

FY 2026 STATE GENERAL FUND BUDGET SUMMARY

The FY 2026 budget is based primarily upon the actions of the 57th Legislature's 1st Regular Session. On June 27, 2025, the Governor signed into law the FY 2026 General Appropriations Act for the fiscal year beginning July 1, 2025 as well as 15 other budget-related bills.

Revised FY 2025 General Fund Budget

- The *FY 2025 Appropriations Report*, at the time of publication in July 2024, General Fund revenues were anticipated to be \$16.28 billion. Revenue projections for FY 2025 have been revised upward to \$17.34 billion based on:
 - ⇒ A projected 2.6% change in base ongoing revenue.
 - ⇒ A one-time revenue gain of \$369.1 million above the original enacted budget.
 - ⇒ An increase in the carryforward balance of \$323.9 million above the amount assumed in the original enacted budget.
- The FY 2025 Appropriations Report also projected General spending of \$16.18 billion. Due to changes in statutory funding formula requirements and other factors, the FY 2026 Baseline revised FY 2025 spending to \$16.09 billion, or a decrease of \$(93) million.
- The enacted budget further revised FY 2025 spending to \$16.25 billion based on supplemental adjustments made in the FY 2026 budget process.
- The ending FY 2025 cash balance is now estimated to be \$1.09 billion.

FY 2026 General Fund Revenues

- The *FY 2026 Baseline Book* projected FY 2026 General Fund revenues of \$17.58 billion, which primarily assumed a 3.4% increase in ongoing revenues above FY 2025.
- The enacted FY 2026 budget has projected total General Fund revenue of \$17.77 billion and includes the following:
 - ⇒ A 3.1% change in ongoing base revenue.
 - ⇒ An increase in carryforward balances from \$962.8 million in FY 2025 to \$1.09 billion in FY 2026.
 - ⇒ An additional one-time revenue gain of \$76.3 million above the amount in the JLBC Baseline.

FY 2026 General Fund Spending

- FY 2026 General Fund spending is projected to be \$17.57 billion compared to \$16.25 billion in FY 2025, or an increase of 8.2% based on the following assumptions:
 - ⇒ A \$1.01 billion increase in ongoing spending primarily due to formula spending adjustments and other changes as part of the FY 2026 3-year budget plan.
 - ⇒ A \$318.7 million increase in one-time spending.
- The entire FY 2026 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$71.18 billion.
- The main drivers of FY 2026 General Fund spending are delineated below by function of government.

General Fund and Budget Stabilization Fund Balances

- Based on \$17.77 billion in projected revenues and \$17.57 billion in projected spending, the projected ending FY 2026 cash balance is \$199.8 million.
- Apart from the General Fund, the Budget Stabilization Fund will have an estimated balance of \$1.63 billion in FY 2026.

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 2027 revenues are projected to be \$17.39 billion compared to FY 2027 spending of \$17.35 billion. This would result in a cash balance of \$32.6 million in FY 2027.
- FY 2028 revenues are projected to be \$18.02 billion compared to FY 2028 spending of \$18.00 billion. This would result in a cash balance of \$23.0 million in FY 2028.

Education

Department of Education (ADE)

- ADE General Fund spending increases by \$404.8 million, or 5.1% above the final FY 2025 appropriation, including:
 - ⇒ \$(206.2) million to remove funding for an FY 2025 supplemental appropriation, including.
 - \$(150.8) million for higher-than-budget Basic State Aid costs, as outlined below.

- \$(69.4) million for one-time Basic State Aid recalculations associated with the *Qasimyar v. Maricopa County* property tax litigation.
- \$14.0 million for lower-than-anticipated Homeowner's Rebate expenses.
- ⇒ \$150.8 million for a prior year rebase due to higher-than-budgeted expenses for FY 2025 Basic State Aid, including:
 - \$88.5 million increased state aid costs for public schools, primarily due to a higher-than-budgeted cost per student.
 - \$50.1 million for increased Empowerment Scholarship Account (ESA) awards in FY 2025. This figure is based on actual ESA enrollment of 87,602 and awards of \$872.2 million.
 - \$16.2 million to cover lower-than-expected local property taxes to cover the school district share of the formula.
- ⇒ \$129.6 million for Empowerment Scholarship Account (ESA) growth in FY 2026. This amount assumes total ESA program enrollment reaches 97,905 in FY 2026, or 10,303 above estimated FY 2025 enrollment of 87,602.
- ⇒ \$(58.3) million for FY 2026 public school enrollment declines. Total unweighted public school Average Daily Membership (ADM) would decline by an estimated (0.8)% to reach a level of 1,068,922 in FY 2026. The (0.8)% estimate assumes a (0.2)% base enrollment decline associated with demographic trends plus an additional (0.6)% decline due to switchers to the ESA program.
- ⇒ \$166.7 million for a 2.0% statutory inflation adjustment of funding levels for the per pupil base level, transportation, and charter additional assistance.
- ⇒ \$(53.7) million in savings due to property tax growth from new construction.
- ⇒ \$285.6 million to backfill reduced land trust endowment distributions under Proposition 123, which lowers the distribution rate from 6.9% in FY 2025 to 2.5% in FY 2026.
- ⇒ \$4.9 million for increased Homeowner's Rebate expenses.
- ⇒ \$3.4 million one-time for Ninth Grade On-Track Program funding.
- ⇒ \$2.5 million one-time for a Rural Arizona School Nurse Access Program.
- ⇒ \$500,000 one-time for Automated External Defibrillator Grants.
- ⇒ \$400,000 one-time for the implementation of assessments in a virtual setting.
- ⇒ \$200,000 one-time for the Apache Junction Robotics Program.
- ⇒ \$100,000 one-time for a Teacher Retention Study.
- ⇒ \$431,400 for statewide adjustments.
- ⇒ No net change to continue one-time funding for a supplement to the Free and Reduced Price Lunch (FRPL) Group B weight in FY 2026. Under the FY 2026 3-year budget plan, this funding is restored as ongoing in FY 2028.
- ⇒ No net change to continue one-time funding for a supplement to Additional Assistance in FY 2026. Under the FY 2026 3-year budget plan, this funding is restored as ongoing in FY 2028.
- ⇒ No net change to continue \$3.8 million for One-Time School Meal Grants.
- ⇒ \$(7.0) million to remove one-time funding for a Holocaust Education Center.
- ⇒ \$(5.0) million to reduce one-time funding for Adult Education programs, including:
 - \$(4.0) million to remove one-time funding for the Adult Education Workforce Diploma Program. This program is instead funded in the Office of Economic Opportunity at a level of \$2.0 million.
 - \$(3.0) million to reduce one-time funding for the Continuing High School and Workforce Training Program from \$4.0 million to \$1.0 million.
 - \$2.0 million to increase one-time funding for a Community College Adult Education Workforce Development Program Fund Deposit from \$4.0 million to \$6.0 million.
- ⇒ \$(5.0) million to remove one-time funding for increased costs from ADE's contract for the Arizona English Language Learner Assessment (AZELLA). This cost is instead covered by Other Funds in FY 2026.
- ⇒ \$(2.0) million to remove one-time funding for Low-Income After School Program Grants.
- ⇒ \$(2.0) million to remove one-time funding for a K-12 Mental Health Telehealth Pilot.
- ⇒ \$(1.0) million to remove one-time funding for a Center for High School Success.
- ⇒ \$(100,000) to remove one-time funding for Live, Remote Instruction.

Arizona Department of Administration/School Facilities Division (SFD)

- SFD General Fund spending increases by \$32.0 million, or 10.0%, including:
 - ⇒ \$31.3 million for a net one-time increase in new school construction costs. The budget funds a total of \$140.7 million for new construction, including the completion of 5 FY 2025 schools, and the initial funding for 4 FY 2026 schools in the Laveen, Nadaburg, Snowflake, and Tolleson School Districts.
 - ⇒ \$750,000 in one-time funding for administration of the Building Renewal Grant program.

Universities

- University General Fund spending increases by \$4.6 million, or 0.5%, including:
 - ⇒ \$16.3 million one-time to increase funding for the Arizona Promise Program.
 - ⇒ \$150,000 one-time to increase funding for Washington D.C. internship scholarships.
 - ⇒ \$500,000 one-time ASU funding for Decision Theater – Pinal County Transportation.
 - ⇒ \$1.4 million one-time UA funding for the Yuma Center for Excellence for Desert Agriculture.
 - ⇒ \$850,000 one-time UA funding for an Extractive Modular Metallurgy Facility.
 - ⇒ \$500,000 one-time UA funding for the Arizona Geological Survey.
 - ⇒ \$2.0 million one-time UA funding for a deposit into the On-Farm Irrigation Fund.
 - ⇒ \$500,000 one-time UA funding for AZ REACH.
 - ⇒ \$50,000 one-time UA funding for Medical Mission Scholarships.
 - ⇒ \$(46.0) million to remove one-time operating funding.
 - ⇒ \$(1.0) million to remove one-time funding for the Arizona Teachers Academy.
 - ⇒ \$596,800 for adjustments to capital appropriations.
 - ⇒ \$28.8 million for statewide adjustments.
- Fall 2024 enrollment increased by 10,468 full-time equivalent students, or 5.0% above Fall 2023, for total enrollment of 221,564.

Community Colleges

- Community College General Fund spending increases by \$7.8 million, or 8.1%, including:
 - ⇒ \$5.7 million for formula adjustments.
 - ⇒ \$1.0 million for Eastern Arizona College (Graham County) expenses.
 - ⇒ \$880,000 for a rural county allocation technical adjustment.
 - ⇒ \$250,000 for Maricopa wrestling scholarships.
- The Community College funding formula is based on student counts from 2 years prior. FY 2024 rural district enrollment increased by 889 full-time equivalent students, or 3.6%, for a total rural enrollment of 25,368. Including the Maricopa and Pima districts, total enrollment increased by 3,798, or 4.2%, to 93,809.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$36.1 million, or 1.4%, including:
 - ⇒ \$180.3 million for formula adjustments, including 1.2% caseload growth, a 3.0% inflation adjustment, and the reduction of the regular match rate from 65.24% to 64.48%. This amount also annualizes a \$(64.4) million FY 2025 savings due to lower enrollment in FY 2025.
 - ⇒ \$(150.0) million to shift Medicaid services costs to the Prescription Drug Rebate Fund.
 - ⇒ \$4.3 million for one-time critical access hospital supplemental payments.
 - ⇒ \$4.0 million for one-time graduate medical education funding.
 - ⇒ \$2.2 million for one-time funding of eligibility income verification services.
 - ⇒ \$100,000 for coverage of traditional healing services.
 - ⇒ \$247,200 for coverage of outpatient speech therapy and Cochlear implants.
 - ⇒ \$(4.2) million to remove one-time critical access hospital supplemental pool funding.
 - ⇒ \$(1.0) million to remove one-time case manager provider wage increases.
 - ⇒ \$(1.8) million to remove one-time FY 2025 supplemental funding for eligibility income verification.
 - ⇒ \$1.9 million for statewide adjustments.
- The budget includes an ex-appropriation of \$(94.1) million in FY 2025. This consists of \$(64.4) million for lower-than-budgeted FY 2025 caseloads and \$(29.7) million due to the federal government's one-time retroactive adjustment to the state's match rate.
- The budget includes a supplemental of \$1.8 million in FY 2025 for eligibility income verification.
- AHCCCS enrollment is projected to be 1.86 million recipients by June 2026. This level represents a caseload increase of 21,000, or 1.2%, from June 2025.

Department of Child Safety (DCS)

- DCS General Fund spending increases by \$30.6 million, or 6.7%, including:
 - ⇒ \$23.2 million for a Congregate Care federal funding backfill, of which \$19.3 million is one-time.
 - ⇒ \$9.8 million for one-time Guardian system maintenance.

- ⇒ \$6.9 million for an Operating Lump Sum fund sourcing realignment.
- ⇒ \$6.4 million for a one-time Extended Foster Care Comprehensive Service Model deposit.
- ⇒ \$4.6 million for a Caseworkers line item fund sourcing realignment.
- ⇒ \$3.9 million for a projected increase in Extended Foster Care caseloads.
- ⇒ \$2.6 million for one-time fleet vehicle replacement.
- ⇒ \$600,000 for an Office of Child Welfare Investigations line item fund sourcing realignment.
- ⇒ \$100,000 for one-time funding to develop and maintain a group home monitoring training program.
- ⇒ \$(11.5) million for a Kinship Care line item surplus and fund sourcing realignment.
- ⇒ \$(11.0) million to remove one-time funding for the Healthy Families Arizona Program.
- ⇒ \$(5.5) million to remove one-time provider rate increases associated with children and family supports contracts.
- ⇒ \$(3.5) million for a Permanent Guardianship Subsidy line item fund sourcing realignment.
- ⇒ \$(2.9) million for an Adoption Services line item surplus and fund sourcing realignment.
- ⇒ \$(2.0) million for a Foster Home Placement line item surplus and fund sourcing realignment.
- ⇒ \$8.9 million for statewide adjustments.

Department of Economic Security (DES)

- DES General Fund spending increases by \$551.5 million, or 41.2%, including:
 - ⇒ \$434.0 million for Developmental Disabilities (DD) formula adjustments, including 5.0% enrollment growth, a 3.0% capitation rate increase, and the reduction of the regular match rate from 65.24% to 64.48%. This amount also annualizes a \$309.5 million cost due to higher-than-budgeted FY 2025 formula costs, including an overall 25.5% capitation rate increase (above the 4.0% that was originally budgeted) and 7.3% caseload growth (above the 4.5% that was originally budgeted).
 - ⇒ \$1.2 million for one-time benefit services digital portal implementation funding.
 - ⇒ \$4.0 million for one-time IT mainframe operating costs funding.
 - ⇒ \$1.0 million for a one-time income verification data charge backfill.
 - ⇒ \$3.7 million in one-time funding to backfill federal funding in the Adult Protective Services program.
 - ⇒ \$2.0 million in one-time funding for the Area Agencies on Aging (AAAs) for Home and Community Based Services.
 - ⇒ \$5.0 million in one-time funding for the AAAs for Housing Assistance.
 - ⇒ \$3.0 million in one-time funding for civil legal aid.
 - ⇒ \$15.5 million in one-time funding for coordinated homeless services.
 - ⇒ \$2.0 million in one-time funding for the produce incentive program.
 - ⇒ \$500,000 in one-time funding to create a homeless veterans' strategic plan.
 - ⇒ \$1.5 million in one-time funding for homeless veterans' services.
 - ⇒ \$200,000 for one-time summer food benefits administration funding.
 - ⇒ \$14.8 million one-time for home and community-based serves for high-cost DD clients.
 - ⇒ \$1.2 million one-time for the group home monitoring program.
 - ⇒ \$32.3 million for a one-time DD reconciliation payment.
 - ⇒ \$44.9 million in one-time funding to increase child care subsidies.
 - ⇒ \$500,000 in one-time funding for the education workforce initiative.
 - ⇒ \$3.0 million in one-time funding for a deposit into the out-of-school time grant program fund.
 - ⇒ \$1.0 million in one-time funding for homeless youth assistance.
 - ⇒ \$(12.0) million to remove one-time funding for child care.
 - ⇒ \$(2.0) million to remove one-time funding for the Area Agencies on Aging.
 - ⇒ \$(1.0) million to remove one-time funding for the Pascua Yaqui tribal government for social services.
 - ⇒ \$(1.0) million to remove one-time funding for food distribution services for low-income individuals in Cochise County.
 - ⇒ \$(1.0) million to remove one-time funding for DD job training and life skills.
 - ⇒ \$(1.2) million to remove funding for the Group Home Monitoring Program.
 - ⇒ \$(500,000) to remove one-time funding for Navajo Nation women's shelter and social services.
 - ⇒ \$(500,000) to remove one-time funding for nutrition, housing, and rental assistance programs in Pinal County.
 - ⇒ \$(500,000) to remove one-time funding for Navajo Nation youth programs.
 - ⇒ \$(250,000) to remove one-time funding for low-income food services for tribal communities.
 - ⇒ \$(700,000) to remove one-time FY 2025 supplemental funding for income verification data charges.
 - ⇒ \$(1.9) million to remove one-time FY 2025 supplemental funding for summer food benefits administration.

- ⇒ \$2.8 million for statewide adjustments.
- The budget includes a supplemental of \$700,000 in FY 2025 for an income verification data charge backfill.
- The budget includes a supplemental of \$1.9 million in FY 2025 for summer food benefits administration funding.
- The budget also includes an ex-appropriation of \$(9.9) million in FY 2025 to account for a one-time retroactive adjustment to the state's match rate.
- Medicaid Developmental Disability caseloads are projected to grow to 48,623 by June 2026. This level represents a caseload increase of 2,315, or 5.0%, above June 2025.

Department of Health Services (DHS)

- DHS General Fund spending increases by \$5.1 million, or 4.2%, including:
 - ⇒ \$750,000 for one-time funding of a dementia awareness campaign.
 - ⇒ \$5.0 million for one-time ibogaine clinical research grants.
 - ⇒ \$1.8 million for one-time funding to address a projected operating shortfall at the state hospital.
 - ⇒ \$1.5 million for one-time operating support of the state hospital's Sexually Violent Persons program.
 - ⇒ \$1.5 million for one-time funding to support nursing education programs at community colleges.
 - ⇒ \$1.0 million to remove a one-time funding shift for Alzheimer's disease research.
 - ⇒ \$125,000 for one-time international medical school collaboration grant funding.
 - ⇒ \$100,000 for one-time technical assistance to an advisory committee on maternal mental health.
 - ⇒ \$100,000 for one-time clinical health training program grant funding.
 - ⇒ \$(1.6) million to shift healthcare licensing costs from the General Fund.
 - ⇒ \$(1.2) million to remove one-time funding for additional licensing compliance staff.
 - ⇒ \$(1.0) million to remove one-time funding for senior health promotion in Santa Cruz County.
 - ⇒ \$(1.0) million to remove one-time funding of southern Arizona counseling and community service grants.
 - ⇒ \$(900,000) to remove one-time funding for licensing database upgrades.
 - ⇒ \$(500,000) to remove one-time funding for counseling services for parents whose children have died as a result of violence.
 - ⇒ \$(500,000) to remove one-time funding for heat mitigation programs in Arizona.
 - ⇒ \$(500,000) to remove one-time funding for preventative health services for low-income, underserved women.
 - ⇒ \$(500,000) to remove the final year of funding for the Preceptor Grant Program.
 - ⇒ \$939,600 for statewide adjustments.

Department of Housing (ADOH)

- ⇒ ADOH General Fund spending decreases by \$(15.0) million, or (100)%, to remove a one-time deposit to the Housing Trust Fund.

Department of Veterans' Services (DVS)

- DVS General Fund spending decreases by \$(471,800), or (3.6)%, including:
 - ⇒ \$1.0 million to establish a veterans' mental health pilot program.
 - ⇒ \$(500,000) to remove one-time funding for a veterans center.
 - ⇒ \$(287,400) to remove one-time funding for prior year unpaid claims.
 - ⇒ \$(1.0) million to remove one-time FY 2025 supplemental funding associated with the State Homes for Veterans Trust Fund Deposit.
 - ⇒ \$315,600 for statewide adjustments.
- The budget includes a FY 2025 General Fund supplemental appropriation of \$1.0 million for deposit to the State Home for Veterans Trust Fund to address an operating cost shortfall.

Criminal Justice/Public Safety

Department of Corrections (ADC)

- ADC General Fund spending increases by \$55.2 million, or 3.6%, including:
 - ⇒ \$37.4 million for an operating lump sum funding realignment.
 - ⇒ \$37.0 million to restore one-time reduction in non-contract medication line item funding.
 - ⇒ \$20.8 million for a one-time correctional officer stipend of 4%.
 - ⇒ \$17.0 million for an overtime and compensatory time line item funding realignment.
 - ⇒ \$13.4 million for an inmate contracted services line item funding realignment.

- ⇒ \$9.5 million for one-time operating funding.
- ⇒ \$(40.0) million for a non-contract medication SLI funding realignment.
- ⇒ \$(13.6) million for an injunction-related IT upgrades line item funding realignment.
- ⇒ \$(9.4) million to remove one-time supplemental funding for inmate health care contracted services.
- ⇒ \$(9.1) million to remove one-time supplemental operating funding.
- ⇒ \$(6.8) million to remove one-time funding for additional injunction-related staffing.
- ⇒ \$(6.4) million for a private prison per diem line item funding realignment.
- ⇒ \$(4.0) million for a community corrections line item funding realignment.
- ⇒ \$(3.9) million for a substance abuse treatment SLI funding realignment.
- ⇒ \$(2.7) million to remove one-time funding for injunction-related costs.
- ⇒ \$(4,700) to remove one-time funding for prior year unpaid claims.
- ⇒ \$15.8 million for statewide adjustments.
- The budget includes the following FY 2025 adjustments:
 - ⇒ \$9.4 million for inmate health care contracted services.
 - ⇒ \$9.1 million for operating costs.
 - ⇒ \$4,700 for one-time for prior year unpaid claims.
 - ⇒ \$(37.0) million to reduce funding for non-contract medication.
- The systemwide June 2025 prison population was 35,551, an increase of 413 or 1.1% above June 2024.

Department of Emergency and Military Affairs (DEMA)

- DEMA General Fund spending increases by \$467,500, or 2.9%, including:
 - ⇒ \$500,000 and 5 FTE Positions for emergency division grant support.
 - ⇒ \$(200,000) to remove enacted STORM act state match funding.
 - ⇒ \$(462,900) to remove one-time hazard mitigation assistance funding.
 - ⇒ \$630,400 for statewide adjustments.

Judiciary

- Judiciary General Fund spending increases by \$4.4 million, or 2.6%, including:
 - ⇒ \$2.3 million for the second year of a 2-year phase in of judicial salary increases approved in the FY 2025 budget.
 - ⇒ \$600,000 one-time for the 3-year Child and Family Representation Program.
 - ⇒ \$191,800 for a Superior Court judge position in Mohave County.
 - ⇒ \$145,000 for a judicial misconduct investigator to resolve complaints against judges.
 - ⇒ \$93,700 for a human resource position to address growing workload.
 - ⇒ \$(280,000) to remove one-time funding for digital evidence software.
 - ⇒ \$1.4 million for statewide adjustments.

Department of Public Safety (DPS)

- DPS General Fund spending increases by \$49.2 million, or 18.6%, including:
 - ⇒ \$27.7 million to remove a one-time shift of border drug interdiction and local border support from the General Fund to the Border Security Fund.
 - ⇒ \$8.7 million for one-time vehicle replacement.
 - ⇒ \$5.0 million for a one-time increase in local border support.
 - ⇒ \$1.6 million for a one-time deposit into the Anti-Human Trafficking Grant Fund.
 - ⇒ \$1.5 million for a one-time increase in the Arizona Counter Terrorism Information Center (ACTIC).
 - ⇒ \$788,200 for 911 call takers.
 - ⇒ \$750,000 for a distribution to Yuma County for a family advocacy center.
 - ⇒ \$400,000 for Sex Offender Management Board administration funding.
 - ⇒ \$150,000 for recruitment funding.
 - ⇒ \$106,000 in additional Civil Air Patrol maintenance and operations funding.
 - ⇒ \$(10.9) million for a one-time shift of border drug interdiction from the General Fund to the Border Security Fund.
 - ⇒ \$(4.0) million to remove one-time funding for local border support.
 - ⇒ \$17.5 million for statewide adjustments, including \$4.2 million for a 5% salary increase for AZ-POST certified staff and dispatchers.

Natural Resources

Department of Environmental Quality (DEQ)

- DEQ General Fund spending decreases by \$(16.0) million, or (100.0)%, including:
 - ⇒ \$(15.0) million for a one-time suspension of a statutory Corporate Income Tax transfer to the WQARF program.
 - ⇒ \$(1.0) million to remove one-time funding of a pilot program to replace diesel heavy duty trucks with zero-emission vehicles.

Department of Forestry and Fire Management (DFFM)

- DFFM General Fund spending decreases by \$(4.3) million, or (8.4)%, including:
 - ⇒ \$700,800 for statewide adjustments.
 - ⇒ \$(5.0) million to remove a one-time appropriation for fire suppression.

General Government

Arizona Department of Administration (ADOA)

- ADOA General Fund spending decreases by \$(3.7) million, or (14.9)%, including:
 - ⇒ \$3.0 million for a tribal health care investment.
 - ⇒ \$3.0 million for a deposit into the Erroneous Convictions Fund.
 - ⇒ \$2.7 million for a law enforcement records management system.
 - ⇒ \$2.3 million for fire incident management grants.
 - ⇒ \$1.0 million for health care interoperability grants.
 - ⇒ \$(15.0) million to remove a one-time FY 2025 supplemental federal financial participation payment.
 - ⇒ \$(1.0) million to remove a one-time distribution to the Navajo Nation to establish household electrical connections.
 - ⇒ \$(2,500) to remove one-time equipment purchases for the Arizona State Hospital Ombudsman.
 - ⇒ \$262,400 for statewide adjustments

ADOA – Automation Projects Fund (APF)

- APF General Fund spending decreases by \$(11.5) million, or (75.3)%, including:
 - ⇒ \$1.9 million for Medicaid Enterprise System modernization.
 - ⇒ \$1.8 million for real estate system modernization.
 - ⇒ \$(11.8) million to shift funding for the Department of Revenue integrated tax system modernization project to FY 2029.
 - ⇒ \$(3.4) million to remove one-time funding for Medicaid Enterprise System modernization.

Arizona Commerce Authority (ACA)

- ACA General Fund spending increases by \$1.6 million, or 12.0%, including:
 - ⇒ \$1.2 million for a one-time grant to a federally recognized state rural development council.
 - ⇒ \$500,000 for one-time grants to applied research centers specializing in medical technologies.
 - ⇒ \$300,000 one-time to establish and operate a new Office of Defense Innovation.
 - ⇒ \$125,000 one-time to establish and operate a trade office in Romania.
 - ⇒ \$(500,000) to remove a one-time appropriation for small business center grants.

State Treasurer

- State Treasurer General Fund spending increases by \$32.3 million, or 308.1%, including:
 - ⇒ \$32.9 million for 48 one-time local distributions (*see the agency narrative for additional information*).
 - ⇒ \$2.0 million for deposit to the Statewide Transportation Innovation Fund.
 - ⇒ \$2.0 million for deposit to the Advanced Air Mobility Fund.
 - ⇒ \$1.0 million for deposit to the Statewide Infrastructure Trust Fund.
 - ⇒ \$169,000 increase in Justice of the Peace (JP) salaries, which are statutorily linked to the Superior Court judge salary level. The latter was increased for 2025 and 2026, thereby requiring this JP adjustment.
 - ⇒ \$150,000 for a veterans' health innovation pilot.
 - ⇒ \$(6.0) million to remove a one-time distribution to county recorders for ballot paper with specific security features.
- The budget includes an FY 2025 supplemental increase of \$310,000 to address a shortfall in the Justice of the Peace Salaries appropriation.

State Employees

- The budget increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 229.7 FTE Positions in FY 2026. These adjustments would bring the total FTE Position ceiling to 55,723.8 in FY 2026.

Capital

- The budget includes \$26.2 million for non-road capital projects, including \$13.2 million for DPS office replacement and electrical upgrades, \$8.5 million for ADC fire alarm system replacements, \$2.4 million for the Tucson Veterans' Home HVAC system, \$1.6 million for ADOA building renewal, and \$500,000 for the Verde River Headwaters State Park.
- The budget includes \$110.0 million from the General Fund in FY 2026 for 21 transportation initiatives, which primarily fund road improvements.
- The budget includes \$59.5 million from Other Funds in FY 2026 for building renewal and capital improvements at ADOA, Arizona Expositions and State Fair Board, ADC, Arizona Game and Fish Department, Lottery Commission, State Parks, Pioneers' Home, and Arizona Department of Transportation. The budget also includes \$28.5 million for individual capital projects as various agencies.
- The Baseline includes an ex-appropriation of \$(23.2) million from the State Parks Revenue Fund. This reflects 10 projects cancelled by the Arizona State Parks Board, of which \$(19.1) million was funded in FY 2025 and \$(4.1) million was funded in FY 2023.

Debt

- At the end of FY 2026, the state's projected level of lease-purchase and bonding capital obligations will be \$5.47 billion. The associated annual debt service payment is \$609.1 million.
- Of the \$5.47 billion in total lease-purchase and bonding obligations, the General Fund share is \$763.7 million. The General Fund annual debt service is projected to be \$95.7 million in FY 2026.
- Of the \$763.7 million, \$325.2 million is related to the state's share of Phoenix Convention Center costs and \$421.0 million is for university capital projects.

Statewide Adjustments

- The budget includes a decrease of \$(140.0) million from the General Fund and \$(41.6) million from Other Funds for the removal of a one-time FY 2025 state employee health insurance subsidy. In its place, the budget includes an increase of \$194.9 million from the General Fund and \$50.0 million from Other Funds for a new one-time employer health insurance premium increase in FY 2026. The figures for both years include funding to backfill University Tuition employer contributions.
- The budget includes \$31.9 million from the General Fund and \$18.6 million from Other Funds for the following statewide adjustments:
 - ⇒ AZ360 adjustments
 - ⇒ Rent and COP adjustments
 - ⇒ Risk management adjustments
 - ⇒ Fleet operating adjustments
 - ⇒ Fleet replacement adjustments
 - ⇒ Retirement adjustments
 - ⇒ Selected staff salary adjustments