,666,705.3	\$15,392,441.4
Statutory Limit of Revenues	10.0%	10.0%	10.0%
Maximum Balance ^{2/}	1,570,233.6	1,466,670.5	1,539,244.1
Arizona Personal Income in Prior CY			
Real Adjusted Annual Income Growth	1.10%	2.60%	3.19%
7-Year Average Income Growth	<u>3.19%</u>	<u>3.10%</u>	<u>3.02%</u>
Annual Difference	(2.09)%	(0.50)%	0.17%
BSF Transactions			
Beginning BSF Balance	982,163.7	1,424,381.2	1,486,830.4
BSF Formula Recommendation	(349,119.6)	0.0	24,933.4
Actual Transfer In			
General Fund Appropriation ^{3/}	425,000.0	0.0	0.0
State Forester Claims ^{4/}	13,394.7	42.0	0.0
DES Reimbursement Grants ^{5/6/}	<u>0.0</u>	<u>25,000.0</u>	<u>0.0</u>
SUBTOTAL	438,394.7	25,042.0	0.0
Actual Transfer Out			
State Forester Claims ^{4/}	(7,304.2)	(12,592.8)	0.0
DES Reimbursement Grants ^{5/6/}	<u>(25,000.0)</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(32,304.2)	(12,592.8)	0.0
Balance	1,388,254.2	1,436,830.4	1,486,830.4
Interest Earnings & Equity Gains/Losses ^{7/}	36,127.0	50,000.0	30,000.0
Ending BSF Balance	\$1,424,381.2	\$1,486,830.4	\$1,516,830.4
Percent of Revenues ^{2/}	9.07%	10.14%	9.85%

^{1/} BSF history prior to FY 2023 can be found on the JLBC website.

^{2/} Laws 2023, Chapter 145 is notwithstanding the 10% BSF cap for FY 2024.

^{3/} Laws 2022, Chapter 321 diverted \$425 million from General Fund Transaction Privilege Tax (TPT) revenues to the BSF in FY 2023.

^{4/} Laws 2019, Chapter 269 authorizes BSF monies to be used by the State Forester to pay certain wildland fire suppression claims, not to exceed \$20 million at any time. The monies must be reimbursed to the State Treasurer within 45 days of a federal agency's payment on the claim. Positive amounts represent reimbursement to the BSF by the State Forester and negative amounts represent withdrawals from the BSF by the State Forester.

^{5/} Laws 2022, Chapter 313 authorized DES to use up to \$25 million from the BSF to provide funding for reimbursement grants in FY 2023. Chapter 313 required the BSF to be fully reimbursed by September 1, 2023. A total of \$(25) million was withdrawn from the BSF in FY 2023 and this amount was reimbursed to the BSF in the early part of FY 2024.

^{6/} Laws 2023, Chapter 133 authorizes DES to use up to \$25 million from the BSF to provide funding for reimbursement grants in FY 2024. Chapter 133 requires the BSF to be fully reimbursed by September 1, 2024.

^{7/} Net earnings for FY 2024 and FY 2025 were estimated by the JLBC Staff based on information provided by the State Treasurer's Office.

CONSOLIDATED RETIREMENT REPORT

CONSOLIDATED RETIREMENT REPORT

Summary

The Consolidated Retirement Report (CRR) provides financial information on the state's retirement systems, including the total state cost of the retirement systems and estimated cost of annual changes in the employer contribution rates.

Most public employees in Arizona are enrolled in one of the 5 following state retirement systems.

- The Arizona State Retirement System (ASRS), which provides retirement, survivors, health, and disability benefits to employees of most public employers, including public schools, most local and county governments, and the State of Arizona.
- The Public Safety Personnel Retirement System (PSPRS), which provides similar benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters.
- The Corrections Officers Retirement Plan (CORP), which provides similar benefits to correctional officers at state-run facilities, detention officers at county jails, and certain public safety dispatchers.
- The Elected Officials' Retirement Plan (EORP), which provides similar benefits to elected officials. The population of elected officials includes state officials, county/city officials and judges. EORP is now closed to new enrollees. Elected officials who are elected after January 1, 2014 are enrolled in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement plan.

- The University Optional Retirement Plan (UORP). Some university employees are eligible to choose between ASRS or UORP. Unlike ASRS, UORP is a defined contribution plan where the employee and employer each contribute 7% of gross earnings.

The PSPRS Board of Trustees manages the PSPRS, CORP and EORP plans. The Arizona Board of Regents (ABOR) separately oversees the UORP plan.

FY 2025 Impacts and Total Funding

Based on data provided by state agencies in their budget requests under A.R.S. § 35-115, JLBC estimates the General Fund cost associated with all state retirement systems in FY 2025 is \$199.2 million and the Total State Funds cost is \$644.9 million. *(Please see Table 1 for the total costs.)*

Employer contribution rate for the retirement systems change each year depending on the latest actuarial valuation. Some of the retirement costs may be covered by agencies' non-appropriated funding sources.

ASRS

The General Fund cost associated with ASRS in FY 2024 is estimated to be \$101.5 million and the Total State Funds cost is \$470.5 million.

At its November 2023 meeting, the ASRS Board of Trustees decreased the pension contribution rate to 12.12% of Personal Services in FY 2025. The FY 2024 rate was 12.14%. The Board kept the employer contribution rate for disability insurance unchanged at 0.15%, for a total overall employer contribution rate of 12.27% (compared to 12.29% last year) *(Please see Table 2 for historical ASRS contribution rates.)*

Table 1

Arizona Public Retirement FY 2025 System Employer Cost

	<u>FY 2025 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 101,452,100	\$ 369,018,400	\$ 470,470,500
Public Safety Personnel Retirement System	20,452,300	10,094,000	30,546,300
Corrections Officer Retirement Plan	33,005,400	608,000	33,613,400
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	23,098,100	333,500	23,431,600
University Optional Retirement Plan	21,192,400	65,626,200	86,818,600
Grand Total	\$ 199,200,300	\$ 445,680,100	\$ 644,880,400

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2025 Baseline change in Personal Services costs. The PSPRS/CORP estimates are based on the Tier 1 and Tier 2 employer contribution rates as applied to the entire PSPRS/CORP salary base.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

<u>Fiscal Year</u>	<u>Rate</u>	<u>Fiscal Year</u>	<u>Rate</u>
FY 1989	5.09	FY 2008	9.60
FY 1990	2.00	FY 2009	9.45
FY 1991	3.82	FY 2010	9.40
FY 1992	3.60	FY 2011	9.85
FY 1993	3.59	FY 2012	10.74
FY 1994	3.14	FY 2013	11.14
FY 1995	3.75	FY 2014	11.54
FY 1996	3.85	FY 2015	11.60
FY 1997	3.69	FY 2016	11.47
FY 1998	3.54	FY 2017	11.48
FY 1999	3.34	FY 2018	11.50
FY 2000	2.66	FY 2019	11.80
FY 2001	2.66	FY 2020	12.11
FY 2002	2.49	FY 2021	12.22
FY 2003	2.49	FY 2022	12.41
FY 2004	5.70	FY 2023	12.17
FY 2005	5.70	FY 2024	12.29
FY 2006	7.40	FY 2025	12.27
FY 2007	9.10		

PSPRS

PSPRS consists of numerous state and local subgroups, each with its own contribution rate (*see Table 4*). The General Fund cost associated with PSPRS in FY 2025 is estimated to be \$20.5 million and the Total State Funds cost is \$30.5 million.

In aggregate, the FY 2025 Tier 1 and Tier 2 PSPRS employer contribution rate is 46.25%, or 0.78% higher than in FY 2024 (*see Table 3*).

CORP

CORP consists of numerous state and local subgroups, each with its own contribution rate (*see Table 4*). The General Fund cost associated with CORP is \$33.0 million in FY 2025 and the Total State Funds cost is \$33.6 million.

In aggregate, the FY 2025 Tier 1 and Tier 2 CORP employer contribution rate is 16.44%, or (1.42)% lower than in FY 2024 (*see Table 3*).

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2025 is estimated to be \$23.1 million and the Total State Funds cost is \$23.4 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

The FY 2025 EORP employer contribution rate is 70.44%, or (6.07)% lower than in FY 2024 (*see Table 3*).

Laws 2022, Chapter 323 made a temporary exception to allow certain EORP members to receive a normal retirement pension prior to the date typically allowed

under statute. Chapter 323 also appropriated \$60,000,000 from the General Fund in FY 2023 to offset the increased actuarial liability from the early retirement benefit. Because of limited use of this provision, the \$60,000,000 appropriation effectively served as an additional deposit to the EORP Fund, contributing to the decreased FY 2025 employer contribution rate.

	PSPRS	CORP	EORP
FY 2024 Contribution Rate	45.47%	17.86%	76.51%
Asset (Gain)/Loss	0.21%	0.09%	0.00%
Payroll	(2.24%)	(1.22%)	0.82%
Liability Experience	1.87%	2.08%	(4.41%)
Additional Contribution	(1.67%)	(1.64%)	(7.43%)
Assumption Changes	0.89%	0.19%	2.95%
Actuarial Audit	1.24%	(0.22%)	1.41%
Other	0.48%	(0.70%)	0.59%
FY 2025 Contribution Rate	46.25%	16.44%	70.44%
Net Change	0.78%	(1.42%)	(6.07%)

^{1/} Represents aggregate information for PSPRS and CORP Tiers 1 and 2. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group.

For EODCRS members, the total employer contribution rate is the same as EORP, with 6.0% of the employer contribution rate deposited into the individual employees' retirement investment account and the remainder being deposited into the EORP Fund.

UORP

The General Fund cost associated with UORP in FY 2025 is estimated to be \$21.2 million and the Total State Funds cost is \$86.8 million.

While some university employees are members of ASRS, others participate in the optional retirement plan. In this latter plan, employees and their employers each contribute 7.0% of the employee's gross earnings, which is then invested by the employee. These contribution rates are fixed in statute and do not change in FY 2025.

Funded Status

As of June 30, 2023, there were 713,138 active, inactive, retired, and DROP members enrolled in ASRS, PSPRS, CORP, and EORP. (*See Table 5 for more information.*)

The funded status, or the market value of plan assets relative to the amount of liabilities, of each plan is:

- 75.5% for ASRS (excluding the disability program);
- 66.4% for PSPRS;
- 84.1% for CORP; and
- 40.7% for EORP.

Table 4

PSPRS/CORP State Employer Group Retirement Rates

Retirement System	Employer				Employee	
	FY 2024		FY 2025		FY 2025	
	Tier 1 and 2	Tier 3 ^{1/}	Tier 1 and 2	Tier 3 ^{1/}	Tiers 1 and 2	Tier 3 ^{1/}
<u>Public Safety Personnel Ret. System</u>						
Liquor License Investigators	11.66%	11.06%	10.63%	10.30%	7.65%	8.89%
Department of Public Safety ^{2/}	19.18%	15.68%	20.51%	15.90%	2.65%	4.03%
Northern Arizona University Police	12.49%	12.32%	10.75%	9.68%	7.65%	8.89%
University of Arizona Police	13.90%	12.53%	15.51%	12.58%	7.65%	8.89%
Arizona State University Police	14.87%	10.57%	14.33%	9.21%	7.65%	8.89%
Game and Fish Department	9.72%	9.56%	9.88%	8.89%	7.65%	8.89%
Attorney General Investigators	7.91%	9.56%	7.56%	8.89%	7.65%	8.89%
DEMA Firefighters	13.24%	11.81%	12.19%	9.34%	7.65%	8.89%
Parks Police	3.87%	9.56%	2.84%	8.89%	7.65%	8.89%
<u>Corrections Officer Ret. Plan</u>						
Corrections Officer - ADC	6.00%	6.12%	6.94%	8.37%	7.65%	7.67%
Corrections Officer - DJC	6.12%	7.17%	6.00%	6.23%	7.65%	7.67%
DPS Dispatchers ^{3/}	8.38%	N/A	8.23%	N/A	7.65%	N/A
DPS Detention	7.27%	7.42%	10.84%	10.42%	8.41%	7.67%
Probation Officers	39.70%	41.94%	39.39%	42.39%	8.41%	7.67%

^{1/} FY 2024 and 2025 rates for Tier 3 for PSPRS based on Defined Benefit Plan and based on Defined Contribution for CORP.

^{2/} The displayed rates reflect that 5% of the DPS member contribution is paid by the state.

^{3/} Dispatchers hired after November 24, 2009 are ASRS members.

Table 5

Arizona Public Retirement System Valuation Data as of June 30, 2023

	ASRS		PSPRS		CORP		EORP	
Membership								
	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2025</u>
Active (working and contributing)	208,393	219,830	18,185	18,425	8,681	7,974	354	296
State Active Members	N/A	N/A	1,321	1,304	4,907	4,456	N/A	N/A
Other Active Members	N/A	N/A	16,864	17,121	3,774	3,518	N/A	N/A
Inactive	255,622	256,590	2,893	3,081	3,797	3,781	168	176
Retired Members, Disabled and Survivor Beneficiaries	167,370	176,444	15,299	15,963	6,791	7,030	1,303	1,321
Deferred Retirement Option Plan	N/A	N/A	2,144	2,227	N/A	N/A	N/A	N/A
Total	631,385	652,864	38,521	39,696	19,269	18,785	1,825	1,793
Funding Status (dollar values in millions) 1/								
	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Market Value of Assets	\$49,124	\$49,779	\$13,584	\$14,965	\$3,864	\$4,235	\$344	\$421
Total Actuarial Liability	\$65,432	\$65,961	\$20,964	\$22,527	\$4,686	\$5,034	\$1,006	\$1,035
Unfunded Actuarial Liability 2/	\$16,308	\$16,181	\$7,380	\$7,562	\$822	\$799	\$662	\$614
Funded Status 2/	75.1%	75.5%	64.8%	66.4%	82.4%	84.1%	34.2%	40.7%

N/A=Not Available

1/ Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group.

2/ Calculated on market, not actuarial, value of assets. ASRS funded status data excludes long-term disability program.

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent currently-funded formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2025 budget.

The Baseline also includes supplemental FY 2024 funding for selected budget units. All FY 2024 changes are referenced to the original FY 2024 appropriated amount.

In addition, A.R.S. § 35-125 requires the annual General Appropriation Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2027.

Changes from Prior Year

The Baseline includes adjustments for one-time appropriations, annualization of any items funded for a partial year, and funding formula requirements.

The individual agency descriptions in this volume provide further narrative detail on these changes. In addition, the book provides the line item detail for individual agency budgets. The major technical issues pertaining to each of these line items are described below.

The individual agency descriptions also include the following years of budget data:

- *FY 2023 Actual* - This dollar amount represents the FY 2023 expenditures as reported by the agency. Pursuant to the Executive's budget instructions, the amount is to exclude administrative adjustments, or payments for obligations incurred in FY 2022 but for which the state was not billed until FY 2023.
- *FY 2024 Estimate* - This dollar amount represents the FY 2024 appropriations as of the end of the 56th Legislature, 1st Regular Session. It does *not* include any supplemental FY 2024 funding in the Baseline.
- *FY 2025 Baseline* - This dollar amount represents the FY 2025 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the "Summary of Funds" section at the end of each individual agency's narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees.

ERE Rates - This category typically represents changes in the state's cost of employee benefits. The rates have been held constant from FY 2024 to FY 2025 in the Baseline.

Medical and Dental Insurance - The Baseline includes a decrease of \$(73.0) million from the General Fund and \$(120.4) million total funds to remove one-time funding for a deposit into the Health Insurance Trust Fund (HITF). Although these monies were allocated to individual budgets in FY 2024, this decrease is reflected as a statewide adjustment in the Baseline for FY 2025. The Baseline includes no further changes to agency budgets for medical and dental insurance costs. *(Please see the HITF discussions in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.)*

Life Insurance - \$7.28 per employee per year, unchanged from the FY 2024 rate set by ADOA.

Unemployment Insurance (UI) - 0.10% of Personal Services for each agency, unchanged from the FY 2024 rate assumed in the FY 2024 budget. In September 2022 (FY 2023), ADOA paused UI charges to agencies due to the balance of the UI fund administered by ADOA.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2024 rate established in statute. Of this amount, 0.83% is used to fund the ADOA Human Resources Division while the other 0.03% is used to fund the State Personnel Board.

The following agencies are not incorporated into State Personnel System oversight and are therefore exempt from paying the pro rata charge:

- Arizona State Schools for the Deaf and the Blind
- Legislative agencies (House of Representatives, Senate, Legislative Council, Auditor General, Joint Legislative Budget Committee)

- Judiciary (Supreme Court, Court of Appeals, Superior Court)
- Department of Public Safety
- Universities (including Arizona Board of Regents)

Information Technology Planning - 0.61% of Personal Services for each agency, unchanged from the FY 2024 rate established in statute. Statewide Cybersecurity controls in the Department of Homeland Security budget and the government information technology review function in the ADOA budget are funded from an assessment on the payroll of all state agencies except the Universities.

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2024 rate established in statute. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies. The fund is used to make payments to state employees who retire with 500 or more hours of sick leave. Employees' payments depend on the number of hours of sick leave and their salary, with the payment capped at 50% of 1,500 hours of sick leave, or \$30,000 maximum.

Attorney General Legal Services - \$1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2024 amount set in the FY 2024 budget. *(Please see the Attorney General narrative for details.)*

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2024 workers' compensation rates. ADOA estimates the average statewide rate is 0.96%.

Federal Insurance Contributions Act (FICA) - Effective January 1, 2024, Social Security employer taxes are paid at a rate of 6.20% up to \$168,600 an increase from the previous maximum of \$160,200. The rate is unchanged. The Baseline does not adjust agency budgets for this change.

In addition, Medicare employer taxes are applied at a rate of 1.45% on the full level of an employee's salary. This rate is unchanged from FY 2024. An additional 0.9% is withheld for the amount of salaries above \$200,000. Employees will continue to be withheld at 1.45% for salaries below \$200,000. This additional 0.9% withholding does not apply to the employer-paid portion of the Medicare tax.

Retirement - Most FY 2025 rates as determined by the state's retirement systems have changed from the FY 2024 rates. The total contribution from ASRS employees and employers combined will be 24.54%, a decrease from

the FY 2024 rate of 24.58%; both employers and employees will see their rates decrease in FY 2025 to 12.27% from 12.29% in FY 2024. These rates include 0.15% for both employers and employees to pay for disability insurance, unchanged from FY 2024.

Employer contribution rates for the Public Safety Personnel Retirement Plan, the Corrections Officers Retirement Plan, and the Elected Officials' Retirement Plan are discussed in the *Consolidated Retirement Report* section of this book. These 3 systems build the disability rate into the main rate.

The Baseline does not adjust agency budgets for any changes in retirement rates.

Risk Management - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges determined and billed by ADOA. The billings vary by individual agency. The Baseline does not adjust agency budgets for changes in these rates.

Rent - Individual agency budgets' Other Operating Expenditures include monies to pay rent for state-owned or lease-purchase space, as well as privately-owned space.

As required by statute, ADOA charges \$17.87 per square foot for all state agencies occupying state-owned space and \$6.43 per square foot for state-owned storage space in FY 2024. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2025. *(Please see the Capital Outlay - ADOA Building System narrative for more details.)*

The Baseline does not address increases in rent for privately-owned space.

Format

Each agency section in this book includes the proposed agency budget format. Any changes from the prior year format are noted. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- *Lump Sum by Agency*
- *Lump Sum by Program*
- *Modified Lump Sum by Agency*
- *Detailed Line Item by Agency*

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature. Details on each of these common formats are below:

Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	\$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately. If Special Line Items are listed separately, transfers to or from those lines must receive prior ADOA and Governor's Office of Strategic Planning and Budgeting (OSPB) approval.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA and OSPB approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	\$30,000
Program B	30,000
Program C	<u>40,000</u>
Total Appropriations - Agency X	\$100,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek the recommendation of the Joint Legislative Budget Committee and approval by ADOA and OSPB before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173E). In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total Appropriations - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed

separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA and OSPB approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	<u>5,000</u>
Total Appropriations - Agency X	\$100,000

Footnotes

The individual agency sections of this book include proposed footnotes, which are narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law.

Agency footnotes are shown after the number table at the start of an agency's narrative. Most footnotes are unchanged from FY 2024 or updated for technical reasons (e.g., fiscal year references). One-time FY 2024 footnotes do not reappear in the FY 2025 Baseline. Non-technical changes are indicated with strike-through font for deletions and all-capital text for new language. Proposed new footnotes will include the word "NEW" at the start of the footnote. Footnotes proposed for deletion will be footnoted with a "D/" and the entire text struck-through. *(Please see the Major Footnote Changes section for a listing of major footnote changes from FY 2024.)*

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2024 unless noted.

Federal Funds Reporting – In FY 2025, the Governor's Office, Superintendent of Public Instruction, and Arizona Board of Regents are required to report to the Legislature on all total planned allocations and actual expenditures for monies from the American Rescue Plan Act. Each entity is required to report quarterly.

Expenditure Reporting - It is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by

budget programs and classes in a format similar to the one used for budgetary purposes in prior years.

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2025 for submission to the JLBC Director by October 1, 2025. This report shall include both appropriated and non-appropriated positions. The Universities are exempt from the ADOA report but are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2024 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2024.

Transfer Authority - ADOA shall provide a monthly report to JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2024 General Fund ending balance by September 15, 2024. The JLBC Staff shall report to JLBC by October 15, 2024 as to whether FY 2025's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections.

Long-Term Budget Estimates - A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the budget year and the following 2 years. The expenditure estimates are to be based on existing statutory funding requirements. A.R.S. § 35-125 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. *(Please see the FY 2025 Baseline Summary section for details on the FY 2025 - FY 2027 revenue and expenditure estimates.)*

Non-Lapsing Appropriations - The General Appropriation Act will designate certain appropriations with “*,” meaning that the appropriation is exempt from lapsing.

Expenditure Authority - For the purposes of the General Appropriation Act, “expenditure authority” means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review - For the purposes of the General Appropriation Act, “review by the Joint Legislative Budget Committee” means a review by a vote of a majority of a quorum of the members.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *(Please see the FY 2025 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.)*

In addition to agency-specific statutory changes, the Baseline would, as session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Other Issues

This section may also include other information of general interest, including FY 2024 supplementals and Auditor General reports.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 2 “balance sheet” expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling \$125,000,000 in FY 2024 for FY 2023 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2023, but for which the state was unbilled until FY 2024. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$125,000,000 is a decrease of \$(25,000,000) from the originally-budgeted FY 2024 total.

In addition to the FY 2024 figure, the Baseline assumes a FY 2025 administrative adjustment total of \$130,000,000, an increase of \$5,000,000 from the revised FY 2024 total.

Revertments - The Baseline assumes that state agencies will revert \$(145,000,000) of FY 2024 appropriations back to the General Fund because agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2025. This amount is \$(70,000,000) less than the originally-budgeted FY 2024 total of \$(215,000,000).

In addition to the FY 2025 estimate, the Baseline also assumes a FY 2025 revertment total of \$(155,000,000), an increase of \$(10,000,000) from the revised FY 2024 total.

DIRECTORY OF:

- ***APPROPRIATIONS COMMITTEE MEMBERS***
- ***JLBC AND JCCR MEMBERS***
- ***JLBC STAFF***

DIRECTORY OF JLBC ANALYSTS

Accountancy, Arizona State Board of	James Martinez-Burney	Juvenile Corrections, Department of	James Martinez-Burney
Acupuncture Board of Examiners	Mitchell Wenzel	Land Department, State	Gordon Robertson
Administration, Arizona Department of	Ethan Scheider	Legislative Council	Morgan Dorcheus
ADOA - Automation Projects Fund	Destin Moss	Liquor Licenses & Control, Department of	Nate Belcher
ADOA - Health Insurance Trust Fund	Chandler Coiner	Lottery Commission, Arizona State	Ben Newcomb
ADOA - School Facilities Division	Gordon Robertson	Massage Therapy, Board of	Destin Moss
Administrative Hearings, Office of	Destin Moss	Medical Board, Arizona	Ethan Scheider
African-American Affairs, AZ Commission of	Micaela Larkin Andrews	Mine Inspector, State	Nate Belcher
Agriculture, Arizona Department of	Nate Belcher	Naturopathic Physicians Medical Board	Destin Moss
AHCCCS	Maggie Rocker/ Chandler Coiner	Navigable Stream Adjudication Commission, AZ	Nate Belcher
Arts, Arizona Commission on the	Ethan Scheider	Nursing, State Board of	Destin Moss
Athletic Training, Board of	Destin Moss	Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	Mitchell Wenzel
Attorney General - Department of Law	Gordon Robertson	Occupational Therapy Examiners, Board of	Destin Moss
Auditor General	Micaela Larkin Andrews	Ombudsman-Citizens Aide Office	Micaela Larkin Andrews
Barbering and Cosmetology Board	James Martinez-Burney	Opticians, State Board of Dispensing	Ethan Scheider
Behavioral Health Examiners, Board of	Mitchell Wenzel	Optometry, State Board of	Ethan Scheider
Charter Schools, State Board for	Ethan Scheider	Osteopathic Examiners in Medicine and Surgery AZ Bd of	Mitchell Wenzel
Child Safety, Department of	Maggie Rocker	Parks Board, Arizona State	Nate Belcher
Chiropractic Examiners, State Board of	James Martinez-Burney	Personnel Board, State	Ethan Scheider
Citizens Clean Elections Commission	Micaela Larkin Andrews	Pharmacy, AZ State Board of	James Martinez-Burney
Commerce Authority, Arizona	Nate Belcher	Physical Therapy, Board of	Destin Moss
Community Colleges, Arizona	Cameron Mortensen	Pioneers' Home, Arizona	Destin Moss
Constable Ethics Standards and Training Board	James Martinez-Burney	Podiatry Examiners, State Board of	James Martinez-Burney
Contractors, Registrar of	Ethan Scheider	Power Authority, Arizona	Mitchell Wenzel
Corporation Commission	Nate Belcher	Private Postsecondary Education, State Bd. For	Destin Moss
Corrections, State Department of	Geoff Paulsen	Psychologist Examiners, State Board of	Mitchell Wenzel
County Funding	Mitchell Wenzel	Public Safety, Department of	Jordan Johnston
Criminal Justice Commission, AZ	James Martinez-Burney	Public Safety Personnel Retirement System	Gordon Robertson
Deaf and the Blind, AZ State Schools for the	Ethan Scheider	Real Estate Department, State	Destin Moss
Deaf and the Hard of Hearing, Commission for the	James Martinez-Burney	Residential Utility Consumer Office	Nate Belcher
Dental Examiners, State Board of	James Martinez-Burney	Respiratory Care Examiners, Board of	Mitchell Wenzel
Early Childhood Development & Health Board, AZ	Mitchell Wenzel	Retirement System, Arizona State	Gordon Robertson
Economic Opportunity, Office of	Ben Newcomb	Revenue, Department of	Micaela Larkin Andrews
Economic Security, Department of	Chandler Coiner/ Mitchell Wenzel	Secretary of State, Department of State	Micaela Larkin Andrews
Education, State Board of	Gordon Robertson	Senate	Morgan Dorcheus
Education, Department of	Patrick Moran/ Gordon Robertson	Tax Appeals, State Board of	Nate Belcher
Emergency and Military Affairs, Department of	Mitchell Wenzel	Technical Registration, State Board of	James Martinez-Burney
Environmental Quality, Department of	Maggie Rocker	Tourism, Office of	Nate Belcher
Equal Opportunity, Governor's Office of	Ethan Scheider	Transportation, Department of	Jordan Johnston
Equalization, State Board of	Ethan Scheider	Treasurer, State	Mitchell Wenzel
Executive Clemency, Board of	James Martinez-Burney	Tribal Relations, Governor's Office on	Ethan Scheider
Exposition & State Fair Board, AZ	Nate Belcher	Universities	
Forestry and Fire Management, AZ Department of	Nate Belcher	Regents, Arizona Board of	Cameron Mortensen
Funeral Directors & Embalmers, State Board of	Maggie Rocker	Arizona State University	Cameron Mortensen
Game and Fish Department, Arizona	Nate Belcher	Northern Arizona University	Cameron Mortensen
Gaming, Department of	Ben Newcomb	University of Arizona - Main Campus	Cameron Mortensen
Governor, Office of the	Morgan Dorcheus	University of Arizona - Health Sciences Center	Cameron Mortensen
Governor's Office of Strategic Planning. & Budgeting	Morgan Dorcheus	Veterans' Services, Department of	Chandler Coiner
Health Services, Department of	Maggie Rocker	Veterinary Medical Examining Board, AZ. State	Mitchell Wenzel
Historical Society, Arizona	Micaela Larkin Andrews	Water Infrastructure Finance Authority	Micaela Larkin Andrews
Historical Society of AZ, Prescott	Micaela Larkin Andrews	Water Resources, Department of	Micaela Larkin Andrews
Homeland Security, AZ Department of	Mitchell Wenzel		
Homeopathic and Integrated Medicine Exmrs, Bd. of	Destin Moss		
House of Representatives	Morgan Dorcheus	<u>Other Assignments</u>	
Housing, AZ Department of	Cameron Mortensen	Economic and Revenue Forecast	Hans Olofsson
Independent Redistricting Commission	Micaela Larkin Andrews	Fiscal Note Manager	Stefan Shepherd/ Morgan Dorcheus
Industrial Commission of Arizona	Ethan Scheider		
Insurance and Financial Institutions, Department of	Destin Moss		
Joint Legislative Budget Committee	Morgan Dorcheus		
Judiciary	James Martinez-Burney		

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966 pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members serve on the Committee during the 56th Legislature, 2nd Regular Session:

Senator John Kavanagh
Chairman

Senator Lela Alston

Senator Ken Bennett

Senator Sonny Borrelli

Senator Eva Diaz

Senator Brian Fernandez

Senator Jake Hoffman

Senator J.D. Mesnard

Representative David Livingston
Vice-Chairman

Representative Leo Biasiucci

Representative Neal Carter

Representative Joseph Chaplik

Representative Matt Gress

Representative Judy Schwiebert

Representative Stephanie Stahl Hamilton

Representative Marcelino Quiñonez

The objectives and major products of the staff of the JLBC are:

- Analysis and recommendations for the state budget, which is presented in January of each year.
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature.
- Periodic economic and state revenue forecasts.
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions.
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent.
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173.
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007
Phone: (602) 926-5491
Email: jlbcwebmaster@azleg.gov
Website: <https://www.azjlbc.gov>

JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986 pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as “capital outlay.” The following members serve on the Committee during the 56th Legislature, 2nd Regular Session:

Senator John Kavanagh	Representative David Livingston
Vice-Chairman	Chairman
Senator Lela Alston	Representative Lorena Austin
Senator Ken Bennett	Representative Leo Biasiucci
Senator Sonny Borrelli	Representative Joseph Chaplik
Senator Eva Diaz	Representative Lupe Contreras
Senator Denise "Mitzi" Epstein	Representative Matt Gress
Senator Jake Hoffman	Representative Marcelino Quiñonez

The JCCR is staffed by the JLBC Staff. The objectives and major products of the JCCR are to:

- Recommend capital appropriations to the Legislature.
- Approve capital transfers within a budget unit.
- Review the scope, purpose and cost of projects before releasing appropriations.
- Develop a “Building Renewal Formula.”
- Approve the use of Renewal funds for infrastructure repair.
- Approve lease-purchase agreements and the acquisition of certain real property and buildings.
- Along with the Legislature, approve corrections and state operated juvenile facilities expenditures from the Corrections Fund.
- Review the issuance of revenue bonds by the Board of Regents.
- Approve Arizona Department of Administration land and building purchases and condemnations.
- Review “Capital Improvement Plans.”
- Determine rental rates for buildings owned by the state.
- Review Community College District revenue bond projects.
- Review School Facilities Division assumptions for new school construction.
- Review School Facilities Division lease-to-own agreements.

APPROPRIATIONS COMMITTEE MEMBERS
Fifty-sixth Legislature
Second Regular Session

SENATE

John Kavanagh, Chairman
 Jake Hoffman, Vice-Chairman
 Lela Alston
 Ken Bennett
 Eva Diaz
 David Farnsworth
 Brian Fernandez
 Anthony Kern
 Sine Kerr
 Juan Mendez

HOUSE

David Livingston, Chairman
 Joseph Chaplik, Vice-Chairman
 Lorena Austin
 Selina Bliss
 Michael Carbone
 Oscar De Los Santos
 Lupe Diaz
 Timothy Dunn
 Matt Gress
 Nancy Gutierrez
 Quang Nguyen
 Barbara Parker
 Marcelino Quiñonez
 Judy Schwiebert
 Amish Shah
 Stephanie Stahl Hamilton
 Julie Willoughby

STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

- Director..... Richard Stavneak
- Deputy Directors Stefan Shepherd
- Jack Brown
- Patrick Moran
- Chief Economist..... Hans Olofsson
- Assistant Directors..... Morgan Dorcheus
- Micaela Larkin Andrews
- Rebecca Perrera
- Principal Fiscal Analysts..... Geoffrey Paulsen
- Senior Fiscal Analysts..... Jordan Johnston
- Maggie Rocker
- Senior Economist..... Ben Newcomb
- Fiscal Analysts..... Nate Belcher
- James Martinez-Burney
- Chandler Coiner
- Cameron Mortensen
- Gordon Robertson
- Mitch Wenzel
- Assistant Fiscal Analysts Destin Moss
- Ethan Scheider
- Senior Administrative Assistant/JLBC Clerk..... Kristy Paddack
- Administrative Assistant/JCCR Clerk Jennifer Burns