

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.