

FY 2026 STATE GENERAL FUND BASELINE SUMMARY

Revised FY 2025 General Fund Budget

- The enacted FY 2025 budget projected FY 2025 General Fund revenues of \$16.28 billion. With \$16.18 billion in projected General Fund spending, the cash balance was estimated to be \$95.7 million at the end of FY 2025.
- The Baseline revises FY 2025 General Fund revenue projections upward to \$16.99 billion, or \$715.2 million above the enacted budget.
- Due to changes in statutory funding formula requirements and other factors, FY 2025 spending is expected to decrease to \$16.09 billion, or a decrease of \$(93) million.
- Based on these assumptions, the ending FY 2025 cash balance is now estimated to be \$904 million.

FY 2026 General Fund Revenues

- The January Baseline is based on FY 2026 General Fund revenues of \$17.58 billion, an increase of \$588 million above FY 2025. The primary component of this adjustment is a 3.4%, or \$582 million, increase in ongoing revenues above FY 2025.
- The General Fund base revenue estimates are a product of the JLBC Staff's 4-sector forecast process, which equally weights the projections for major revenue categories of 2 University of Arizona econometric models, the consensus of the private and public sector economists on the Finance Advisory Committee, and the JLBC Staff.

FY 2026 General Fund Spending

- FY 2026 General Fund Baseline spending is projected to be \$16.65 billion compared to \$16.09 billion in FY 2025, or an increase of 3.5% based on the following assumptions:
 - ⇒ A \$962 million increase in ongoing spending primarily due to formula spending adjustments and other changes as part of the FY 2025 3-year budget plan.
 - ⇒ A \$(406) million decrease in one-time spending.
- The January Baseline FY 2026 spending estimates essentially reflect changes in the cost of statutory fundings formulas as well as any adjustments required by the FY 2025 3-year budget plan. 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 \$17.58 billion in projected revenues and \$16.65 billion in projected spending, the Baseline estimates an ending FY 2026 cash balance of \$935 million.
- Apart from the General Fund, the Budget Stabilization Fund will have an estimated balance of \$1.61 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 \$17.38 billion compared to FY 2027 spending of \$17.31 billion. This would result in a cash balance of \$68 million in FY 2027.
- FY 2028 revenues are projected to be \$18.19 billion compared to FY 2028 spending of \$17.96 billion. This would result in a cash balance of \$221 million in FY 2028.

Education

Department of Education (ADE)

- ADE General Fund spending increases by \$496.6 million, or 6.5% above the FY 2025 appropriation, including:
 - ⇒ \$117.2 million for a prior year rebase due to higher-than-budgeted expenses for FY 2025 Basic State Aid, including:
 - \$43.1 million increased state aid costs for public schools, primarily due to a higher-than-budgeted cost per student.
 - \$50.6 million for increased Empowerment Scholarship Account (ESA) awards in FY 2025. This figure assumes that by the end of FY 2025, ESA enrollment will grow to 88,603 and that awards will reach \$872.6 million. As of December 2024, there were 86,660 ESA enrollees qualifying for annual awards of \$864.3 million in FY 2025.
 - \$23.5 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 9,245 above estimated FY 2025 enrollment of 88,603. In total, the Baseline includes \$1.0 billion for original and universal ESA awards in FY 2026, which represents an increase of \$180.1 million above the original FY 2025 budget amount of \$822.0 million.

- ⇒ \$(58.3) million for FY 2026 public school enrollment declines. Total unweighted public school Average Daily Membership (ADM) would decline by an estimated (1.2)% to reach a level of 1,066,995 in FY 2026. The (1.2)% estimate assumes a (0.6)% 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.
- ⇒ \$(49.0) 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. The 3-year spending plan associated with the enacted FY 2025 budget included this backfill to ensure that ADE's appropriation is sufficient to cover Basic State Aid expenses if no further changes are made to current law. It was not intended to reflect a prediction of the final of resolution of whether or how to continue Proposition 123.
- ⇒ \$3.7 million for increased Homeowner's Rebate expenses.
- ⇒ \$(37.0) million to remove one-time funding for a supplement to the Free and Reduced Price Lunch (FRPL) Group B weight. Under the FY 2025 3-year budget plan, this funding is restored as ongoing in FY 2028.
- ⇒ \$(29.0) million to remove one-time funding for a supplement to Additional Assistance. Under the FY 2025 3-year budget plan, this funding is restored as ongoing in FY 2028.
- ⇒ \$(12.0) million to remove one-time funding for Adult Education.
- ⇒ \$(7.0) million to remove one-time funding for a Holocaust Education Center.
- ⇒ \$(5.0) million to remove one-time funding for increased costs from ADE's contract for the Arizona English Language Learner Assessment (AZELLA).
- ⇒ \$(3.8) million to remove one-time funding for Onetime School Meal Grants.
- ⇒ \$(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.
- The Baseline includes a General Fund supplemental appropriation of \$164.2 million in FY 2025 based on the following adjustments:
 - ⇒ \$117.2 million for higher-than-budget Basic State Aid costs, as outlined above.
 - ⇒ \$61.0 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.

Arizona Department of Administration/School Facilities Division (SFD)

- SFD General Fund spending decreases by \$(141.6) million, or (44.1)%, including:
 - ⇒ \$41.7 million for a net one-time increase in new school construction costs. The budget funds a total of \$151.1 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.
 - ⇒ \$(183.3) million for a decrease in one-time building renewal monies.

Universities

- University General Fund spending decreases by \$(46.4) million, or (4.8)%, including:
 - ⇒ \$(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.
- 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 \$5.7 million, or 5.9%, for formula adjustments.
- 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 \$113.6 million, or 4.3%, including:
 - ⇒ \$118.8 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 \$(76.4) million FY 2025 savings due to lower enrollment in FY 2025.
 - ⇒ \$(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.
- The Baseline includes an ex-appropriation of \$(246.4) million in FY 2025. This consists of \$(76.4) million for lower-than-budgeted FY 2025 caseloads and \$(170.0) million to due to the federal government's one-time retroactive adjustment to the state's match rate.
- AHCCCS enrollment is projected to be 1.99 million recipients by June 2026. This level represents a caseload increase of 23,200, or 1.2%, from June 2025.

Department of Child Safety (DCS)

- DCS General Fund spending decreases by \$(16.5) million, or (3.6)%, including:
 - ⇒ \$(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.
- The Baseline also includes an ex-appropriation of \$(9.0) million in FY 2025 to account for a retroactive adjustment to the state's match rate.

Department of Economic Security (DES)

- DES General Fund spending increases by \$243.5 million, or 18.1%, including:
 - ⇒ \$262.5 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 \$76.1 million cost due to higher-than-budgeted FY 2025 formula costs.
 - ⇒ \$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.
- The Baseline includes a supplemental of \$76.1 million in FY 2025 for higher-than-budgeted DD formula costs. This amount reflects both higher-than-budgeted enrollment growth and a higher-than-budgeted capitation rate adjustment. A significant share of the above-budget capitation rate appears to be attributable to the Parents as Paid Caregivers (PPCG) program.
- The Baseline also includes an ex-appropriation of \$(80.0) 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 decreases by \$(5.1) million, or (4.2)%, including:
 - ⇒ \$1.0 million to remove a one-time funding shift for Alzheimer's disease research.
 - ⇒ \$(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.

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 \$(500,000), or (4.2)%, to remove one-time funding for a veterans center.

Criminal Justice/Public Safety

Department of Corrections (ADC)

- ADC General Fund spending decreases by \$(9.5) million, or (0.6)%, including:
 - ⇒ \$(6.8) million to remove one-time funding for additional injunction-related staffing
 - ⇒ \$(2.7) million to remove one-time funding for injunction-related department operating costs.
- The systemwide November 2024 prison population was 35,554, an increase of 1,132 or 3.3% above November 2023.

Department of Emergency and Military Affairs (DEMA)

- DEMA General Fund spending decreases by \$(462,900), or (2.9)%, to remove one-time hazard mitigation assistance funding.

Judiciary

- Judiciary General Fund spending increases by \$2.0 million, or 1.2%, including:
 - ⇒ \$2.3 million for the second year of a 2-year phase in of judicial salary increases approved in the FY 2025 budget.
 - ⇒ \$(280,000) to remove one-time funding for digital evidence software.

Department of Public Safety (DPS)

- DPS General Fund spending increases by \$23.7 million, or 9.0%, 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.
 - ⇒ \$(4.0) million to remove one-time funding for local border support.

Natural Resources

Department of Environmental Quality (DEQ)

- DEQ General Fund spending decreases by \$(1.0) million, or (6.3)%, 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 \$(5.0) million, or (9.7)%, to remove a one-time appropriation for fire suppression.

General Government

Arizona Department of Administration (ADOA)

- ADOA General Fund spending decreases by \$(1.0) million, or (9.9)%, including:
 - ⇒ \$(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.

ADOA – Automation Projects Fund (APF)

- APF General Fund spending decreases by \$(3.5) million, or (23.1)%, including:
 - ⇒ \$(3.4) million to remove one-time funding for Medicaid Enterprise System modernization.
 - ⇒ \$(121,800) to reduce funding for the Department of Revenue integrated tax system modernization project, pursuant to the FY 2025 3-year budget plan.

Arizona Commerce Authority (ACA)

- ACA General Fund spending decreases by \$(500,000), or (3.7)%, to remove a one-time appropriation for small business center grants.

State Treasurer

- State Treasurer General Fund spending decreases by \$(5.7) million, or (56.4)%, including:
 - ⇒ \$271,400 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.
 - ⇒ \$(6.0) million to remove a one-time distribution to county recorders for ballot paper with specific security features.
- The Baseline includes an FY 2025 supplemental increase of \$138,600 to address a shortfall in the Justice of the Peace Salaries appropriation.

State Employees

- The Baseline increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 38.7 FTE Positions in FY 2026. These adjustments would bring the total FTE Position ceiling to 55,532.8 in FY 2026.

Capital

- The Baseline includes \$49.4 million from Other Funds in FY 2026 for building renewal at ADOA, ADC, Arizona Game and Fish Department, Lottery Commission, and Arizona Department of Transportation.
- The Baseline includes an ex-appropriation of \$(22.7) million from the State Parks Revenue Fund. This reflects 9 projects cancelled by the Arizona State Parks Board, of which \$(19.1) million was funded in FY 2025 and \$(3.5) million was funded in FY 2023.
- The Baseline includes no capital funding from the General Fund in FY 2026.

Debt

- At the end of FY 2025, 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 Baseline 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.
- The Baseline includes a decrease of \$(3.3) million from the General Fund and \$(1.5) million from Other Funds for the removal of one-time FY 2025 state fleet adjustments.