FY 2027

Appropriations Report

July 2026

JLBC

FY 2027 APPROPRIATIONS REPORT

This annual *Appropriations Report* provides detailed information on the FY 2027 budget, based on the General Appropriations Act (Laws 2026, Chapter 126) and other legislative acts.

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BUDGET HIGHLIGHTS

STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES WITH ONE-TIME FINANCING SOURCES 1/

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
REVENUES				
Ongoing Revenues	$18,331,573,900	$19,111,128,800	$19,908,691,700	$20,805,799,600
Tax Conformity/Related Provisions	(440,900,000)	(281,100,000)	(307,500,000)	(249,200,000)
Newly Enacted Revenue Adjustments		44,500,000	46,300,000	46,300,000
Urban Revenue Sharing	(1,186,305,800)	(1,302,029,600)	(1,370,906,400)	(1,438,612,700)
Subtotal - Ongoing Revenues	$16,704,368,100	$17,572,499,200	$18,276,585,300	$19,164,286,900
One-Time Revenues				
Balance Forward	1,367,290,000	774,944,200	43,808,400	26,657,400
Public Infrastructure TPT Distribution		(50,000,000)	(50,000,000)	(50,000,000)
Data Center TPT - 3 Year Moratorium		12,000,000	19,000,000	26,000,000
One-Time Revenue Forecast Adjustment	275,000,000			
Marana Prison Sale (Already Enacted)	14,574,400			
Vacant Property Sales Revenue		10,000,000		
Fund Transfers	157,600,000	9,700,000	600,000	
Subtotal - One-Time Revenues	$1,814,464,400	$756,644,200	$13,408,400	$2,657,400
Total Revenues	$18,518,832,500	$18,329,143,400	$18,289,993,700	$19,166,944,300
EXPENDITURES				
Ongoing Operating Appropriations	$16,614,985,900	$17,413,817,900	$18,060,103,600	$18,801,759,300
Administrative Adjustments	132,984,000	137,310,000	136,983,800	141,247,500
Revertments	(211,001,300)	(217,865,200)	(217,347,600)	(224,112,700)
Subtotal - Ongoing Expenditures	$16,536,968,600	$17,333,262,700	$17,979,739,800	$18,718,894,100
One-Time Expenditures				
Capital Outlay	26,227,100	10,000,000		25,000,000
Transportation Funding	109,989,000	30,000,000	125,000,000	
FY 26 One-Time Supplementals	200,779,000			
FY 26 One-Time Ex-Appropriations	(32,109,000)			
Prior Year Ex-Appropriations		(37,750,200)		
One-Time Operating Spending	1,002,033,600	973,661,200	158,596,500	178,509,700
One-Time 2.5% Lump Sum Reduction		(23,838,700)		
Hospital Assessment Savings	(100,000,000)			
Subtotal - One-Time Expenditures	$1,206,919,700	$952,072,300	$283,596,500	$203,509,700
Total Expenditures	$17,743,888,300	$18,285,335,000	$18,263,336,300	$18,922,403,800
Ending Balance	$774,944,200	$43,808,400	$26,657,400	$244,540,500
Ongoing Balance	$167,399,500	$239,236,500	$296,845,500	$445,392,800

1/ Amounts are displayed as ongoing or one-time based on their classification at the time the FY 2027 budget was enacted.

FY 2027 STATE GENERAL FUND BUDGET SUMMARY

The FY 2027 budget is based primarily upon the actions of the 57th Legislature's 2nd Regular Session. On June 13, 2026, the Governor signed into law the FY 2027 General Appropriations Act (Laws 2026, Chapter 126) as well as 15 other budget-related bills for the fiscal year beginning July 1, 2026.

Revised FY 2026 General Fund Budget

- The enacted FY 2027 budget has projected total FY 2026 General Fund revenue of $18.52 billion. This amount includes:
  - ⇒ A beginning FY 2026 balance of $1.37 billion.
  - ⇒ A 3.1% increase in net revenue.
  - ⇒ Tax reductions of $(440.9) million to conform with the federal income tax revisions enacted in 2025.
  - ⇒ $157.6 million in transfers from various funds into the General Fund.
- The enacted FY 2027 budget has projected FY 2026 General Fund spending of $17.74 billion. This amount includes:
  - ⇒ Supplemental spending of $200.8 million including Medicaid formula revisions of $104.7 million for AHCCCS and $82.8 million for the Department of Economic Security.
  - ⇒ Ex-appropriations of $(32.1) million, primarily from lower-than-expected Arizona Department of Education funding formula costs.
- Based on these revenue and spending projections, the ending FY 2026 cash balance is now estimated to be $774.9 million.

FY 2027 General Fund Revenues

- The enacted FY 2027 budget has projected total FY 2027 General Fund revenue of $18.33 billion. This amount includes:
  - ⇒ A beginning FY 2027 balance of $774.9 billion.
  - ⇒ A 3.7% increase in net revenue.
  - ⇒ Tax reductions of $(281.1) million to conform with the 2nd year of the 2025 federal income tax changes and related provisions.
  - ⇒ $44.5 million in other ongoing tax law changes including a lower cap on Corporate Low-Income Student Tuition tax credits as well the repeal of tax credits for new employment, refundable research and development expenses and pollution control equipment.
  - ⇒ A one-time change through FY 2029 to provide $(50.0) million annually to local governments for the cost of infrastructure improvements related to new manufacturing facilities.
  - ⇒ A one-time change through FY 2029 to suspend the Transaction Privilege Tax exemption for data center equipment purchases. In FY 2027, the provision is expected to generate $12.0 million.

FY 2027 General Fund Spending

- FY 2027 General Fund spending is projected to be $18.29 billion compared to $17.74 billion in FY 2026, or an increase of 3.1% based on the following assumptions:
  - ⇒ $796.3 million increase in ongoing spending primarily due to formula spending adjustments and other changes.
  - ⇒ $(254.9) million decrease in one-time net spending from $1.21 billion in FY 2026 to $952.1 million in FY 2027. Net one-time spending includes savings of $(23.8) million for a 2.5% operating lump sum reduction for multiple agencies as well as $(37.8) million for the ex-appropriation of funding prior to FY 2026.
- The main changes in FY 2027 General Fund spending are delineated below by agencies and function of government.

General Fund and Budget Stabilization Fund Balances

- Based on $18.33 billion in revenues and $18.29 billion in spending, the projected ending FY 2027 cash balance is $43.8 million.
- Apart from the General Fund, the Budget Stabilization Fund will have an estimated balance of $1.7 billion in FY 2027.

FY 2027 STATE GENERAL FUND BUDGET SUMMARY

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 2028 revenues are projected to be $18.29 billion compared to FY 2028 spending of $18.26 billion. This would result in a cash balance of $26.7 million in FY 2028.
- FY 2029 revenues are projected to be $19.17 billion compared to FY 2029 spending of $18.92 billion. This would result in a cash balance of $244.5 million in FY 2029.

Education

Department of Education (ADE)

- ADE General Fund spending increases by $194.8 million, or 2.4% including:
  - ⇒ $(67.6) million for FY 2027 public school enrollment declines. Total public school Average Daily Membership (ADM) is projected to decline by an estimated (1.6)% to reach a level of 1,036,000 in FY 2027.
  - ⇒ $154.2 million for Empowerment Scholarship Account (ESA) growth in FY 2027. This amount assumes total ESA program enrollment reaches 113,602 in FY 2027, or 10,711 above estimated FY 2026 enrollment of 102,891.
  - ⇒ $167.2 million for a 2.0% statutory inflation adjustment of funding levels for the per pupil base level, transportation, and charter additional assistance.
  - ⇒ $(36.2) million in net savings due to property tax growth from new construction, offset by increased Homeowner's Rebate expenses.
  - ⇒ No net change to continue one-time funding for the Free and Reduced Price Lunch (FRPL) Group B weight and Additional Assistance. This funding becomes ongoing in FY 2028.
  - ⇒ The budget includes a General Fund ex-appropriation of $(31.9) million in FY 2026 for lower-than-budgeted Basic State Aid costs.

Arizona Department of Administration/School Facilities Division (SFD)

- SFD General Fund spending decreases by $(33.8) million, or (9.6)%, including:
  - ⇒ $(33.8) million for a net one-time decrease in new school construction costs. The budget funds a total of $106.9 million for new construction, including the completion of 3 FY 2026 schools and additional funding for a previously-approved Agua Fria Union High School project.

Universities

- University General Fund spending increases by $18.6 million, or 1.9%, including:
  - ⇒ $(21.6) million to remove one-time funding and make technical adjustments.
  - ⇒ $(16.6) million for one-time operating lump sum reductions.
  - ⇒ $57.3 million for statewide adjustments.
- Fall 2025 enrollment increased by 3,347 full-time equivalent students, or 1.5% above Fall 2024, for total enrollment of 224,911.

Community Colleges

- Community College General Fund spending increases by $5.1 million, or 4.9%, including:
  - ⇒ $6.1 million for formula adjustments.
  - ⇒ $(1.0) million to remove one-time funding.
- The Community College funding formula is based on student counts from 2 years prior. FY 2025 rural district enrollment increased by 1,441 full-time equivalent students, or 5.7%, for a total rural enrollment of 26,809. Including the Maricopa and Pima districts, total enrollment increased by 4,663, or 5.0%, to 98,472.

FY 2027 STATE GENERAL FUND BUDGET SUMMARY

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by $202.2 million, or 7.4%, including:
  - ⇒ $141.1 million for formula adjustments, including an (10.3)% enrollment decline in FY 2026 and (2.5)% in FY 2027 plus a 14.1% adjustment in capitation payments in FY 2026 and 3.0% in FY 2027. The enrollment decline is the result of base demographic changes and program modifications required by the federal H.R. 1 legislation and the state FY 2027 Health Budget Reconciliation Bill.
  - ⇒ $100.0 million to backfill the one-time use of Hospital Assessment Fund in FY 2025 and FY 2026 to defray General Fund costs.
  - ⇒ $50.0 million to backfill the one-time use of Prescription Drug Rebate Fund for AHCCCS services.
  - ⇒ $10.2 million one-time for 75.0 FTE positions associated with H.R. 1 provisions related to eligibility verification.
  - ⇒ $(109.2) million to remove supplemental and other one-time funding.
- The budget includes a FY 2026 $104.7 million supplemental appropriation for higher-than-budgeted capitation adjustments partially offset by lower caseloads.
- AHCCCS enrollment is projected to be 1.61 million recipients by June 2027. This level represents a (42,000) decrease, or (2.5)%, from June 2026 and a (232,000) decrease, or (12.6)%, from June 2025.

Department of Child Safety (DCS)

- DCS General Fund spending increases by $33.2 million, or 6.8%, including:
  - ⇒ $36.9 million to continue one-time congregate care funding for another year.
  - ⇒ $9.2 million for extended foster care, including $1.0 million for a caseload increase and $8.2 million to continue and expand extended foster care coaching.
  - ⇒ $9.8 million to continue one-time funding for Guardian system maintenance.
  - ⇒ $(38.3) million to remove other one-time funding.
  - ⇒ $13.7 million for statewide adjustments.

Department of Economic Security (DES)

- DES General Fund spending increases by $175.0 million, or 8.9%, including:
  - ⇒ $243.9 million for Developmental Disabilities (DD) formula adjustments, including a 6.2% enrollment increase in FY 2026 and 5.0% in FY 2027 plus a 5.7% adjustment in capitation payments in FY 2026 and 3.0% in FY 2027.
  - ⇒ $17.9 million to continue one-time funding for home and community-based services for high-need DD clients.
  - ⇒ $31.8 million for a federally required increase in the state share of the administrative costs of the Supplemental Nutrition Assistance Program (SNAP).
  - ⇒ $10.8 million one-time funding for 88 FTE Positions to reduce the SNAP error rate.
  - ⇒ $44.8 million to continue one-time funding for child care subsidies.
  - ⇒ $11.5 million to backfill federal victims of crime act funding used for Adult Protective Services (APS).
  - ⇒ $20.9 million to continue other one-time DES funding, including $5.0 million for the Area Agencies on Aging (AAA), $3.0 million for out-of-school child care, $2.0 million for the produce incentive program, and $3.0 million for civil legal aid, $6.1 million for increased contractual costs for DES' legacy mainframe system, and $1.8 million for the summer food benefit program, also known as SUN bucks.
  - ⇒ $(212.5) million to remove supplemental and other one-time funding.
- The budget includes a supplemental of $82.8 million in FY 2026 for the Developmental Disabilities program.
- Medicaid Developmental Disability caseloads are projected to grow to 52,098 by June 2027. This level represents a caseload increase of 2,481, or 5.0%, above June 2026.

FY 2027 STATE GENERAL FUND BUDGET SUMMARY

Department of Health Services (DHS)

- DHS General Fund spending decreases by a net of $(1.9) million, or (1.5)%, including $3.6 million to continue one-time funding for the Arizona State Hospital and $(8.9) million to remove one-time funding.

Criminal Justice/Public Safety

Department of Corrections (ADC)

- ADC General Fund spending increases by $100.7 million, or 6.4%, including:
  - ⇒ $55.8 million for health care federal injunction costs.
  - ⇒ $24.0 million to continue a one-time 4% FY 2026 correctional officer pay increase as ongoing, including $3.8 million for private prisons.
  - ⇒ $32.6 million to backfill non-General Fund monies that are shifted elsewhere or are no longer available.
  - ⇒ $(34.4) million to remove one-time and supplemental funding.
  - ⇒ $19.2 million for statewide adjustments
- The budget includes a supplemental of $4.1 million in FY 2026 to fund filled correctional officer positions.
- The systemwide May 2026 prison population was 34,761, a decrease of (790) or (2.2)% below June 2025.

Judiciary

- Judiciary General Fund spending increases by $12.2 million, or 7.0%, including $10.5 million for county probation salary increases previously funded with federal monies and $2.2 million for judicial salary increases in January 2026 and January 2027.

Department of Public Safety (DPS)

- DPS General Fund spending decreases by $(4.2) million, or (1.3)%, including:
  - ⇒ $9.3 million to backfill federal victims of crime act funding.
  - ⇒ $(18.7) million to remove one-time funding.
  - ⇒ $4.5 million for statewide adjustments.

Natural Resources

Department of Environmental Quality (DEQ)

- DEQ General Fund spending increases by $17.0 million including $15.0 million to backfill a one-time use of the Long-Term Water Augmentation Fund for the WQARF program.

Department of Forestry and Fire Management (DFFM)

- DFFM General Fund spending increases by $10.7 million, or 22.7%, including $10.0 million for one-time wildfire suppression funding.

General Government

Arizona Department of Administration (ADOA)

- ADOA General Fund spending decreases by $(1.7) million, or (5.2)%, including:
  - ⇒ $7.0 million for a one-time local distribution to county sheriffs and $3.0 million for food bank capital assistance.
  - ⇒ $(12.0) million to remove one-time funding.

FY 2027 STATE GENERAL FUND BUDGET SUMMARY

ADOA – Automation Projects Fund (APF)

- APF General Fund spending increases by $11.4 million primarily for the Medicaid Enterprise System IT changes.

Attorney General (OAG)

- OAG General Fund spending increases by $7.8 million, or 28.2%, including $8.4 million for coordinated reentry assistance to counties.

Secretary of State (SOS)

- SOS General Fund spending decreases by $(8.0) million, or (29.9)% including:
  - ⇒ $4.0 million one-time for 2026 primary and general election funding plus a $4.0 million FY 2026 supplemental (for a total of $8.0 million).
  - ⇒ $(12.0) million to remove FY 2026 supplemental and one-time funding.

State Employees – FTE Positions and Health Insurance

- The budget decreases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by (488.4) FTE Positions in FY 2027. This amount includes a reduction of (1,056.0) to eliminate vacant unfunded FTE Positions. These adjustments brings the total FTE Position ceiling to 54,431.1 in FY 2027.
- The budget includes a decrease of $(194.8) million from the General Fund and $(45.9) million from Other Funds for the removal of a one-time FY 2026 state employee health insurance subsidy. In its place, the budget includes an increase of $324.7 million from the General Fund and $80.0 million from Other Funds for a new one-time employer health insurance premium subsidy. The figures for both years include funding to backfill University Tuition employer contributions.
  - ⇒ The budget also created a new Health Insurance Trust Fund Oversight Board to approve changes to the state employee and dental insurance plans. By 2035, the Board is required to design policies to reduce the employer share of premium costs from 93% to 85% and to create a reserve balance that is twice the health's plans "incurred but not reported" costs.

Capital

- The budget includes $10.0 million General Fund and $47.4 million from Other Funds in FY 2027 for building renewal at ADOA, ADC, Arizona Game and Fish Department, Lottery Commission, and Arizona Department of Transportation.
- The budget includes the following previously approved capital funding from the General Fund in FY 2027 and FY 2028 as part of the FY 2026 3-year budget plan:
  - ⇒ $30.0 million in FY 2027 and $76.0 million in FY 2028 to expand I-10 between SR85 and Citrus Road.
  - ⇒ $49.0 million in FY 2028 to continue funding construction costs related to a SR 347/Riggs Road overpass.
- The budget includes a $(20.4) million decrease in FY 2027 General Fund spending to lapse prior year capital funding due to project surpluses.

Debt

- At the end of FY 2027, the state's projected level of lease-purchase and bonding capital obligations will be $5.61 billion, including $732.2 million from the General Fund primarily for the Phoenix Convention Center and the universities. The associated annual debt service payment is $599.4 million, including $97.5 million from the General Fund.

Statewide Adjustments

- Besides State Employee Health Insurance, the budget includes $15.8 million from the General Fund and $5.8 million from Other Funds for the following statewide adjustments: risk management, AZ360, vehicle fleet replacement, vehicle fleet operating, rent and retirement expenses.

General Fund Budget 4-Year Analysis ($ in Millions)

		A	B	C	D
		FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
1	**Beginning Balance**	**$ 1,367.3**	**$ 774.9**	**$ 43.8**	**$ 26.7**
2	**Ongoing Revenues**				
3	Ongoing Revenues - January Baseline	17,066.1	17,612.2	18,381.3	19,230.0
4	Base Revenue Adjustment	79.2	196.9	156.5	137.2
5	Tax Conformity TY 25/FY 26 = Conform to All H.R. 1 Individual/Business Provisions TY 26/FY 27 And Beyond = Conform to H.R. 1 With the Following Changes: Add = Increase Dependent Credit From $100 to $125, Child/Dependent Care Expenses Deduction Remove = SALT Deduction Increase ($10k to $40k), New Car Auto Loan Interest Deduction, New 100% Depreciation Allowance for Non-Residential Production Property	(440.9)	(281.1)	(307.5)	(249.2)
6	Repeal New Employment Tax Credit ($3k Per Job For 3 Years)		10.3	10.3	10.3
7	Research and Development Tax Credit - Repeal Refundable Credit Only (15%/24% Credit)		7.5	7.5	7.5
8	Repeal Pollution Control Device Tax Credit (10% Credit/$500k Limit)		1.7	1.7	1.7
9	ACA Lottery Reduction (Current Law = $1.75 M FY 27 -> $3.5 M FY 28, Stay At $1.75 M Thru FY 30)		See FY 28/29	1.8	1.8
10	Reduce Corporate STO Credit Cap From $135 M to $110 M		25.0	25.0	25.0
11	**Subtotal - Ongoing Revenues**	**$ 16,704.4**	**$ 17,572.5**	**$ 18,276.6**	**$ 19,164.3**
12	**One-Time Revenues/Transfers**				
13	One-Time Revenues - January Baseline (Excluding Beginning Balance)	30.1	9.7	0.6	
14	New Proposed Fund Transfers				
15	ADOA - Risk Management Fund	6.1			
16	ADOA - Construction Insurance Fund	5.5			
17	ADOA - Co-Op State Purchasing Fund	3.0			
18	Commerce Authority - Competes Fund	10.0			
19	Corp. Comm. - Securities Regulatory And Enforcement Fund	14.7			
20	Corp. Comm. - Utility Regulation Revolving Fund	3.4			
21	DEQ - Recycling Fund	1.5			
22	DEQ - Underground Storage Tank Revolving Fund	2.4			
23	Game and Fish - Heritage Land Acquisition Fund	5.0			
24	Game and Fish - Watercraft Licensing Fund	3.4			
25	Industrial Commission - ICA Admin Fund	6.7			
26	DIFI - Automobile Theft Authority Fund	3.8			

General Fund Budget 4-Year Analysis ($ in Millions)

		A	B	C	D
		FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
27	DIFI - Financial Services Fund	3.3			
28	Judiciary - Supreme Court - Judicial Collection Enhancement Fund	1.0			
29	Judiciary - Supreme Court - Court Appointed Special Advocate and Vulnerable Persons (CASA) Fund	3.0			
30	Judiciary - Superior Court - Juvenile Probation Services Fund	4.0			
31	Land - Trust Land Management Fund	9.0			
32	Parks - State Parks Revenue Fund	8.6			
33	ADOT - SMART Rural Transportation Fund [BRB Adds $2.5 M Permanent HURF Funding]	6.7			
34	ADOT - Motor Vehicle Liability Insurance Enforcement Fund	15.0			
35	ADOT - Vehicle Inspection and Certification Enforcement Fund	3.5			
36	ADOT - State Highway Fund - U.S. Route 191 Project Surplus Transfer (FY 23 TPT Diversion)	2.5			
37	WIFA - Water Supply Development Revolving Fund	20.0			
38	Other One-Time Revenue Issues				
39	One-Time Revenue Forecast Increase	275.0			
40	TPT Exemption for Data Center Equipment - 3 Year Moratorium for New ACA Certifications		12.0	19.0	26.0
41	Vacant Property Sales Revenue [With Capitol Mall Land Sales Report]		10.0		
42	Public Infrastructure (Increase $200 M Cumulative Cap to $250 M/$300 M/$350 M Thru FY 29)		(50.0)	(50.0)	(50.0)
43	**Subtotal - One-Time Revenues (Including Beginning Balance)**	**$ 1,814.5**	**$ 756.6**	**$ 13.4**	**$ 2.7**
44	**Total Revenues**	**$ 18,518.9**	**$ 18,329.1**	**$ 18,290.0**	**$ 19,167.0**
45	**JLBC Baseline - Ongoing Spending**	**$ 16,543.5**	**$ 17,401.1**	**$ 18,185.4**	**$ 18,860.3**
46	**Ongoing Changes to JLBC Baseline**				
47	AHCCCS - Formula Adjustment Due to Lower Than Expected Enrollment [Net FY 27 Growth = $141 M]		(42.0)	(42.0)	(42.0)
48	AHCCCS - Office of Inspector General (OIG) - 7 FTE for Fraud Enforcement		0.4	0.4	0.4
49	AHCCCS - Fund Perinatal Psychiatry Access Hotline (Operated By UA) [Continuation Footnote]		Footnote	Footnote	Footnote
50	ADC - Shift OF to GF for Operating Needs [$5.6 M Private Prison Line + $10.3 M Health Care Line]		15.9	15.9	15.9
51	ADC - Non-Contract Medication - Substance Abuse/Hep C - Opioid $ Backfill		6.7	6.7	6.7
52	ADC - Continue FY 26 One-Time 4% CO Stipend As Ongoing [Includes $3.8 M for Private Prisons]		24.0	24.0	24.0
53	ADC - Health Care Federal Injunction Costs [$9.5 M Operating/$46.3 M Health Line Item]		55.8	55.8	55.8
54	ADC - Shift $10 M Other Fund Spending to Capital Uses - Backfill With General Fund		10.0	10.0	10.0
55	ADC - Continue FY 25 - FY 27 $54 M Private Prison One-Time Funding As Ongoing In FY 28		See FY 28/29	54.3	54.3
56	ACJC - Victims of Crime Act (VOCA) Federal Funds Backfill ($2.25 M)		2.3	2.3	2.3

General Fund Budget 4-Year Analysis ($ in Millions)

		A	B	C	D
		FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
57	Comm Colleges - Formula Adjustments Related to Declining Enrollment		0.7	(1.7)	(4.6)
58	Corp Comm - Shift Railroad Safety Funding From General Fund to Securities Fund		(0.8)	(0.8)	(0.8)
59	DES - Formula Adjustment Due to Lower Than Expected Inflation [FY 27 Net Growth = $244 M]		(42.4)	(54.6)	(49.1)
60	DES - SNAP Administrative Match Rate Adjustment		(0.9)	(1.8)	(1.8)
61	DES - Eliminate Baseline Projected SNAP Error Rate Penalty Due to Human Services BRB Changes		See FY 28/29	(138.7)	(185.0)
62	DES - Victims of Crime Act (VOCA) Federal Funds Backfill		11.5	11.5	11.5
63	ADE - Formula Adjustment Due to Lower Than Expected Enrollment [FY 27 Net Growth = $186 M]		(92.1)	(131.1)	(131.1)
64	Executive Clemency - Increase Board Member Salaries ($157k)		0.2	0.2	0.2
65	Housing - Mobile Home Relocation Fund Changes [Increase Reimbursements By $10k]		Yes	Yes	Yes
66	DIFI - Shift GF Budget to New Fee Authority [+ $2 M New Resources, $1 M for Financial Services]		(6.3)	(6.3)	(6.3)
67	Judiciary - Judicial Salary Increase [$10k Increase Effective 1/1/27 for All Courts]		1.1	2.2	2.2
68	Judiciary - Fund Prior County Probation Salary Increases In FY 29 Ongoing - See Below For One-Time		See FY 29	See FY 29	10.5
69	DJC - Continue FY 26 One-Time 4% Youth Correctional Officer Stipend As Ongoing		0.8	0.8	0.8
70	Land - Central Arizona Project (CAP) Fees Technical Adjustment		(0.2)	(0.2)	(0.2)
71	Navigable Stream Commission - Assume Agency Sunsets In FY 29 - $(143)k Savings		See FY 29	See FY 29	(0.1)
72	DPS - Security for Newly Established Lieutenant Gov. Office ($424k Ongoing/$281k One-Time)		0.7	0.4	0.4
73	DPS - Victims of Crime Act (VOCA) Federal Funds Backfill		9.3	9.3	9.3
74	DPS - Public Safety Grant Support Staff - 5 FTE (Continue FY 26 One-Time Amount) [OF = DPS HPF]		OF $0.5 M	OF $0.5 M	OF $0.5 M
75	Real Estate - IT Project Ongoing Maintenance Costs (No Agency Fee Increase)		0.1	0.1	0.1
76	Treasurer - JP Salary Funding - Linked to Superior Judge Increase - See Above		0.1	0.2	0.2
77	Univ - UA - Remove Nat'l Resource Users Law/Policy Center Funding [See UA One-Time Adjudication]		(1.6)	(1.6)	(1.6)
78	Other - Reduce Unfunded Vacant Agency FTE Counts By (1,056) FTEs		Yes	Yes	Yes
79	Other - State Employee Health Insurance Funding - FY 29 $100 M Ongoing - See Below For One-Time		See FY 29	See FY 29	100.0
80	Other - Statewide Fleet Charge Adjustments - Operating [Also See One-Time]		2.9	2.9	2.9
81	Other - Statewide Rent Charge Adjustments		0.1	0.1	0.1
82	Other - Statewide Retirement Costs Adjustment		(3.8)	(3.8)	(3.8)
83	Other - Statewide Risk Management Charge Adjustment [Also See One-Time]		4.9	4.9	4.9
84	Other - Administrative Adjustments/Revertments	(6.5)	(25.5)	(25.4)	(27.9)
85	Other Adjustments		0.3	0.4	0.4
86	**Subtotal - Ongoing Changes to JLBC Baseline**	**$ (6.5)**	**$ (67.8)**	**$ (205.6)**	**$ (141.4)**
87	**Total Ongoing Spending**	**$ 16,537.0**	**$ 17,333.3**	**$ 17,979.8**	**$ 18,718.9**
88	**JLBC Baseline - One-Time Spending**	**$ 1,246.8**	**$ 218.9**	**$ 294.0**	**$ 177.3**

General Fund Budget 4-Year Analysis ($ in Millions)

		A	B	C	D
		FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
89	**One-Time Changes to JLBC Baseline**				
90	ADOA - Continue One-Time State Employee Prof. Development [OF = ADOA Web Portal Fund]		OF $1.0 M		
91	ADOA - Lapse Prior Budget Funding for Debt Retirement (FY 2022)		(5.0)		
92	ADOA - 911 Call Response Times [Other Fund = $2.0 M DPS HPF and $2.0 M ADOA Web Portal Fund]		OF $4.0 M		
93	ADOA - Food Bank Capital Assistance		3.0		
94	ADOA - Local Flood Aid - Globe/Miami/Gila County ($2.5 M/$2.5 M/$5.0 M) [7/15 Distribution]		OF $10.0 M		
95	ADOA - Local Distribution - County Sheriff Support [July 31st Distribution Deadline]		7.0		
96	ADOA/APF - AHCCCS Mainframe Replacement (Multi-Year Project in Progress/90% Fed Match)		12.9		
97	ADOA/APF - Shift DOR From ADOA Mainframe (Will Be Retired In Dec 2027) [OF = DOR Admin. Fund]		OF $1.4 M		
98	ADOA/APF - Adjust DOR Tax System Funding [Monies Shifted to FY 30/Plus FY 25 Approp Extension]		(10.3)	1.9	0.8
99	ADOA/SFD - Building Renewal Grants		183.3		
100	ADOA/SFD - Building Renewal Grants Administrative Costs [Non-Lapsing]		0.8		
101	ADOA/SFD - Adjust New Construction Formula Funding For Available Prior Year Surplus		(26.1)	5.0	
102	Agriculture - Licensing IT System Maintenance Costs [OF = Pest Management Fund]		OF $0.5 M		
103	AHCCCS - FY 26 Formula Supplemental Above $64.5 M In Baseline Due to Higher Inflation	40.2			
104	AHCCCS - H.R. 1 Eligibility Admin Costs [75 FTEs; Non-Lapsing] [Eligibility Verification Semi-Annually]		10.2		
105	AHCCCS - Continue Critical Access Rural Hospitals Aid [FY 26 Budget = $4.3 M One-Time]		4.3		
106	AHCCCS - Behavioral Health Crisis Services Hotline (9-8-8) Funding		4.0		
107	AHCCCS - Urban Traditional Healing [3-Year Funding for Pilot Program]		0.4	0.4	0.4
108	Attorney General - Coordinated Reentry Assistance to Counties [Plus $8.6 M Other Fund]		8.4		
109	Arts Commission - Arts Trust Fund Deposit		2.0	1.0	
110	DCS - Federal Match Rate Adjustment		1.9		
111	DCS - Extended Foster Care Caseload Increase		1.0		
112	DCS - Continue and Expand Extended Foster Care Coaching [FY 26 = $6.4 M One-Time]		8.2		
113	DCS - Continue One-Time Congregate Care Funding		36.9		
114	DCS - Continue One-Time Guardian IT System Costs (FY 26 = $9.8 M)		9.8		
115	ADC - Correctional Officer Filled Vacant Positions Supplemental	4.1			
116	ADC - Body Worn Cameras for Correctional Officers (Equipment/Software/Data Storage Costs)		3.5		
117	Comm Colleges - Lapse MCCCD Wrestling Scholarship $ ($250k - Shift to ADE Wrestling Scholarship)	(0.3)			
118	DES - FY 26 Formula Supplemental (Baseline = $96.8 M Supplemental)	(14.0)			
119	DES - Increased Contractual Costs for Legacy Mainframe Systems [FY 26 = $4 M One-Time]		6.1		
120	DES - Continue One-Time Admin for Summer SNAP $120 Payment Food Benefit (SUN Bucks)	1.8	1.8	1.8	
121	DES - SNAP Error Rate Reduction Workload [88 FTEs; Non-Lapsing]		10.8		

General Fund Budget 4-Year Analysis ($ in Millions)

		A	B	C	D
		FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
122	DES - Continue One-Time DD High Need Client Supplement (FY 26 = $14.8 M)		17.9		
123	DES - Continue One-Time Child Care Funding (FY 26 = $44.8 M)		44.8		
124	DES - Continue One-Time Area Agencies on Aging Funding [Non-Lapsing/Footnote]		5.0		
125	DES - Continue One-Time Civil Legal Aid Funding [Non-Lapsing/Footnote]		3.0		
126	DES - Continue One-Time Double Up Food Bucks Funding [Non-Lapsing]		2.0	2.0	
127	DES - Continue One-Time Out-of-School Care Grant Funding [Non-Lapsing]		3.0		
128	DES - Reentry Employment Support - 31 FTEs (Backfill Federal WIOA Funding) [+$1.5 M Other Funds]		1.5		
129	ADE - FY 26 Formula Changes Due to Lower Than Expected Enrollment [Baseline = $47.2 M Supp.]	(79.1)			
130	ADE - Unused Land Trust Balances - One-Time Fund Shift to Offset FY 27 Formula Costs		(8.0)		
131	ADE - Community Gardens [Non-Lapsing]		0.6	0.5	
132	ADE - Fund 3rd Year of Low Income Weight Increase In FY 27 [Baseline = Ongoing In FY 28]		37.0		
133	ADE - Fund 3rd Year of Additional Assistance Increase In FY 27 [Baseline = Ongoing In FY 28]		29.0		
134	ADE - Continue One-Time No School Meal Copay for 130-185% FPL Households (FY 26 = $3.8 M)		2.0	2.0	
135	ADE - Wrestling Grant ($250k)		0.3		
136	ADE - Shift Prior School Safety Funding to School Safety Interoperability Program [$2 M]		Yes		
137	ADE - Shift Prior School Safety Funding to Child Sexual Abuse/Assault Prevention Pilot Program [$100k]		Yes		
138	ADE - Lapse Prior Budget Funding for High Quality Teacher Professional Development (FY 2020)		(0.3)		
139	ADE - Lapse Prior Budget Funding for High Quality Teacher Professional Development (FY 2021)		(0.4)		
140	ADE - Lapse Prior Budget Funding for High Quality Teacher Professional Development (FY 2022)		(0.4)		
141	ADE - Lapse Prior Budget Funding for Live, Remote Instructional Courses (FY 2024)		(0.1)		
142	ADE - Lapse Prior Budget Funding for Live, Remote Instructional Courses (FY 2025)		(0.1)		
143	DEQ - Continue State Share of Iron King Mine/Humboldt Smelter Cleanup [FY 26 = $2.0 M]		2.0		
144	DEQ - Water Quality Fee Fund Deposit [OF = Recycling Fund $4.7 M/UST $3.7 M/Air Quality Fund $1.1 M]		OF $9.5 M		
145	Forestry - Wildfire Suppression Funding [Last Allocation = $35 M in FY 25]		10.0		
146	Gaming - Racing Regulation Fund Deposit [No Regulatory Wagering Assessment Increase]		1.9		
147	DHS - Sexually Violent Persons (SVP) Line Item Funding (Continue FY 26 One-Time $ Amount)		1.5		
148	DHS - Arizona State Hospital (ASH) Operating Funding (Continue FY 26 One-Time $ Amount)		2.1		
149	DHS - Continue Existing Cooling Centers for Heat Relief [OF = Health Services Lottery Fund]		OF $0.4 M		
150	Homeland Security - Increase Cybersecurity State/Local Grants [OF = Highway Patrol Fund]		OF $1.5 M		
151	DIFI - One-Time Funding to Transition to New Fee Authority [See Ongoing Issue Above]		1.6		
152	Judiciary - Superior Court - Fund Prior County Probation Salary Increases [FY 26 = ARPA $]		10.5		
153	DJC - Operating Shortfall [+ $600k Other Fund]		0.6		
154	DPS - Change Previously Enacted FY 27 Border Security Fund Shift to Highway Patrol Fund [$10.9 M]		Yes		
155	DPS - Highway Patrol Operating Expenses Supplemental (OF = DPS Highway Patrol Fund)	OF $4.75 M			

General Fund Budget 4-Year Analysis ($ in Millions)

		A	B	C	D
		FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
156	DPS - Caseload Increase of AZPOST Training Academy Cost [$2,500/Graduate] [OF = DPS HPF]		OF $2.0 M		
157	SOS - Election Expenses Supplemental for 2026 Primary/General Election (Reporting Footnote)	4.0			
158	SOS - Continue Address Confidentiality Program One-Time Funding [Footnote = No Transfers]		0.4		
159	Treasurer - Lapse Prior Budget Funding for Ballot Paper (FY 2024)		(5.0)		
160	Treasurer - Lapse Prior Budget Funding for Ballot Paper (FY 2025)		(6.0)		
161	Univ - UA - Water Adjudication Funding [Use Existing Footnote/Non-Lapsing]		0.5		
162	Univ - UA HSC - Continue One-Time Funding for Arizona REACH (Acute Medical Care Transfers)		0.5		
163	Veterans - State Home for Veterans Trust Fund Deposit [Funding Shortfall]	3.0			
164	Veterans - Expand Prior $1 M FY 23 Tribal Ceremonies Funding to Support for Tribal Veterans Residents	Yes			
165	DWR - Colorado River Litigation Fund Deposit [OF = DWR System Conservation Fund]		OF $6.0 M		
166	DWR - Extension of Pinal County Groundwater Withdrawal Fee Distribution		Yes		
167	Capital - ADOA - Building Renewal		10.0		
168	Capital - ADOT - Lapse Prior Budget Funding Due to Project Surpluses		(20.4)		
169	Capital - ADOT - Lapse Prior Budget Funding for EV Charging at ADOT Fleet Facilities (FY 2024 - OF)	Yes			
170	Capital - Veterans Services - Shift $25 M Northwest AZ Veterans Home From FY 28 to FY 29			(25.0)	25.0
171	Other - One-Time 2.5% Statewide Reduction (Excludes AHCCCS/DCS/ADC/ASDB/DES/Forestry/DHS/DJC/Aud. Gen./DPS/DVS/DWR) [Reduction Applied to Agency Operating Budgets]		(23.8)		
172	Other - Continue State Employee Health Insurance One-Time Funding [Plus New Oversight Board BRB]		324.7		
173	Other - Statewide Fleet Charge Adjustments - Operating		2.8		
174	Other - Statewide Fleet Charge Adjustments - Replacement		2.0		
175	Other - Statewide Accounting System (AZ360) Charge Adjustment		1.3		
176	Other - Statewide Risk Management Charge Adjustment		5.0		
177	Other - Named Claimants Supplemental ($370k)	0.4			
178	Other Adjustments	0.1	(0.8)	(0.1)	0.1
179	**Subtotal - One-Time Changes to JLBC Baseline**	**$ (39.8)**	**$ 733.1**	**$ (10.5)**	**$ 26.3**
180	**Total One-Time Spending**	**$ 1,207.0**	**$ 952.0**	**$ 283.5**	**$ 203.6**
181	**Total Spending**	**$ 17,744.0**	**$ 18,285.3**	**$ 18,263.3**	**$ 18,922.5**
182	**Cash Balance**	**$ 774.9**	**$ 43.8**	**$ 26.7**	**$ 244.5**
183	**Ongoing Balance**	**$ 167.4**	**$ 239.2**	**$ 296.8**	**$ 445.4**

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
One-Time Operating Spending				
FY 2026 Previously Enacted One-Time Operating Spending 2/	1,002,033,600			
ADOA - Local Distribution - County Sheriff Support		7,000,000		
ADOA - Food Bank Capital Assistance		3,000,000		
ADOA/APF - DOR Integrated Tax System (Thru FY 30)		2,194,100	9,531,400	12,538,400
ADOA/APF - AHCCCS Mainframe Replacement Initiative		12,940,000		
ADOA/SFD - Building Renewal Grants		183,300,000		
ADOA/SFD - New Construction (FY 26 Authorization)		94,137,900		
ADOA/SFD - New Construction (FY 27 Authorization)		12,734,900		
ADOA/SFD - New Construction (FY 28 Authorization)			141,376,800	128,797,200
ADOA/SFD - New Construction (FY 29 Authorization)				36,753,100
ADOA/SFD - Building Renewal Grants Administrative Costs		750,000		
AHCCCS - Critical Access Hospitals Supplemental Pool		4,300,000		
AHCCCS - Behavioral Health Crisis Services Hotline (9-8-8) Funding		4,000,000		
AHCCCS - Urban Traditional Healing (3-Year Pilot Program)		421,000	421,000	421,000
AHCCCS - H.R. 1 Eligibility Administrative Costs		10,200,000		
Arts Commission - Arts Trust Fund Deposit		2,000,000	1,000,000	
Attorney General - Coordinated Reentry Assistance to Counties		8,400,000		
DCS - Federal Match Rate Adjustment		1,867,100		
DCS - Extended Foster Care Caseload Increase		1,018,100		
DCS - Extended Foster Care Comprehensive Service Model		8,196,100		
DCS - IT System (Guardian) Maintenance		9,823,000		
DCS - Congregate Care Funding		36,896,700		
ADC - Private Prison Rate Increase (Ongoing In FY 28)		54,283,500		
ADC - Body Worn Cameras for Correctional Officers		3,533,600		
DES - Out-of-School Care Grant Funding		3,000,000		
DES - Child Care Assistance		44,757,100		
DES - Summer Food Benefit (SUN Bucks)		1,767,300	1,767,300	
DES - Increased IT Mainframe Operating Costs		6,105,300		
DES - Produce Incentive Program (Double Up Food Bucks)		2,000,000	2,000,000	
DES - Civil Legal Aid		3,000,000		
DES - Area Agency on Aging (AAA) Funding		5,000,000		
DES - DD High Need Client Supplement		17,900,000		
DES - SNAP Error Rate Reduction Workload		10,800,000		
DES - Reentry Employment Support (Backfill Federal WIOA Funding)		1,500,000		
ADE - Remove School Meal Copay for 130-185% FPL Households		2,000,000	2,000,000	
ADE - 3rd Year of Incremental Low Income Weight		37,000,000		
ADE - 3rd Year of Incremental Additional Assistance		29,000,000		
ADE - Unused Land Trust Balances (Shift to Offset FY 27 Formula Costs)		(7,963,500)		
ADE - Community Gardens Funding		600,000	500,000	

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
ADE - Wrestling Grant		250,000		
DEQ - State Share of Iron King Mine/Humboldt Smelter Cleanup		2,000,000		
Forestry - Wildfire Suppression Funding		10,000,000		
Gaming - Racing Regulation Fund Deposit		1,900,000		
DHS - Arizona State Hospital - Operating Funding		2,115,300		
DHS - Arizona State Hospital - Sexually Violent Persons Funding		1,480,200		
DIFI - Funding to Transition to New Fee Authority		1,580,300		
Judiciary - Superior Court - Probation Salary Increase Funding		10,460,800		
DJC - Operating Budget Shortfall		600,000		
DPS - 2-Year Budget Shift (FY 26 Border Security Fund/FY 27 Highway Patrol Fund)		(10,900,000)		
SOS - Address Confidentiality Program Fund Deposit		400,000		
Universities - UA - Water Adjudication Funding		500,000		
Universities - UA HSC - AZ REACH Program (Acute Medical Care Transfers)		500,000		
Other - Technical Adjustment - Statewide Adjustments		(384,500)		
Other - AZ 360 Adjustment		1,260,300		
Other - Risk Management Adjustment		4,997,300		
Other - Statewide Fleet Charge - Operating		2,790,600		
Other - Statewide Fleet Charge - Replacement		1,964,200		
Other - State Employee Health Insurance Funding		324,684,500		
Subtotal - One-Time Operating Spending	**$ 1,002,033,600**	**$ 973,661,200**	**$ 158,596,500**	**$ 178,509,700**
One-Time 2.5% Lump Sum Reduction		**$ (23,838,700)**		
Hospital Assessment Savings	**$ (100,000,000)**			
Capital Outlay				
Capital - FY 2026 Previously Enacted Capital Outlay 2/	26,227,100			
Capital - ADOA - Building Renewal		10,000,000		
Capital - Veterans' Services - Northwest AZ Veterans Home (Shifted to FY 29)				25,000,000
Subtotal - Capital Outlay	**$ 26,227,100**	**$ 10,000,000**	**$ -**	**$ 25,000,000**
FY 2026 One-Time Supplementals				
ADOA/Other Agencies - Named Claimants	370,100			
AHCCCS - Medicaid Formula Supplemental	104,728,400			
ADC - Operating Costs	4,100,000			
DES - Developmental Disabilities Formula Supplemental	82,818,700			
DES - Summer Food Benefit (SUN Bucks)	1,761,800			
SOS - 2026 Primary/General Election Expenses (Plus $4 M In FY 27)	4,000,000			
Veterans - State Home for Veterans Trust Fund Deposit (Funding Shortfall)	3,000,000			
Subtotal - FY 2026 One-Time Supplementals	**$ 200,779,000**	**$ -**	**$ -**	**$ -**

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
FY 2026 One-Time Ex-Appropriations				
Comm Colleges - MCCCD Wrestling Scholarships Ex-Appropriation	(250,000)			
ADE - K-12 Formula Ex-Appropriation	(31,859,000)			
Subtotal - FY 2026 One-Time Ex-Appropriations	**$ (32,109,000)**	$ -	$ -	$ -
Prior Year Ex-Appropriations				
ADOA - Debt Retirement Funding (FY 2022)		(5,037,800)		
ADE - High Quality Teacher Professional Development (FY 2020)		(344,300)		
ADE - High Quality Teacher Professional Development (FY 2021)		(400,000)		
ADE - High Quality Teacher Professional Development (FY 2022)		(400,000)		
ADE - Live Remote Instructional Courses (FY 2024)		(100,000)		
ADE - Live Remote Instructional Courses (FY 2025)		(100,000)		
Treasurer - Ballot Paper Funding (FY 2024)		(5,000,000)		
Treasurer - Ballot Paper Funding (FY 2025)		(6,000,000)		
Capital - ADOT - U.S. 191 Pavement Rehab. Between Mile Post 163/173		(5,912,100)		
Capital - ADOT - U.S. 191 Pavement Rehab. Between Armory Road/East Safford		(1,615,500)		
Capital - ADOT - Lighting Install on the Sentinel Exit in Gila Bend		(322,500)		
Capital - ADOT - Screen Wall Design/Construction (Loop 101/16th Street)		(885,000)		
Capital - ADOT - Repave State Route 69 in Prescott Valley		(1,819,000)		
Capital - ADOT - Repave State Route 95 in Mohave County		(6,052,200)		
Capital - ADOT - Repair State Route 186 and State Business Route 10 (Willcox)		(765,600)		
Capital - ADOT - Repave State Route 69 in Prescott Valley		(116,200)		
Capital - ADOT - Repave State Route 95 in Mohave County		(1,734,300)		
Capital - ADOT - Repair State Route 186 and State Business Route 10 (Willcox)		(93,100)		
Capital - ADOT - U.S. Route 89 Traffic Circle in Page		(1,052,600)		
Subtotal - Prior Year Ex-Appropriations	$ -	**$ (37,750,200)**	$ -	$ -
Transportation Funding				
Capital - ADOT - FY 2026 Previously Enacted Transportation Funding 2/	109,989,000			
Capital - ADOT - SR 347/Riggs Road Overpass Construction Costs			49,000,000	
Capital - ADOT - Expand I-10 Between SR 85/Citrus Road		30,000,000	76,000,000	
Subtotal - Transportation Funding	**$ 109,989,000**	**$ 30,000,000**	**$ 125,000,000**	$ -
Total - One-Time Spending	**$ 1,206,919,700**	**$ 952,072,300**	**$ 283,596,500**	**$ 203,509,700**

1/ Displayed amounts reflect one-time General Fund adjustments included in the FY 2027 enacted budget's multi-year spending plan. These items are not included in the individual agency amounts displayed in the General Fund Spending By Budget Units - Ongoing Funding chart.

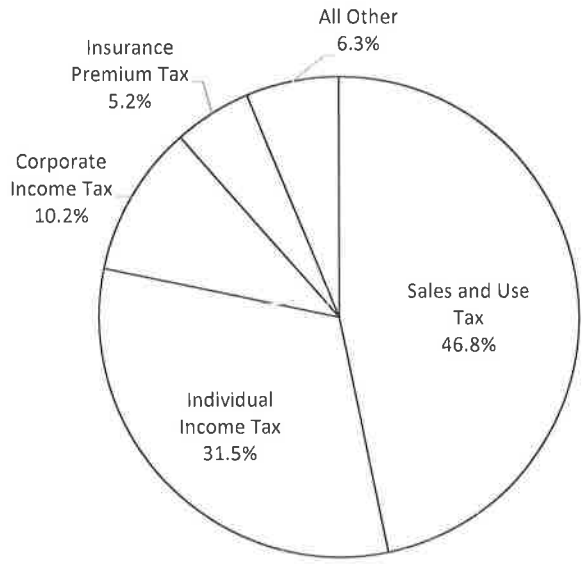
2/ See the *FY 2026 Appropriations Report* for more detail. FY 2026 operating spending was adjusted to remove $(1,000,000) associated with Dept. of Gaming Racetrack Capital Projects and Maintenance and Operation Funding, as this amount was not distributed due to a Maricopa County Superior Court consent decree.

Summary of One-Time General Fund Transfers

	FY 2026	FY 2027	FY 2028	FY 2029
FY 2027 Budget				
ADOA - Risk Management Fund	6,100,000			
ADOA - Construction Insurance Fund	5,500,000			
ADOA - Co-Op State Purchasing Fund	3,000,000			
Commerce Authority - Competes Fund	10,000,000			
Corporation Commission - Securities Regulatory and Enforcement Fund	14,700,000			
Corporation Commission - Utility Regulation Revolving Fund	3,400,000			
DEQ - Recycling Fund	1,500,000			
DEQ - Underground Storage Tank Revolving Fund	2,400,000			
Game and Fish - Heritage Land Acquisition Fund	5,000,000			
Game and Fish - Watercraft Licensing Fund	3,400,000			
Industrial Commission - ICA Admin Fund	6,700,000			
DIFI - Automobile Theft Authority Fund	3,800,000			
DIFI - Financial Services Fund	3,300,000			
Judiciary - Supreme Court - Judicial Collection Enhancement Fund	1,000,000			
Judiciary - Supreme Court - Court Appointed Special Advocate and Vulnerable Persons (CASA) Fund	3,000,000			
Judiciary - Superior Court - Juvenile Probation Services Fund	4,000,000			
Land - Trust Land Management Fund	9,000,000			
Parks - State Parks Revenue Fund	8,600,000			
ADOT - SMART Rural Transportation Fund	6,700,000			
ADOT - Motor Vehicle Liability Insurance Fund	15,000,000			
ADOT - State Highway Fund - U.S. Route 191 Project Surplus Transfer (FY 23 TPT Diversion)	2,500,000			
ADOT - Vehicle Inspection and Certification Enforcement Fund	3,500,000			
WIFA - Water Supply Development Revolving Fund	20,000,000			
SUBTOTAL - FY 2027 Budget	$ 142,100,000	$ 0	$ 0	$ 0
FY 2026 Budget				
ADOT - State Highway Fund - Interest (FY 23 TPT Diversion)	15,500,000	9,700,000	600,000	0
GRAND TOTAL	$ 157,600,000	$ 9,700,000	$ 600,000	$ 0

FY 2027 General Fund Revenue - Where It Comes From

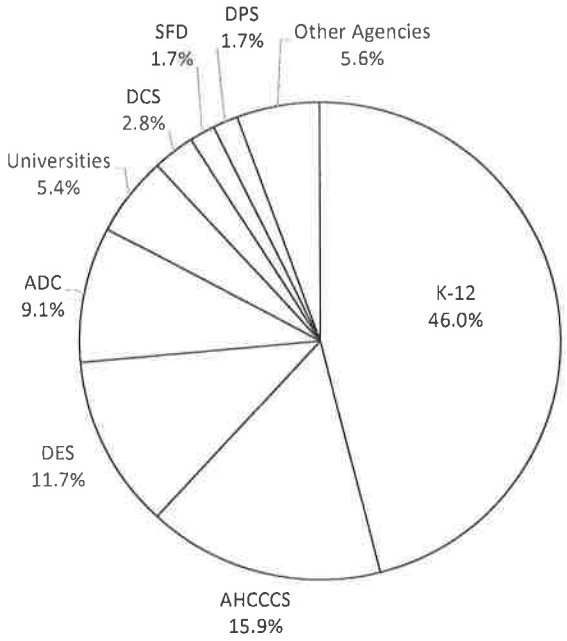
Source	Revenue (Millions)
Sales and Use Tax	$ 8,821.4
Individual Income Tax	5,941.5
Corporate Income Tax	1,923.0
Insurance Premium Tax	988.1
All Other	1,182.2
TOTAL REVENUE	**$ 18,856.2** 1/2/



1/ Excludes FY 2026 balance forward.
2/ A total of $1,302.0 million of this amount is distributed as urban revenue sharing.

FY 2027 General Fund Appropriations - Where It Goes

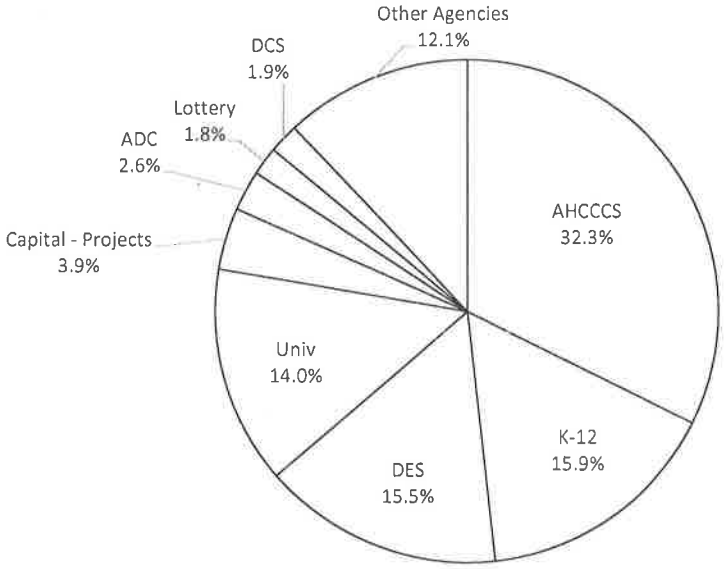
Budget Unit	Appropriation (Millions)
K-12 Education (ADE)	$ 8,450.6
AHCCCS	2,920.6
Economic Security	2,148.2
Corrections	1,679.0
Universities	993.2
Child Safety	522.0
School Facilities Division	319.1
DPS	309.8
Other Agencies	1,023.4
TOTAL BUDGET	**$ 18,365.9** 1/



1/ Does not include administrative adjustments and revertments.

FY 2027 Total Spending - All Sources 1/

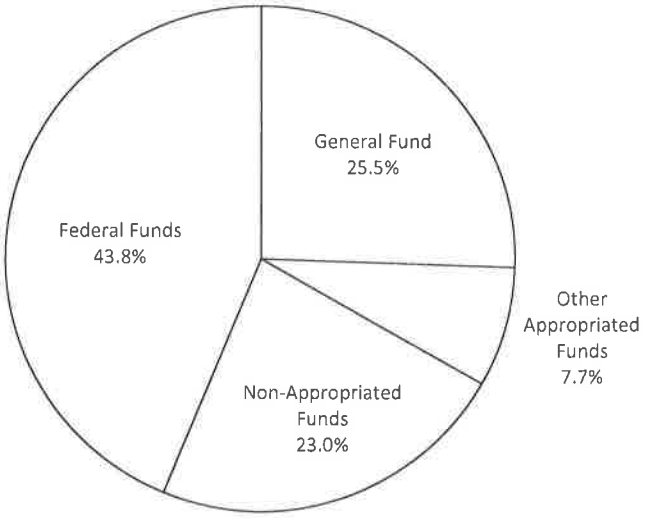
Budget Unit	Spending (Millions)
AHCCCS	$ 23,252.1
K-12 Education (ADE)	11,438.4
Universities	10,109.2
Economic Security	11,124.4
Capital - Projects	2,831.7
Corrections	1,853.3
Lottery	1,316.8
Child Safety	1,381.6
Other Agencies / Distributions	8,677.5
TOTAL	**$ 71,985.0**



1/ Does not include administrative adjustments and revertments.

FY 2027 Total Spending by Fund Source 1/

Fund Source	Spending (Millions)
General Fund	$ 18,365.9
Other Appropriated Funds	5,542.6
Non-Appropriated Funds	16,568.5
Federal Funds	31,508.1
TOTAL	**$ 71,985.0**



1/ Does not include administrative adjustments and revertments.

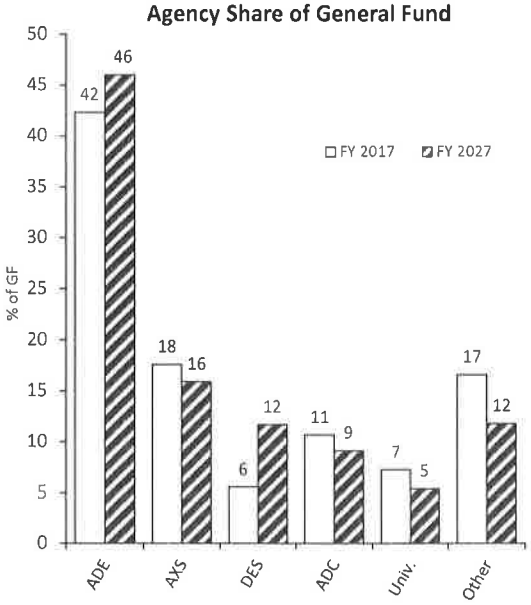
"THEN AND NOW" - FY 2017 vs. FY 2027 General Fund Spending

Comparison of 10 Largest General Fund Budgets 1/ ($ in Millions)

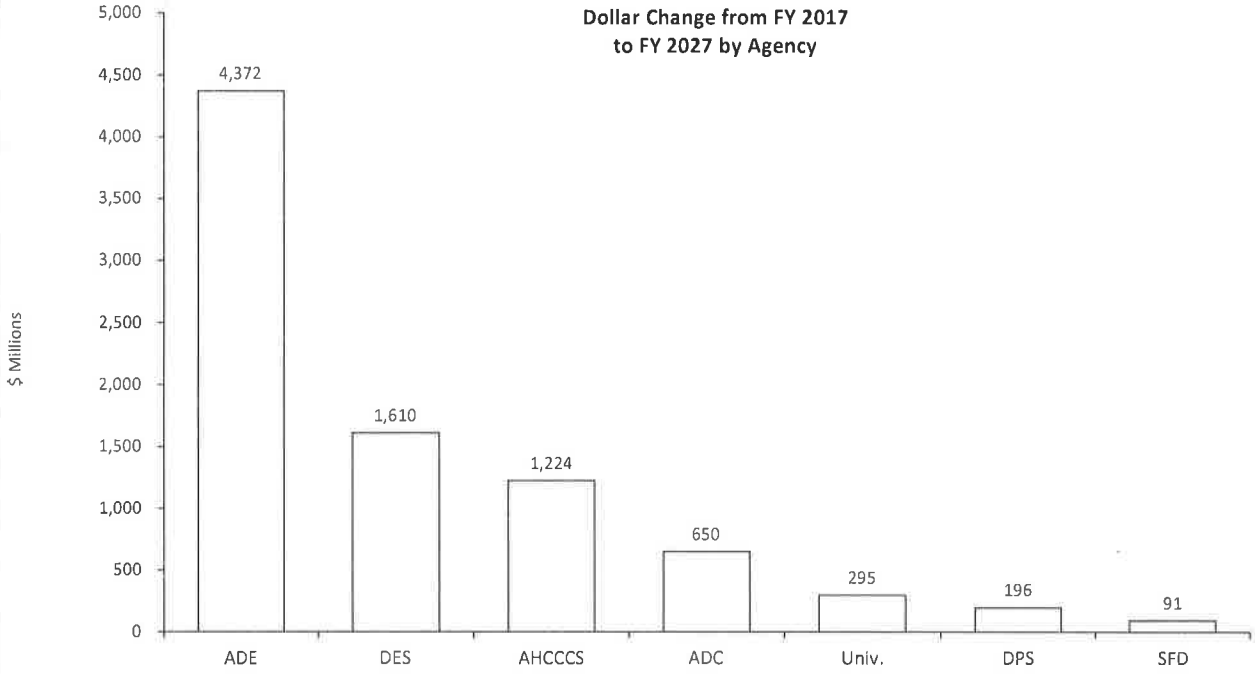
	FY 17 Actuals	FY 27 Approp.	$ Change FY 17-27	% Change FY 17-27
K-12 Education (ADE)	$ 4,079.0	$ 8,450.6	$ 4,371.6	107.2
AHCCCS	1,696.1	2,920.6	1,224.4	72.2
Economic Security	538.0	2,148.2	1,610.2	299.3
Corrections	1,028.9	1,679.0	650.1	63.2
Universities	698.5	993.2	294.7	42.2
Child Safety	374.4	522.0	147.6	39.4
School Facilities Divisior	227.9	319.1	91.2	40.0
Public Safety	114.2	309.8	195.6	171.2
Judiciary	110.8	186.1	75.3	68.0
Other	767.8	837.3	69.5	9.1
TOTAL	**$ 9,635.6**	**$ 18,365.9**	**$ 8,730.3**	**90.6%**

1/ Represents individual agency General Fund spending only. Excludes administrative adjustments and revertments.

Agency Share of General Fund



Dollar Change from FY 2017 to FY 2027 by Agency



"THEN AND NOW" - FY 2017 vs. FY 2027 General Fund Revenue and Ending Balances

General Fund Revenue, Expenditures and Ending Balances
($ In Millions)

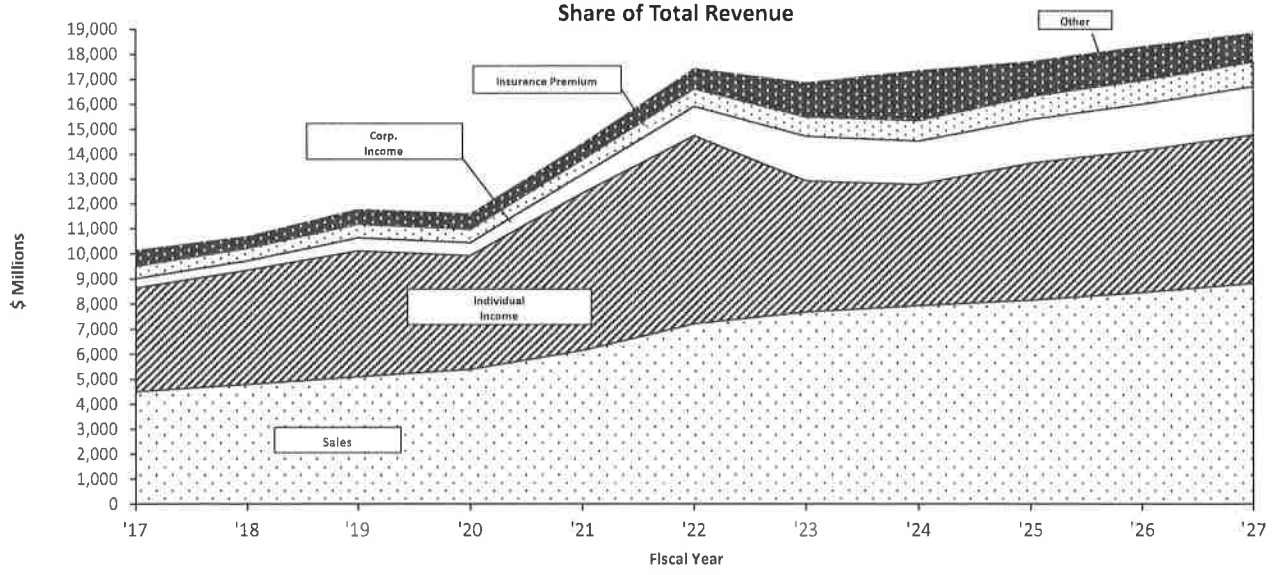
Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2017	9,786.5	9,635.6	150.9	1.5%
2018	10,258.1	9,808.5	449.6	4.4%
2019	11,681.4	10,724.1	957.2	8.2%
2020	11,927.3	11,554.8	372.5	3.1%
2021	14,489.1	13,594.5	894.6	6.2%
2022	17,599.4	12,890.0	4,709.4	26.8%
2023	18,199.8	15,672.5	2,527.2	13.9%
2024	18,341.5	17,378.7	962.8	5.2%
2025	17,420.6	16,053.3	1,367.3	7.8%
2026	18,518.8	17,743.9	774.9	4.2%
2027	18,329.1	18,285.3	43.8	0.2%

General Fund Major Tax Sources as a Percent of Total Revenue 1/

Fiscal Year	Sales	Indiv. Income	Corp. Income	Ins. Premium	Other
2017	44.3%	40.6%	3.6%	5.0%	6.5%
2018	44.7%	42.4%	3.5%	4.8%	4.7%
2019	43.2%	42.4%	4.4%	4.7%	5.4%
2020	46.4%	39.0%	4.4%	4.6%	5.6%
2021	42.5%	43.5%	5.2%	4.2%	4.7%
2022	41.3%	43.1%	6.7%	4.1%	4.9%
2023 2/	45.5%	31.0%	10.7%	4.5%	8.3%
2024	45.7%	27.9%	10.0%	4.7%	11.7%
2025	46.0%	30.9%	9.9%	5.2%	8.0%
2026	46.1%	31.1%	10.1%	5.2%	7.6%
2027	46.8%	31.5%	10.2%	5.2%	6.3%

1/ Excludes balance forward from prior year, Budget Stabilization Fund transfers and withdrawals, and Urban Revenue Sharing distributions.
2/ Excludes TPT diversions.

General Fund Major Tax Sources as a Share of Total Revenue



BUDGET DETAIL

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
BUDGET UNITS						
Accountancy, State Board of	$0	$2,257,400	$2,257,400	$0	$2,297,600	$2,297,600
Acupuncture Examiners, Board of	0	217,000	217,000	0	225,900	225,900
Administration, Arizona Department of	32,059,300	282,941,200	315,000,500	30,380,600	270,893,400	301,274,000
- Automation Projects Fund	3,762,000	16,898,700	20,660,700	15,134,100	18,171,800	33,305,900
- School Facilities Division	352,955,500	0	352,955,500	319,112,900	0	319,112,900
Administrative Hearings, Office of	985,200	0	985,200	991,700	0	991,700
African-American Affairs, Arizona Commission of	0	0	0	0	0	0
Agriculture, Arizona Department of	16,247,500	3,977,400	20,224,900	16,537,800	2,525,800	19,063,600
AHCCCS	2,718,381,000	621,178,500	3,339,559,500	2,920,591,900	560,181,400	3,480,773,300
Arts, Arizona Commission on the	2,000,000	0	2,000,000	2,000,000	0	2,000,000
Athletic Training, Board of	0	166,000	166,000	0	169,700	169,700
Attorney General - Department of Law	27,692,600	111,996,800	139,689,400	35,514,600	113,671,000	149,185,600
Barbering and Cosmetology Board	0	3,227,300	3,227,300	0	3,349,500	3,349,500
Behavioral Health Examiners, Board of	0	3,125,200	3,125,200	0	2,875,600	2,875,600
Charter Schools, State Board for	2,811,100	0	2,811,100	2,806,100	0	2,806,100
Child Safety, Department of	488,771,000	204,235,700	693,006,700	522,010,700	204,257,600	726,268,300
Chiropractic Examiners, State Board of	0	660,600	660,600	0	664,100	664,100
Commerce Authority, Arizona	15,175,000	0	15,175,000	12,800,000	2,000,000	14,800,000
Community Colleges, Arizona	103,651,900	0	103,651,900	108,737,500	0	108,737,500
Contractors, Registrar of	0	14,328,200	14,328,200	0	14,285,500	14,285,500
Corporation Commission	792,700	38,732,900	39,525,600	0	40,002,500	40,002,500
Corrections, State Department of	1,578,252,500	63,451,500	1,641,704,000	1,678,981,100	42,284,600	1,721,265,700
County Funding	0	0	0	0	0	0
Criminal Justice Commission, Arizona	4,600,000	9,961,100	14,561,100	6,852,300	9,972,000	16,824,300
Deaf and the Blind, Schools for the	25,645,100	33,259,500	58,904,600	25,863,200	28,599,400	54,462,600
Deaf and the Hard of Hearing, Commission for the	0	5,045,800	5,045,800	0	5,125,600	5,125,600
Dental Examiners, State Board of	0	2,150,900	2,150,900	0	2,193,300	2,193,300
Economic Opportunity, Office of	4,031,900	0	4,031,900	521,800	0	521,800
Economic Security, Department of	1,973,268,900	499,805,500	2,473,074,400	2,148,224,800	451,079,800	2,599,304,600
Education, State Board of	3,462,800	0	3,462,800	3,473,500	0	3,473,500
Education, Department of	8,255,826,600	87,507,600	8,343,334,200	8,450,608,200	95,585,300	8,546,193,500
Emergency and Military Affairs, Department. of	16,692,900	5,620,900	22,313,800	16,509,400	2,408,500	18,917,900
Environmental Quality, Department of	0	128,029,600	128,029,600	17,000,000	121,996,300	138,996,300
Equal Opportunity, Governor's Office of	0	317,400	317,400	0	331,000	331,000
Equalization, State Board of	734,700	0	734,700	729,200	0	729,200
Executive Clemency, Board of	1,488,600	0	1,488,600	1,626,300	0	1,626,300
Exposition and State Fair Board, Arizona	0	19,762,800	19,762,800	0	19,899,300	19,899,300
Forestry and Fire Management, Arizona Department of	47,222,200	4,000,000	51,222,200	57,937,100	0	57,937,100
Game and Fish Department, Arizona	0	48,521,400	48,521,400	0	49,400,900	49,400,900
Gaming, Department of	9,104,500	23,783,700	32,888,200	8,104,500	24,619,300	32,723,800
Governor, Office of the	10,394,700	0	10,394,700	9,492,100	0	9,492,100
Governor's Office of Strategic Planning and Budgeting	2,854,500	0	2,854,500	2,860,700	0	2,860,700
Health Services, Department of	127,571,300	74,512,900	202,084,200	125,659,600	74,654,700	200,314,300

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Historical Society, Arizona	4,113,500	0	4,113,500	3,077,400	0	3,077,400
Historical Society, Prescott	1,574,300	0	1,574,300	1,046,500	0	1,046,500
Homeland Security, AZ Department of	10,107,800	11,695,200	21,803,000	10,015,900	13,607,700	23,623,600
Homeopathic and Integrated Medicine Examiners, Bd of	0	64,200	64,200	0	66,700	66,700
Housing, Arizona Department of	0	360,700	360,700	0	517,700	517,700
Industrial Commission of Arizona	90,100	23,216,600	23,306,700	91,900	23,571,600	23,663,500
Insurance and Financial Institutions, Department of	6,321,200	13,145,100	19,466,300	1,580,300	21,407,800	22,988,100
Judiciary						
Supreme Court	31,325,600	35,825,200	67,150,800	31,353,400	37,672,300	69,025,700
Court of Appeals	25,308,700	0	25,308,700	25,537,900	0	25,537,900
Superior Court	117,217,300	12,014,500	129,231,800	129,196,100	12,014,400	141,210,500
SUBTOTAL - Judiciary	173,851,600	47,839,700	221,691,300	186,087,400	49,686,700	235,774,100
Juvenile Corrections, Department of	31,085,800	13,597,800	44,683,600	33,594,300	13,291,100	46,885,400
Land Department, State	12,199,900	14,239,000	26,438,900	12,089,000	14,266,300	26,355,300
Legislature						
Auditor General	32,009,000	0	32,009,000	27,403,300	500,000	27,903,300
House of Representatives	22,545,300	0	22,545,300	21,851,900	0	21,851,900
Joint Legislative Budget Committee	3,071,000	0	3,071,000	3,043,200	0	3,043,200
Legislative Council	9,422,400	0	9,422,400	9,411,600	0	9,411,600
Ombudsman-Citizens Aide Office	1,608,900	0	1,608,900	1,621,300	0	1,621,300
Senate	18,814,300	0	18,814,300	18,086,200	0	18,086,200
SUBTOTAL - Legislature	87,470,900	0	87,470,900	81,417,500	0	81,917,500
Liquor Licenses and Control, Department of	0	6,552,800	6,552,800	0	7,062,600	7,062,600
Lottery Commission, Arizona State	0	187,583,100	187,583,100	0	194,171,000	194,171,000
Massage Therapy, Board of	0	601,200	601,200	0	614,600	614,600
Medical Board, Arizona	0	8,472,700	8,472,700	0	8,627,500	8,627,500
Mine Inspector, State	2,431,400	112,800	2,544,200	2,451,400	113,000	2,564,400
Natural Resource Conservation Board, State	739,400	260,600	1,000,000	389,400	260,600	650,000
Naturopathic Physicians Medical Board	0	271,800	271,800	0	227,000	227,000
Navigable Stream Adjudication Commission	143,900	200,000	343,900	145,700	200,000	345,700
Nursing, State Board of	500,000	7,094,200	7,594,200	0	7,950,100	7,950,100
Nursing Care Institution Administrators Board	0	611,600	611,600	0	631,100	631,100
Occupational Therapy Examiners, Board of	0	298,000	298,000	0	306,100	306,100
Opticians, State Board of Dispensing	0	199,700	199,700	0	232,500	232,500
Optometry, State Board of	0	288,000	288,000	0	293,700	293,700
Osteopathic Examiners, Arizona Board of	0	1,526,100	1,526,100	0	1,960,700	1,960,700
Parks Board, Arizona State	2,500,000	22,578,500	25,078,500	0	23,551,600	23,551,600
Personnel Board, State	0	369,900	369,900	0	380,700	380,700
Pharmacy, Arizona State Board of	0	3,804,000	3,804,000	0	3,777,200	3,777,200
Physical Therapy, Board of	0	624,400	624,400	0	635,400	635,400
Pioneers' Home, Arizona	0	9,160,800	9,160,800	0	9,278,100	9,278,100
Podiatry Examiners, State Board of	0	204,200	204,200	0	206,900	206,900
Power Authority, Arizona	0	0	0	0	0	0
Private Postsecondary Education, Board for	0	557,500	557,500	0	566,200	566,200
Psychologist Examiners, State Board of	0	872,600	872,600	0	896,300	896,300

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Public Safety, Department of	314,026,800	96,705,200	410,732,000	309,788,700	113,320,700	423,109,400
Public Safety Personnel Retirement System	6,000,000	0	6,000,000	5,000,000	0	5,000,000
Real Estate Department, State	3,119,300	0	3,119,300	3,221,400	0	3,221,400
Residential Utility Consumer Office	0	1,951,200	1,951,200	0	1,989,800	1,989,800
Respiratory Care Examiners, Board of	0	420,500	420,500	0	428,300	428,300
Retirement System, Arizona State	0	28,966,100	28,966,100	0	29,642,500	29,642,500
Revenue, Department of	60,871,900	28,732,800	89,604,700	60,708,600	28,814,000	89,522,600
Secretary of State	26,857,100	2,604,900	29,462,000	18,818,600	3,846,700	22,665,300
Tax Appeals, State Board of	319,300	0	319,300	319,000	0	319,000
Technical Registration, State Board of	0	2,735,900	2,735,900	0	2,872,300	2,872,300
Tourism, Office of	8,702,700	0	8,702,700	8,020,200	0	8,020,200
Transportation, Department of	500,000	614,333,700	614,833,700	0	647,202,900	647,202,900
Treasurer, State	42,734,700	7,562,900	50,297,600	4,706,000	13,946,800	18,652,800
Tribal Relations, Governor's Office on	66,900	0	66,900	67,200	0	67,200
Universities						
Board of Regents	71,382,600	0	71,382,600	54,835,600	0	54,835,600
Arizona State University	412,671,200	907,759,500	1,320,430,700	434,594,900	907,759,500	1,342,354,400
Northern Arizona University	124,707,700	125,450,500	250,158,200	122,610,500	125,450,500	248,061,000
University of Arizona - Main Campus	289,867,500	443,990,600	733,858,100	306,268,900	443,990,600	750,259,500
University of Arizona - Health Sciences Center	75,978,400	44,684,000	120,662,400	74,900,700	44,684,000	119,584,700
SUBTOTAL - Universities	974,607,400	1,521,884,600	2,496,492,000	993,210,600	1,521,884,600	2,515,095,200
Veterans' Services, Department of	15,814,700	60,986,900	76,801,600	14,389,000	59,655,300	74,044,300
Veterinary Medical Examining Board	0	922,700	922,700	0	951,700	951,700
Water Infrastructure Finance Authority	750,000	8,000,000	8,750,000	0	500,000	500,000
Water Resources, Department of	25,077,500	3,767,300	28,844,800	25,729,200	8,769,700	34,498,900
OPERATING BUDGET SUBTOTAL	$17,639,014,100	$5,065,651,000	$22,704,665,100	$18,317,026,900	$4,996,405,200	$23,313,432,100
Unallocated '26 Health Insurance Adjustments	152,100	4,123,600	4,275,700	(393,400)	(228,200)	(621,600)
Unallocated '26 Rent and COP Adjustments	0	3,700	3,700	0	0	0
Unallocated '26 Fleet Replacement Adjustments	859,000	0	859,000	0	0	0
Unallocated '26 Fleet Operating Adjustments	125,600	510,000	635,600	0	0	0
Unallocated '26 Retirement Adjustments	(18,300)	(1,373,600)	(1,391,900)	0	0	0
Unallocated '26 Risk Management Adjustments	400	5,611,300	5,611,700	0	0	0
Unallocated '26 AZ360 Adjustments	(3,900)	(8,400)	(12,300)	0	0	0
Unallocated '26 Salary Adjustments	63,100	1,172,200	1,235,300	0	0	0
Unallocated '27 Health Insurance Adjustments	0	0	0	758,400	6,134,100	6,892,500
Unallocated '27 Rent and COP Adjustments	0	0	0	0	25,300	25,300
Unallocated '27 AZ360 Adjustments	0	0	0	29,600	262,300	291,900
Unallocated '27 Ongoing Risk Management Adjustments	0	0	0	0	60,000	60,000
Unallocated '27 One-Time Risk Management Adjustments	0	0	0	0	31,900	31,900
Unallocated '27 Fleet Operating Ongoing Adjustments	0	0	0	117,900	5,000	122,900
Unallocated '27 Fleet Operating One-Time Adjustments	0	0	0	113,400	13,900	127,300
Unallocated '27 Fleet Replacement Adjustments	0	0	0	0	483,300	483,300
Unallocated '27 Retirement Adjustments	0	0	0	(9,500)	(19,400)	(28,900)
Unallocated '27 Salary Adjustments	0	0	0	0	0	0

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Capital Outlay Projects	136,216,100	593,622,400	729,838,500	19,631,900	539,408,200	559,040,100
Capital Outlay - Phoenix Convention Center Debt Service	26,497,400	0	26,497,400	26,997,100	0	26,997,100
Capital Outlay - Rio Nuevo District Distribution	19,000,000	0	19,000,000	19,000,000	0	19,000,000
Prior Year Appropriation Adjustments	0	(5,000,000)	(5,000,000)	(17,382,100)		(17,382,100)
Administrative Adjustments	132,984,000	0	132,984,000	137,310,000	0	137,310,000
Revertments	(211,001,300)	0	(211,001,300)	(217,865,200)	0	(217,865,200)
GRAND TOTAL	$17,743,888,300	$5,664,312,200	$23,408,200,500	$18,285,335,000	$5,542,581,600	$23,827,916,600

1/ This table summarizes FY 2026 and FY 2027 appropriations from the 2nd Regular Session of the 57th Legislature and all prior sessions.

SUMMARY OF CAPITAL OUTLAY APPROPRIATIONS
(Capital Outlay Bill and Other Bills with Capital Appropriations) 1/

	FY 2027	
	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM		
Administration, Arizona Department of		
Building Renewal for ADOA System	$10,000,000	$5,154,000
Corrections, State Department of		
Building Renewal for Corrections Facilities		$15,652,200
Exposition and State Fair Board, Arizona		
Capital Improvements		$3,905,900
Game and Fish Department, Arizona		
Building Renewal		$1,932,900
Dam Maintenance		150,000
Hatchery Maintenance		400,000
Hatchery Repairs		11,000,000
Subtotal - Arizona Department of Game and Fish	$0	$13,482,900
Lottery Commission, Arizona State		
Building Renewal		$100,000
Parks Board, Arizona State		
Capital Improvements		$3,552,200
Tonto Natural Bridge State Park Monitoring Plan		200,000
Subtotal - Arizona State Parks Board	$0	$3,752,200
Pioneers' Home, Arizona		
Capital Improvements		$482,000
SUBTOTAL - ADOA BUILDING SYSTEM	$10,000,000	$42,529,200
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM		
Arizona Department of Transportation		
Building Renewal		$24,574,100
Kingman Materials Lab		5,038,000
Statewide Vehicle Fueling Facilities		4,944,000
Phoenix Traffic Signal and Lighting Warehouse		611,000
Airport Planning and Development		29,048,900
I-10 Widening, SR 85 to Citrus Road	30,000,000 2/	
Statewide Highway Construction		432,663,000
SUBTOTAL - ADOT BUILDING SYSTEM	$30,000,000	$496,879,000
LOCAL ASSISTANCE		
Phoenix Convention Center	$26,997,100	
Rio Nuevo District	19,000,000	
	$45,997,100	$0
GRAND TOTAL - ALL APPROPRIATIONS	$85,997,100	$539,408,200

1/ This table summarizes all capital appropriations for FY 2027. Please refer to the agency sections for any changes to capital appropriations in FY 2026 and earlier. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances.

2/ Laws 2024, Chapter 211, Section 10, as amended by Laws 2025, Chapter 235, Section 4 advance appropriates $30,000,000 in FY 2027 and $76,000,000 in FY 2028 to widen I-10 from SR 85 to Citrus Road.

PREVIOUSLY ENACTED APPROPRIATIONS
FY 2028 AND BEYOND 1/

GENERAL FUND

	FY 2028	FY 2029
Attorney General		
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000
Commerce Authority, Arizona		
A.R.S. § 43-409 - Withholding Tax Revenues	10,500,000	10,500,000
Community Colleges		
A.R.S. § 42-5031.01 - Tribal Postsecondary Institutions 2/	1,474,700	1,474,700
A.R.S. § 15-1469.01 - Rural County Allocation 3/	7,736,600	7,736,600
Education, Department of		
Laws 2026, Ch. 126 - Basic State Aid (Rollover)	800,727,700	
Emergency and Military Affairs, Department of		
A.R.S. § 26-263 - Military Airport Planning	90,000	90,000
A.R.S. § 35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Environmental Quality, Department of		
A.R.S. § 49-282 - WQARF Priority Site Remediation 4/	15,000,000	15,000,000
Forestry and Fire Management, Department of		
Laws 2019, Ch. 263 - Nonnative Species Eradication (through FY 2029)	1,000,000	1,000,000
A.R.S. § 37-1305 - Wild Land Fire Emergency	3,000,000	3,000,000
Public Safety Personnel Retirement System		
A.R.S. § 38-810 - EORP Closure (through FY 2043)	5,000,000	5,000,000
Treasurer, State		
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)	1,500,000	1,500,000
Arizona State University		
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase 5/	13,436,200	13,430,800
A.R.S. § 15-1671 - 2017 Capital Infrastructure ($1B Bonding) 6/	14,114,800	14,397,100
Northern Arizona University		
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase 5/	4,894,000	4,888,400
A.R.S. § 15-1671 - 2017 Capital Infrastructure ($1B Bonding) 6/	5,349,900	5,456,900
University of Arizona		
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase 5/	14,254,100	14,251,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure ($1B Bonding) 6/	12,486,700	12,736,400
Department of Veterans' Services		
Laws 2024, Ch. 211, amended by Laws 2026, Ch. 128 - NW Arizona Veterans' Home		25,000,000
Other		
A.R.S. § 9-602 - Phoenix Convention Center Financing 7/	27,495,100	27,998,700
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District 8/	19,000,000	19,000,000
GENERAL FUND TOTAL	**961,144,800**	**186,546,100**

PREVIOUSLY ENACTED APPROPRIATIONS
FY 2028 AND BEYOND 1/

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 $984,100 to the Navajo Nation, comprised of $656,100 for Diné College and $328,000 for Navajo Technical College, and an annual distribution of $490,600 for the Tohono O'Odham Community College.

3/ Pursuant to A.R.S. § 15-1469.01, the JLBC Staff assumes an annual distribution of $7,736,600 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 (BRB) 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 $19,000,000 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.

SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total
BUDGET UNITS						
Accountancy, State Board of	$2,257,400	$0	$2,257,400	$2,297,600	$0	$2,297,600
Acupuncture Examiners, Board of	217,000	0	217,000	225,900	0	225,900
Administration, Arizona Department of	315,000,500	1,432,184,300	1,747,184,800	301,274,000	1,501,742,300	1,803,016,300
- Automation Projects Fund	20,660,700	0	20,660,700	33,305,900	0	33,305,900
- School Facilities Division	352,955,500	2,164,200	355,119,700	319,112,900	2,164,200	321,277,100
Administrative Hearings, Office of	985,200	1,184,600	2,169,800	991,700	1,184,600	2,176,300
Agriculture, Arizona Department of	20,224,900	33,293,100	53,518,000	19,063,600	33,293,100	52,356,700
AHCCCS	3,339,559,500	20,266,493,600	23,606,053,100	3,480,773,300	19,771,291,400	23,252,064,700
Arts, Arizona Commission on the	2,000,000	2,990,300	4,990,300	2,000,000	3,388,800	5,388,800
Athletic Training, Board of	166,000	0	166,000	169,700	0	169,700
Attorney General - Department of Law	139,689,400	84,589,700	224,279,100	149,185,600	85,487,700	234,673,300
Barbering and Cosmetology Board	3,227,300	0	3,227,300	3,349,500	0	3,349,500
Behavioral Health Examiners, Board of	3,125,200	0	3,125,200	2,875,600	0	2,875,600
Charter Schools, State Board for	2,811,100	0	2,811,100	2,806,100	0	2,806,100
Child Safety, Department of	693,006,700	646,023,900	1,339,030,600	726,268,300	655,321,300	1,381,589,600
Chiropractic Examiners, State Board of	660,600	0	660,600	664,100	0	664,100
Citizens Clean Elections Commission	0	13,066,500	13,066,500	0	13,066,500	13,066,500
Commerce Authority, Arizona	15,175,000	249,880,200	265,055,200	14,800,000	249,880,200	264,680,200
Community Colleges, Arizona	103,651,900	92,291,000	195,942,900	108,737,500	92,291,000	201,028,500
Constable Ethics Standards and Training Board	0	646,200	646,200	0	646,200	646,200
Contractors, Registrar of	14,328,200	8,807,000	23,135,200	14,285,500	8,807,000	23,092,500
Corporation Commission	39,525,600	3,333,900	42,859,500	40,002,500	3,333,900	43,336,400
Corrections, State Department of	1,641,704,000	135,161,600	1,776,865,600	1,721,265,700	131,992,800	1,853,258,500
Criminal Justice Commission, Arizona	14,561,100	26,309,300	40,870,400	16,824,300	26,309,300	43,133,600
Deaf and the Blind, Schools for the	58,904,600	10,838,100	69,742,700	54,462,600	10,838,100	65,300,700
Deaf and the Hard of Hearing, Commission for the	5,045,800	0	5,045,800	5,125,600	0	5,125,600
Dental Examiners, State Board of	2,150,900	0	2,150,900	2,193,300	0	2,193,300
Early Childhood Development and Health Board, Arizona	0	140,399,400	140,399,400	0	137,699,100	137,699,100
Economic Opportunity, Office of	4,031,900	19,551,600	23,583,500	521,800	19,551,600	20,073,400
Economic Security, Department of	2,473,074,400	8,167,657,100	10,640,731,500	2,599,304,600	8,525,114,400	11,124,419,000
Education, State Board of	3,462,800	0	3,462,800	3,473,500	0	3,473,500
Education, Department of	8,343,334,200	2,867,651,100	11,210,985,300	8,546,193,500	2,892,232,800	11,438,426,300
Emergency and Military Affairs, Department of	22,313,800	131,660,200	153,974,000	18,917,900	131,660,200	150,578,100
Environmental Quality, Department of	128,029,600	96,175,200	224,204,800	138,996,300	96,175,200	235,171,500
Equal Opportunity, Governor's Office of	317,400	0	317,400	331,000	0	331,000
Equalization, State Board of	734,700	0	734,700	729,200	0	729,200
Executive Clemency, Board of	1,488,600	0	1,488,600	1,626,300	0	1,626,300
Exposition and State Fair Board, Arizona	19,762,800	0	19,762,800	19,899,300	0	19,899,300
Forestry and Fire Management, Arizona Department of	51,222,200	102,776,400	153,998,600	57,937,100	102,776,400	160,713,500
Game and Fish Department, Arizona	48,521,400	113,096,400	161,617,800	49,400,900	113,096,400	162,497,300

SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total
Gaming, Department of	32,888,200	5,425,000	38,313,200	32,723,800	5,425,000	38,148,800
Governor, Office of the	10,394,700	802,325,300	812,720,000	9,492,100	460,859,400	470,351,500
Governor's Office of Strategic Planning and Budgeting	2,854,500	0	2,854,500	2,860,700	0	2,860,700
Health Services, Department of	202,084,200	511,764,600	713,848,800	200,314,300	511,764,600	712,078,900
Historical Society, Arizona	4,113,500	0	4,113,500	3,077,400	0	3,077,400
Historical Society, Prescott	1,574,300	1,433,200	3,007,500	1,046,500	1,433,200	2,479,700
Homeland Security, Arizona Department of	21,803,000	33,312,300	55,115,300	23,623,600	33,312,300	56,935,900
Homeopathic and Integrated Medicine Examiners, Bd of	64,200	0	64,200	66,700	0	66,700
Housing, Arizona Department of	360,700	158,956,100	159,316,800	517,700	158,956,100	159,473,800
Industrial Commission of Arizona	23,306,700	33,511,300	56,818,000	23,663,500	32,596,700	56,260,200
Insurance and Financial Institutions, Department of	19,466,300	45,454,200	64,920,500	22,988,100	44,929,000	67,917,100
Judiciary						
Supreme Court	67,150,800	40,487,400	107,638,200	69,025,700	40,487,400	109,513,100
Court of Appeals	25,308,700	0	25,308,700	25,537,900	0	25,537,900
Superior Court	129,231,800	15,816,600	145,048,400	141,210,500	15,816,600	157,027,100
SUBTOTAL - Judiciary	221,691,300	56,304,000	277,995,300	235,774,100	56,304,000	292,078,100
Juvenile Corrections, Department of	44,683,600	3,485,800	48,169,400	46,885,400	842,600	47,728,000
Land Department, State	26,438,900	591,500	27,030,400	26,355,300	591,500	26,946,800
Legislature						
Auditor General	32,009,000	1,289,200	33,298,200	27,903,300	1,289,200	29,192,500
House of Representatives	22,545,300	0	22,545,300	21,851,900	0	21,851,900
Joint Legislative Budget Committee	3,071,000	0	3,071,000	3,043,200	0	3,043,200
Legislative Council	9,422,400	75,900	9,498,300	9,411,600	75,900	9,487,500
Ombudsman-Citizens Aide Office	1,608,900	0	1,608,900	1,621,300	0	1,621,300
Senate	18,814,300	0	18,814,300	18,086,200	0	18,086,200
SUBTOTAL - Legislature	87,470,900	1,365,100	88,836,000	81,917,500	1,365,100	83,282,600
Liquor Licenses and Control, Department of	6,552,800	2,551,900	9,104,700	7,062,600	2,551,900	9,614,500
Lottery Commission, Arizona State	187,583,100	1,078,459,600	1,266,042,700	194,171,000	1,122,624,200	1,316,795,200
Massage Therapy, Board of	601,200	0	601,200	614,600	0	614,600
Medical Board, Arizona	8,472,700	0	8,472,700	8,627,500	0	8,627,500
Mine Inspector, State	2,544,200	660,100	3,204,300	2,564,400	660,100	3,224,500
Natural Resource Conservation Board, State	1,000,000	0	1,000,000	650,000	0	650,000
Naturopathic Physicians Medical Board	271,800	0	271,800	227,000	0	227,000
Navigable Stream Adjudication Commission	343,900	0	343,900	345,700	0	345,700
Nursing, State Board of	7,594,200	24,685,400	32,279,600	7,950,100	24,685,400	32,635,500
Nursing Care Institution Administrators Board	611,600	0	611,600	631,100	0	631,100
Occupational Therapy Examiners, Board of	298,000	0	298,000	306,100	0	306,100
Opticians, State Board of Dispensing	199,700	0	199,700	232,500	0	232,500
Optometry, State Board of	288,000	0	288,000	293,700	0	293,700
Osteopathic Examiners, Arizona Board of	1,526,100	0	1,526,100	1,960,700	0	1,960,700
Parks Board, Arizona State	25,078,500	34,899,500	59,978,000	23,551,600	34,899,500	58,451,100
Personnel Board, State	369,900	0	369,900	380,700	0	380,700

SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total
Pharmacy, Arizona State Board of	3,804,000	2,100,000	5,904,000	3,777,200	2,100,000	5,877,200
Physical Therapy, Board of	624,400	0	624,400	635,400	0	635,400
Pioneers' Home, Arizona	9,160,800	22,100	9,182,900	9,278,100	22,100	9,300,200
Podiatry Examiners, State Board of	204,200	0	204,200	206,900	0	206,900
Power Authority, Arizona	0	21,282,900	21,282,900	0	21,282,900	21,282,900
Private Postsecondary Education, Board for	557,500	298,900	856,400	566,200	298,900	865,100
Psychologist Examiners, State Board of	872,600	0	872,600	896,300	0	896,300
Public Safety, Department of	410,732,000	133,753,000	544,485,000	423,109,400	129,913,300	553,022,700
Public Safety Personnel Retirement System	6,000,000	33,815,100	39,815,100	5,000,000	33,815,100	38,815,100
Real Estate Department, State	3,119,300	6,500	3,125,800	3,221,400	6,500	3,227,900
Residential Utility Consumer Office	1,951,200	0	1,951,200	1,989,800	0	1,989,800
Respiratory Care Examiners, Board of	420,500	0	420,500	428,300	0	428,300
Retirement System, Arizona State	28,966,100	300,680,600	329,646,700	29,642,500	314,504,000	344,146,500
Revenue, Department of	89,604,700	1,652,600	91,257,300	89,522,600	1,652,600	91,175,200
Secretary of State	29,462,000	7,244,700	36,706,700	22,665,300	7,244,700	29,910,000
Tax Appeals, State Board of	319,300	0	319,300	319,000	0	319,000
Technical Registration, State Board of	2,735,900	0	2,735,900	2,872,300	0	2,872,300
Tourism, Office of	8,702,700	39,364,000	48,066,700	8,020,200	39,364,000	47,384,200
Transportation, Department of	614,833,700	23,021,900	637,855,600	647,202,900	23,021,900	670,224,800
Treasurer, State	50,297,600	208,575,400	258,873,000	18,652,800	208,575,400	227,228,200
Tribal Relations, Governor's Office on	66,900	58,500	125,400	67,200	58,500	125,700
Universities						
Board of Regents	71,382,600	33,584,700	104,967,300	54,835,600	33,584,700	88,420,300
Arizona State University	1,320,430,700	3,988,349,200	5,308,779,900	1,342,354,400	4,047,871,100	5,390,225,500
Northern Arizona University	250,158,200	574,349,700	824,507,900	248,061,000	579,904,200	827,965,200
University of Arizona - Main Campus	733,858,100	2,235,901,600	2,969,759,700	750,259,500	2,254,621,000	3,004,880,500
University of Arizona - Health Sciences Center	120,662,400	759,651,700	880,314,100	119,584,700	678,106,800	797,691,500
SUBTOTAL - Universities	2,496,492,000	7,591,836,900	10,088,328,900	2,515,095,200	7,594,087,800	10,109,183,000
Veterans' Services, Department of	76,801,600	7,948,900	84,750,500	74,044,300	7,948,900	81,993,200
Veterinary Medical Examining Board	922,700	0	922,700	951,700	0	951,700
Water Infrastructure Finance Authority	8,750,000	308,854,300	317,604,300	500,000	308,854,300	309,354,300
Water Resources, Department of	28,844,800	31,592,100	60,436,900	34,498,900	7,945,500	42,444,400
OPERATING BUDGET SUBTOTAL	$22,704,665,100	$46,155,518,200	$68,860,183,300	$23,313,432,100	$45,803,841,500	$69,117,273,600
Unallocated '26 Health Insurance Adjustments	4,275,700	0	4,275,700	(621,600)	0	(621,600)
Unallocated '26 Rent and COP Adjustments	3,700	0	3,700	0	0	0
Unallocated '26 Fleet Replacement Adjustments	859,000	0	859,000	0	0	0
Unallocated '26 Fleet Operating Adjustments	635,600	0	635,600	0	0	0
Unallocated '26 Retirement Adjustments	(1,391,900)	0	(1,391,900)	0	0	0
Unallocated '26 Risk Management Adjustments	5,611,700	0	5,611,700	0	0	0
Unallocated '26 AZ360 Adjustments	(12,300)	0	(12,300)	0	0	0
Unallocated '26 Salary Adjustments	1,235,300	0	1,235,300	0	0	0

SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2026 and 2027 1/

	Fiscal Year 2026			Fiscal Year 2027		
	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total	Appropriated General and Other Funds	Non-Appropriated Federal and Other Funds 2/	Total
Unallocated '27 Health Insurance Adjustments	0	0	0	6,892,500	0	6,892,500
Unallocated '27 Rent and COP Adjustments	0	0	0	25,300	0	25,300
Unallocated '27 AZ360 Adjustments	0	0	0	291,900	0	291,900
Unallocated '27 Ongoing Risk Management Adjustments	0	0	0	60,000	0	60,000
Unallocated '27 One-Time Risk Management Adjustment	0	0	0	31,900	0	31,900
Unallocated '27 Fleet Operating Ongoing Adjustments	0	0	0	122,900	0	122,900
Unallocated '27 Fleet Operating One-Time Adjustments	0	0	0	127,300	0	127,300
Unallocated '27 Fleet Replacement Adjustments	0	0	0	483,300	0	483,300
Unallocated '27 Retirement Adjustments	0	0	0	(28,900)	0	(28,900)
Unallocated '27 Salary Adjustments	0	0	0	0	0	0
Capital Outlay Projects	729,838,500	1,856,767,000	2,586,605,500	559,040,100	2,272,700,000	2,831,740,100
Capital Outlay - Phoenix Convention Center Debt Service	26,497,400	0	26,497,400	26,997,100	0	26,997,100
Capital Outlay - Rio Nuevo District Distribution	19,000,000	0	19,000,000	19,000,000	0	19,000,000
Prior Year Appropriation Adjustments	(5,000,000)	0	(5,000,000)	(17,382,100)	0	(17,382,100)
Administrative Adjustments	132,984,000	0	132,984,000	137,310,000	0	137,310,000
Revertments	(211,001,300)	0	(211,001,300)	(217,865,200)	0	(217,865,200)
GRAND TOTAL	$23,408,200,500	$48,012,285,200	$71,420,485,700	$23,827,916,600	$48,076,541,500	$71,904,458,100

1/ This table summarizes FY 2026 and FY 2027 appropriations from the 2nd Regular Session of the 57th Legislature and all prior sessions.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's *Baseline Book* (January 2026), but may have been updated for later information.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2026 and 2027 1/ 2/

BUDGET UNITS	FY 2026	Vacant FTE Reduction	Other Changes	FY 2027
Accountancy, State Board of	14.0			14.0
Acupuncture Board of Examiners	1.0			1.0
Administration, Arizona Department of	549.1	(50.0)	18.0	517.1
School Facilities Division	22.0			22.0
SUBTOTAL - Administration, Arizona Department of	571.1	(50.0)	18.0	539.1
Administrative Hearings, Office of	12.0			12.0
Agriculture, Arizona Department of	217.9		2.0	219.9
AHCCCS	1,274.5	(120.0)	26.5	1,181.0
AHCCCS - DES Eligibility	1,184.8		62.5	1,247.3
SUBTOTAL - AHCCCS 3/	2,459.3	(120.0)	89.0	2,428.3
Athletic Training, Board of	1.5			1.5
Attorney General - Department of Law	677.7			677.7
Barbering and Cosmetology Board	33.5		3.0	36.5
Behavioral Health Examiners, Board of	27.0			27.0
Charter Schools, State Board for	25.0			25.0
Child Safety, Department of 4/	3,283.1			3,283.1
Chiropractic Examiners, State Board of	6.0			6.0
Commerce Authority, Arizona	100.0			100.0
Contractors, Registrar of	105.6	(2.0)		103.6
Corporation Commission	302.9		0.1	303.0
Corrections, State Department of	9,592.0			9,592.0
Criminal Justice Commission, Arizona	11.0			11.0
Deaf and the Blind, Arizona State Schools for the	562.2			562.2
Deaf and the Hard of Hearing, Commission for the	21.0			21.0
Dental Examiners, State Board of	13.0			13.0
Economic Opportunity, Office of	5.0			5.0
Economic Security, Department of 5/ 6/	4,727.8	(100.0)	420.0	5,047.8
Education, State Board of	23.0			23.0
Education, Department of	232.9			232.9
Emergency and Military Affairs, Department of	77.1			77.1
Environmental Quality, Department of	360.7			360.7
Equal Opportunity, Governor's Office of	5.0			5.0
Equalization, State Board of	7.0			7.0
Executive Clemency, Board of	15.5			15.5
Exposition and State Fair Board, Arizona	184.0			184.0
Forestry and Fire Management, Arizona Department of	235.5	(20.0)		215.5
Game and Fish Department, Arizona	273.5			273.5
Gaming, Department of	155.8	(25.0)		130.8
Governor's Office of Strategic Planning and Budgeting	22.0			22.0
Health Services, Department of	1,171.0	(40.0)	(1.5)	1,129.5
Historical Society, Arizona	54.9			54.9
Historical Society of Arizona, Prescott	13.0			13.0
Homeland Security, Arizona Department of	26.0			26.0
Homeopathic and Integrated Medicine Examrs., Bd. of	1.0			1.0

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2026 and 2027 1/ 2/

	FY 2026	Vacant FTE Reduction	Other Changes	FY 2027
Housing, Department of	3.0			3.0
Industrial Commission of Arizona	250.6	(35.0)		215.6
Insurance and Financial Institutions, Department of	147.4	(6.0)		141.4
Judiciary				
Supreme Court	208.0			208.0
Court of Appeals	163.8			163.8
Superior Court	241.5			241.5
SUBTOTAL - Judiciary	613.3			613.3
Juvenile Corrections, Department of	738.5	(155.0)		583.5
Land Department, State	145.7			145.7
Legislature				
Auditor General	236.8			236.8
Joint Legislative Budget Committee	29.0			29.0
Legislative Council	63.0			63.0
Ombudsman-Citizens Aide Office	12.0			12.0
SUBTOTAL - Legislature	340.8			340.8
Liquor Licenses and Control, Department of	58.2		1.0	59.2
Lottery Commission, Arizona State	98.8			98.8
Massage Therapy, Board of	5.0			5.0
Medical Board, Arizona	63.5			63.5
Mine Inspector, State	22.0			22.0
Naturopathic Physicians Medical Board	2.0			2.0
Navigable Stream Adjudication Commission, Arizona	2.0			2.0
Nursing, State Board of	64.0		6.0	70.0
Nursing Care Institution of Administrators, Board of	7.0			7.0
Occupational Therapy Examiners, Board of	2.0			2.0
Opticians, State Board of Dispensing	1.0			1.0
Optometry, State Board of	2.0			2.0
Osteopathic Examiners, Arizona Board of	10.0		5.0	15.0
Parks Board, Arizona State	169.0		11.0	180.0
Personnel Board, State	2.0			2.0
Pharmacy, Arizona State Board of	26.4			26.4
Physical Therapy, Board of	4.5			4.5
Pioneers' Home, Arizona	107.3			107.3
Podiatry Examiners, State Board of	1.0			1.0
Private Postsecondary Education, Board for	4.0			4.0
Psychologist Examiners, State Board of	5.5			5.5
Public Safety, Department of	2,178.7		14.0	2,192.7
Real Estate Department, State	37.0			37.0
Residential Utility Consumer Office	14.5			14.5
Respiratory Care Examiners, Board of	4.0			4.0
Retirement System, Arizona State	240.9	(18.0)		222.9
Revenue, Department of	892.8			892.8
Secretary of State, Department of State	144.1			144.1
Tax Appeals, State Board of	4.0			4.0

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2026 and 2027 1/ 2/

	FY 2026	Vacant FTE Reduction	Other Changes	FY 2027
Technical Registration, State Board of	26.0			26.0
Tourism, Office of	31.0			31.0
Transportation, Department of	4,581.0	(485.0)		4,096.0
Treasurer, State	38.4			38.4
Tribal Relations, Governor's Office on	3.0			3.0
Universities 7/				
Regents, Arizona Board of	30.9			30.9
Arizona State University	7,420.4			7,420.4
Arizona State University - West Campus	0.0			0.0
Northern Arizona University	2,308.4			2,308.4
University of Arizona - Main Campus	6,573.0			6,573.0
University of Arizona - Health Sciences Center	857.1			857.1
SUBTOTAL - Universities	17,189.8			17,189.8
Veterans' Services, Department of	792.3			792.3
Veterinary Medical Examining Board, Arizona State	8.0			8.0
Water Resources, Department of	210.0			210.0
TOTAL APPROPRIATED FUNDS	54,919.5	(1,056.0)	567.6	54,431.1

1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The number reflects the FTE Position ceiling and not the actual number of current employees. The detail for changes in FTE Positions that occurred between FY 2026 and FY 2027 can be found in the individual agency pages.

2/ The FY 2027 budget includes an FTE reduction of (1,056.0) positions across 12 agencies. Individual agency pages do not attempt to allocate the FTE reduction in the agency budget by line item. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

3/ Includes 1,488.5 FTE Positions in FY 2026 and 1,471.1 FTE Positions in FY 2027 in Other Fund FTE Positions funded from the AHCCCS Fund Expenditure Authority.

4/ Includes 970.3 FTE Positions in FY 2026 and FY 2027 in Other Fund FTE Positions funded from Expenditure Authority.

5/ Includes 2,474.1 FTE Positions in FY 2026 and 2,536.6 FTE Positions in FY 2027 in Other Fund FTE Positions funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.

6/ Of the 320.0 FTE Position increase in FY 2027, 200.0 are FTE reclassified from non-appropriated Federal Funds to General Fund and 120.0 are for new positions.

7/ The FY 2026 General Appropriations Act originally appropriated 17,994.1 FTE Positions to the Universities for FY 2026. This FTE Position amount has been revised to 17,189.8 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.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	14.0	14.0	14.0
Personal Services	899,900	1,101,800	1,101,800
Employee Related Expenditures	347,600	418,400	457,200
Professional and Outside Services	290,100	409,200	409,200
Travel - In State	2,000	5,700	5,700
Travel - Out of State	4,500	12,000	12,000
Other Operating Expenditures	229,000	265,400	266,800
Equipment	18,200	44,900	44,900
AGENCY TOTAL	**1,791,300**	**2,257,400**	**2,297,600** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Accountancy Fund	1,791,300	2,257,400	2,297,600
SUBTOTAL - Other Appropriated Funds	1,791,300	2,257,400	2,297,600
SUBTOTAL - Appropriated Funds	**1,791,300**	**2,257,400**	**2,297,600**
TOTAL - ALL SOURCES	1,791,300	2,257,400	2,297,600

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $2,297,600 and 14 FTE Positions from the Board of Accountancy Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $40,200 from the Board of Accountancy Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Acupuncture Board of Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	109,800	110,000	110,000
Employee Related Expenditures	61,500	62,000	70,400
Travel - In State	0	3,000	3,000
Other Operating Expenditures	37,600	42,000	42,500
AGENCY TOTAL	**208,900**	**217,000**	**225,900** 1/2/
FUND SOURCES			
Other Appropriated Funds			
Acupuncture Board of Examiners Fund	208,900	217,000	225,900
SUBTOTAL - Other Appropriated Funds	208,900	217,000	225,900
SUBTOTAL - Appropriated Funds	**208,900**	**217,000**	**225,900**
TOTAL - ALL SOURCES	208,900	217,000	225,900

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/ Of the amount appropriated in the lump sum appropriation, $50,000 may be used to pay outstanding costs of services provided by the department of administration-central services bureau in prior fiscal years. (General Appropriation Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $225,900 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $8,900 from the Acupuncture Board of Examiners Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Administration

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	548.1	549.1	517.1
Personal Services	29,344,200	32,806,400	32,806,400
Employee Related Expenditures	11,022,300	12,644,800	13,937,600
Professional and Outside Services	3,100,600	20,160,800	20,160,800
Travel - In State	360,400	406,600	406,600
Travel - Out of State	30,300	52,800	52,800
Other Operating Expenditures	36,729,300	30,691,000	30,835,500
Equipment	482,100	710,300	710,300
OPERATING SUBTOTAL	**81,069,200**	**97,472,700**	**98,910,000** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(235,200)
Facilities Management			
Utilities	5,867,100	7,649,900	7,657,400
Financial Services			
Arizona Financial Information System	10,612,200	15,274,600	13,406,700
Named Claimants	65,300	22,500	0
Information Technology Services			
Critical Applications Catalogue	844,300	400,000	398,500
Cybersecurity Systems Administration	446,500	446,500	446,600
Digital Solutions Office	627,400	1,356,800	1,373,200
Enterprise Resource Planning Division	0	0	7,512,200
Information Technology Project Management and Oversight	1,468,200	1,791,000	1,805,300
Risk Management			
Cyber Risk Insurance	2,663,900	23,037,200	23,037,200 2/
Federal Transfer Payment	15,000,000	2,018,700	0 3/
Risk Management Administrative Expenses	11,501,000	14,770,700	14,775,200
Risk Management Losses and Premiums	40,322,300	93,864,300	63,480,400
Workers' Compensation Losses and Premiums	28,738,000	28,741,000	28,749,900
Support Services			
Emergency Telecommunications Call Handling Services	0	0	4,000,000
Erroneous Convictions Fund Deposit	0	3,000,000	0
Government Transformation Office	1,955,100	2,093,800	2,119,500
School District Health Insurance Actuarial Study	164,200	0	0
State Employee Child Care Study	0	100,000	0
State Employee Professional Development Pilot Program	0	1,000,000	1,000,000
State Surplus Property Sales Agency Proceeds	1,694,600	1,810,000	1,809,300
Grants			
Fire Incident Management Grants	0	2,291,600	0
Food Bank Capital	0	0	3,000,000 4/
Health Care Interoperability Grants	0	1,000,000	0
Law Enforcement Records Management System	0	3,208,500	0
Navajo Nation Household Electrical Connections	1,000,000	0	0
School Safety Interoperability Fund Deposit	0	0	0 5/
Tribal Health Care Investment	0	3,000,000	0
County Funding			
County Sheriff Support	0	0	7,000,000 6/
County Support for Corrections Officer Employer Contributions	0	0	377,100 7/
Elected Officials Retirement Plan Offset	3,000,000	3,000,000	3,000,000 8/
Gila County Disaster Relief	0	0	10,000,000 9/
Small County Assistance	7,650,700	7,650,700	7,650,700 10/

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
AGENCY TOTAL	**214,690,000**	**315,000,500**	**301,274,000** 11/12/13/
FUND SOURCES			
General Fund	35,413,900	32,059,300	30,380,600
Other Appropriated Funds			
Air Quality Fund	470,700	930,300	932,000
Arizona Financial Information System Collections Fund	10,612,200	12,134,200	16,806,300
Arizona Highway Patrol Fund	0	0	2,000,000
Automation Operations Fund	24,441,800	29,942,000	30,149,600 14/
Capital Outlay Stabilization Fund	18,824,300	21,165,700	21,436,400
Corrections Fund	549,400	640,100	651,400
Cyber Risk Insurance Fund	2,663,900	23,037,200	23,037,200
Federal Surplus Materials Revolving Fund	37,500	473,600	478,500
Information Technology Fund	2,741,800	6,221,400	6,279,000
Livestock Operator Fire and Flood Assistance Fund	0	0	10,000,000
Peace Officer Training Equipment Fund	0	500,000	0
Personnel Division Fund	12,673,000	18,740,100	18,936,800
Risk Management Revolving Fund	86,759,200	147,777,400	115,533,200
Special Employee Health Insurance Trust Fund	5,105,000	5,748,100	5,918,900
Special Services Revolving Fund	1,143,400	1,302,800	1,322,400
State Surplus Materials Revolving Fund	3,007,000	3,216,200	3,241,600 15/
State Web Portal Fund	8,260,600	9,012,600	12,024,700
Telecommunications Fund	1,986,300	2,099,500	2,145,400
SUBTOTAL - Other Appropriated Funds	179,276,100	282,941,200	270,893,400
SUBTOTAL - Appropriated Funds	**214,690,000**	**315,000,500**	**301,274,000**
Other Non-Appropriated Funds	1,273,620,800	1,373,766,000	1,493,764,400
Federal Funds	48,350,200	58,418,300	7,977,900
TOTAL - ALL SOURCES	1,536,661,000	1,747,184,800	1,803,016,300

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/ On or before September 1, 2027, the department shall submit a report to the joint legislative budget committee on the results of projects implemented in fiscal year 2026-2027 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 Appropriations Act footnote)

2/ On or before November 1, 2027, 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)

3/ 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 Appropriations Act footnote, Section 104)

4/ The amount appropriated for the food bank capital line item shall be used for a onetime distribution to a food bank for a capital need. To qualify for distribution in this paragraph, the food bank must be a registered nonprofit organization that is exempt from taxation under section 501(c)(3) of the internal revenue code, have a core mission to provide food to hungry people, have been established between 1980 and 1999, be located in a county with a population of more than four million persons and be headquartered in the city of Mesa. (General Appropriations Act footnote)

5/ A. Of the amount appropriated by Laws 2025, chapter 233, section 31 for the school safety program, the department of education shall transfer $2,000,000 to the school safety interoperability fund established by section 41-1733, Arizona Revised Statutes, in fiscal year 2026-2027.

B. In fiscal year 2026-2027, the department of administration shall distribute the $2,000,000 transferred to the school safety interoperability fund pursuant to subsection A of this section to the sheriffs of the following counties in the following amounts to install and support the school safety projects authorized pursuant to section 41-1733, Arizona Revised Statutes:

1. $170,800 to Apache county.
2. $173,900 to Gila county.
3. $173,900 to Graham county.
4. $105,600 to Greenlee county.
5. $124,200 to La Paz county.
6. $326,100 to Mohave county.
7. $335,400 to Navajo county.
8. $217,400 to Santa Cruz county.
9. $372,700 to Yavapai county.

(General Appropriations Act footnote, Section 118)

6/ On or before July 31, 2026, the department shall distribute the amount appropriated for the county sheriff support line item in fiscal year 2026-2027 to the sheriff's offices of the following counties:

1. Apache county	$ 400,000
2. Cochise county	$ 1,100,000
3. Coconino county	$ 400,000
4. Gila county	$ 600,000
5. Graham county	$ 300,000
6. Greenlee county	$ 100,000
7. La Paz county	$ 400,000
8. Mohave county	$ 300,000
9. Navajo county	$ 600,000
10. Pinal county	$ 600,000
11. Santa Cruz county	$ 300,000
12. Yavapai county	$ 1,200,000
13. Yuma county	$ 700,000

7/ The amount appropriated in the county support for corrections officer employer contributions line item shall be distributed to the following counties to fully cover the corrections officer retirement plan employer contribution rate increase as prescribed by section 38-867, Arizona Revised Statutes:

1. Apache county	$ 4,600
2. Cochise county	$ 10,100
3. Coconino county	$ 14,100
4. Gila county	$ 7,700
5. Graham county	$ 7,800
6. La Paz county	$ 4,400
7. Maricopa county	$ 134,400
8. Mohave county	$ 19,900
9. Navajo county	$ 8,800
10. Pima county	$ 81,300
11. Pinal county	$ 15,100
12. Santa Cruz county	$ 6,600
13. Yavapai county	$ 38,300
14. Yuma county	$ 24,000

8/ The department shall distribute the amount appropriated for the elected officials' retirement plan offset line item to counties to supplement the normal cost plus an amount to amortize the unfunded accrued liability pursuant to section 38-810, subsection C, Arizona Revised Statutes. The department shall distribute the appropriation equally among all counties with a population of less than three hundred thousand persons according to the 2020 United States decennial census. The counties may use the monies allocated in this section only for required employer contributions to the elected officials' retirement plan. (General Appropriations Act footnote)

9/ On or before July 15, 2026, the department shall distribute the full amount appropriated for the Gila county disaster relief line item in fiscal year 2026-2027 to the following political subdivisions:

1. Town of Miami	$ 2,500,000

2. City of Globe $ 2,500,000
3. Gila county $ 5,000,000

10/ Of the amount appropriated in the small county assistance line item, the first $500,000 shall be distributed to Graham county and the remaining amount shall be distributed equally among all counties with a population of less than nine hundred thousand persons according to the 2020 United States decennial census for maintaining essential county services. (General Appropriations Act footnote)

11/ Within fifteen days of the last day after each quarter in fiscal year 2026-2027, the department of administration shall report to the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting the year-to-date expenditures and year-to-date encumbrances for operating and capital spending from the state general fund and other agency funds in fiscal year 2026-2027. The information shall be separately delineated by agency, budget fiscal year and fund source and shall classify each appropriation by agency lump sum, special line item or project. (General Appropriations Act footnote, Section 127)

12/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

13/ On or before March 31, 2027, the department shall submit a report to the director of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the amount that the Maricopa county special health care district has agreed to send to the department for deposit in the state general fund in fiscal year 2026-2027. If the amount that the district has agreed to send to the department for deposit in fiscal year 2026-2027 has changed from the amount the district sent to the department for deposit in fiscal year 2025-2026, the report must include the reason for the change. (General Appropriations Act footnote)

14/ 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 2026-2027. 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 $30,149,600 in fiscal year 2026-2027, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

15/ All state surplus materials revolving fund monies received by the department of administration in excess of $3,241,600 in fiscal year 2026-2027 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of $3,241,600 in fiscal year 2026-2027, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes $98,910,000 and 497.1 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$9,588,000
Air Quality Fund	932,000
Arizona Financial Information System Collections Fund	574,000
Automation Operations Fund	30,149,600
Capital Outlay Stabilization Fund (COSF)	13,779,000
Corrections Fund	651,400
Federal Surplus Materials Revolving Fund	478,500
Information Technology Fund	4,353,300
Personnel Division Fund	14,250,200
Risk Management Revolving Fund	8,527,700
Special Employee Health Insurance Trust Fund	5,918,900
Special Services Revolving Fund	1,322,400
State Surplus Materials Revolving Fund	1,432,300
State Web Portal Fund	4,807,300
Telecommunications Fund	2,145,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $1,437,300 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	$180,500
Air Quality Fund	1,700
Automation Operations Fund	209,200
Capital Outlay Stabilization Fund (COSF)	263,200
Corrections Fund	11,300
Federal Surplus Materials Revolving Fund	4,900
Information Technology Fund	38,700
Personnel Division Fund	324,500
Risk Management Revolving Fund	162,900
Special Employee Health Insurance Trust Fund	172,800
Special Services Revolving Fund	19,600
State Surplus Materials Revolving Fund	26,100
State Web Portal Fund	(24,000)
Telecommunications Fund	45,900

(Please see Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(235,200) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Facilities Management

Utilities

The budget includes $7,657,400 from the Capital Outlay Stabilization Fund in FY 2027 for Utilities. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $7,500 from COSF in FY 2027 for statewide adjustments.

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

Financial Services

Arizona Financial Information System

The budget includes $13,406,700 and 28 FTE Positions in FY 2027 for the Arizona Financial Information System (AFIS). This amount consists of:

Arizona Financial Information System Collections Fund	11,604,100
Personnel Division Fund	1,802,600

Adjustments are as follows:

Remove AZ360 Transition Funding
The budget includes a decrease of $(1,911,800) from the Personnel Division Fund in FY 2027 to remove one-time funding for the payment of personnel assigned to the AZ360/Human Resource Information System (HRIS) Modernization project through the end of FY 2026.

Statewide Adjustments
The budget includes an increase of $43,900 from the Arizona Financial Information System Collections Fund in FY 2027 for statewide adjustments.

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

Named Claimants

The budget includes no funding in FY 2027 for Named Claimants. Adjustments are as follows:

Eliminate One-Time Named Claimants Funding
The budget includes a decrease of $(22,537.56) in FY 2026 for the elimination of one-time funding of prior year unpaid claims. This amount consists of:

General Fund	(1,025.25)
Automation Operations Fund	(1,571.03)
Special Employee Health Insurance Trust Fund	(1,997.24)
Risk Management Revolving Fund	(17,944.04)

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 2026, Chapter 15 appropriated $403,232.26 in FY 2026 for prior year unpaid claims from all state agencies.

Information Technology Services

Critical Applications Catalogue

The budget includes $398,500 from the State Web Portal Fund in FY 2027 the Critical Applications Catalogue. Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(1,500) from the State Web Portal Fund in FY 2027 for statewide adjustments.

This line item funds a database of comprehensive information on all state IT systems.

Cybersecurity Systems Administration

The budget includes $446,600 from the Information Technology Fund in FY 2027 for Cybersecurity Systems Administration. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $100 from the Information Technology Fund in FY 2027 for statewide adjustments.

This line item funds costs related to the administration and operation of the single sign-on tool, domain name system and active directory. The IT Fund receives revenue from a 0.61% pro-rata charge on agency payroll.

Digital Solutions Office

The budget includes $1,373,200 and 8 FTE Positions from the Information Technology Fund in FY 2027 for the Digital Solutions Office. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $16,400 from the Information Technology Fund in FY 2027 for statewide adjustments.

This line item provides funding to perform management support for state IT services. The office provides guidance in the areas of IT procurement, product management and design. The IT Fund receives revenue from a 0.61% pro-rata charge on agency payroll.

Enterprise Resource Planning Division

The budget includes $7,512,200 and 18 FTE positions in FY 2027 for the Enterprise Resource Planning Division. Adjustments are as follows:

Ongoing Administrative Funding
The budget includes an increase of $7,512,200 and 18 FTE positions in FY 2027 to establish the Enterprise Resource Planning Division. This amount consists of:

Arizona Financial Information System Collections Fund	4,628,200
Personnel Division Fund	2,884,000

Monies in this line item fund costs related to the administration of the Enterprise Resource Planning Division. The division is responsible for operating and maintaining the AZ360 human resources and finance system.

Information Technology Project Management and Oversight

The budget includes $1,805,300 and 16 FTE Positions in FY 2027 for IT Project Management and Oversight. This amount consists of:

Information Technology Fund	105,900
State Web Portal Fund	1,699,400

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $14,300 in FY 2027 for statewide adjustments. This amount consists of:

Information Technology Fund	2,400
State Web Portal Fund	11,900

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 budget includes $23,037,200 from the Cyber Risk Insurance Fund in FY 2027 for Cyber Risk Insurance. This amount is unchanged from FY 2026.

This amount funds an insurance deductible in the event of a cyber security breach or incident, plus funding for insurance premiums. The latter would fund third-party insurance to assist the state with a large cyber breach with costs over $10,000,000.

Federal Transfer Payment

The budget includes no funding in FY 2027 for one-time payments to the federal government. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(2,018,700) from the Risk Management Revolving Fund in FY 2027 to eliminate FY 2026 payments to the federal government for disallowed costs and fund transfers in FY 2025.

The FY 2027 General Appropriations Act included an FY 2026 supplemental appropriation of $2,018,700 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for

fund transfers in FY 2025. In addition, the FY 2027 General Appropriations 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.

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 2026 will be paid through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government. (*Please see the FY 2026 Federal Financial Participation Payment section in Other Issues for more information.)*

Risk Management Administrative Expenses

The budget includes $14,775,200 from the Risk Management Revolving Fund in FY 2027 for Risk Management Administrative Expenses. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $4,500 from the Risk Management Revolving Fund in FY 2027 for statewide adjustments.

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 budget includes $63,480,400 from the Risk Management Revolving Fund in FY 2027 for Risk Management Losses and Premiums. Adjustments are as follows:

Remove One-Time Risk Management Funding
The budget includes a decrease of $(37,000,000) from the Risk Management Revolving Fund in FY 2027 to remove one-time funding for anticipated higher claims costs in FY 2026.

Risk Management Claims Adjustment
The budget includes an increase of $6,596,600 from the Risk Management Revolving Fund in FY 2027 for anticipated higher claims costs.

Statewide Adjustments
The budget includes an increase of $19,500 from the Risk Management Revolving Fund in FY 2027 for statewide adjustments.

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 budget includes $28,749,900 from the Risk Management Revolving Fund in FY 2027 for Workers' Compensation Losses and Premiums. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $8,900 from the Risk Management Revolving Fund in FY 2027 for statewide adjustments.

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

Emergency Telecommunications Call Handling Services

The budget includes $4,000,000 in FY 2027 for Emergency Telecommunications Call Handling Services. Adjustments are as follows:

One-Time Funding
The budget includes a one-time increase of $4,000,000 in FY 2027 for Emergency Telecommunications Call Handling Services to improve call response times for the state 911 program. This amount consists of:

Arizona Highway Patrol Fund	2,000,000
State Web Portal Fund	2,000,000

This funding is intended for distribution to local governments for operating their 911 emergency call systems.

Erroneous Convictions Fund Deposit

The budget includes no funding in FY 2027 for an Erroneous Convictions Fund Deposit. Adjustments are as follows:

Remove One-Time Deposit
The budget includes a decrease of $(3,000,000) from the General Fund in FY 2027 to remove one-time funding for a deposit into the Erroneous Convictions Fund.

As permanent law, the FY 2027 Criminal Justice Budget Reconciliation Bill (BRB) prohibits the state from using any source other than the Erroneous Convictions Fund to pay erroneous convictions compensation claims and specifies that the state is not liable to pay any amount for erroneous convictions claims in excess of the available monies in the fund.

Monies in the fund are used to award claims to individuals who were found to be erroneously convicted of a felony and subsequently incarcerated. Monies in the fund are continuously appropriated and exempt from lapsing.

Government Transformation Office

The budget includes $2,119,500 from the State Web Portal Fund in FY 2027 for the Government Transformation Office (GTO). Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $25,700 from the State Web Portal Fund in FY 2027 for statewide adjustments.

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

State Employee Child Care Study

The budget includes no funding in FY 2027 for a State Employee Child Care Study. Adjustments are as follows:

One-Time Funding
The budget includes a decrease of $(100,000) from the Personnel Division Fund in FY 2027 to remove one-time funding for a study to analyze the options available to the state in providing child care to employees.

State Employee Professional Development Pilot Program

The budget includes $1,000,000 from the State Web Portal Fund in FY 2027 for a State Employee Professional Development Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(1,000,000) from the Personnel Division Fund in FY 2027 to remove one-time funding for a State Employee Professional Development Pilot Program that partners with state universities to provide job-training, skills and courses to state employees.

FY 2027 One-Time Funding
The budget includes a one-time increase of $1,000,000 from the State Web Portal Fund in FY 2027 to continue funding for the State Employee Professional Development Pilot Program.

State Surplus Property Sales Agency Proceeds

The budget includes $1,809,300 from the State Surplus Materials Revolving Fund in FY 2027 for State Surplus Property Sales Agency Proceeds. Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(700) from the State Web Portal Fund in FY 2027 for statewide adjustments.

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

Fire Incident Management Grants

The budget includes no funding in FY 2027 for Fire Incident Management Grants. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(2,291,600) from the General Fund in FY 2027 to remove one-time funding for ADOA to distribute grants to municipal fire departments and fire districts for fire incident management hardware and software.

The FY 2026 Environment BRB established a fire incident management grants program in ADOA with the purpose of providing grants for fire incident management hardware and software. Additionally, the BRB outlines certain system requirements and specifies that ADOA may not spend more than $250,000 from the appropriation to administer the grant program.

Food Bank Capital

The budget includes $3,000,000 from the General Fund in FY 2027 for Food Bank Capital. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of $3,000,000 from the General Fund in FY 2027 for distribution to a food bank for a capital need.

The FY 2027 General Appropriations Act footnote specifies that this funding shall be distributed to a non-profit entity that has a core mission to provide food to hungry people, was established between 1980 and 1999, is located in a county with a population of more than four million persons and is headquartered in the city of Mesa.

Health Care Interoperability Grants

The budget includes no funding in FY 2027 for Health Care Interoperability Grants. Adjustments are as follows:

Remove One-Time Grants

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove one-time funding for the distribution of health care interoperability grants.

The FY 2026 Health Care BRB established a health care interoperability grant program in ADOA with the purpose of providing grants for an interoperable software technology solution to support rural hospitals, health care providers and trauma centers to reduce public and private health care costs and unnecessary transportation costs.

Law Enforcement Records Management System

The budget includes no funding in FY 2027 for a Law Enforcement Records Management System. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(3,208,000) in FY 2027 to remove one-time funding for a Law Enforcement Records Management System. This amount consists of:

General Fund	(2,708,000)
Peace Officer Training Equipment Fund	(500,000)

An FY 2026 General Appropriations Act footnote specified that the funding shall be used to expand participation in the Pinal County records management system pilot program as established in the FY 2025 budget, to connect the records management and computer aided dispatch systems of law enforcement agencies. The footnote specified allocations of the funding to 24 distinct law enforcement agencies. The FY 2026 Law Enforcement Records Management System funding is non-lapsing.

The FY 2027 budget includes $4,079,300 from the Peace Officer Training Equipment Fund to the State Treasurer for distribution to local, county, and state law enforcement agencies for participation in a records management software. *(Please see the State Treasurer.)*

Navajo Nation Household Electrical Connections

The budget includes no funding in FY 2027 for Navajo Nation Household Electrical Connections. This amount is unchanged from FY 2026.

An FY 2026 General Appropriations Act footnote makes the FY 2025 appropriation for Navajo Nation household electrical connections non-lapsing through FY 2026.

School Safety Interoperability Fund Deposit

The budget includes no funding in FY 2027 for a School Safety Interoperability Fund Deposit. This amount is unchanged from FY 2026.

Section 118 of the FY 2027 General Appropriations Act requires ADE to transfer $2,000,000 from the non-lapsing, unencumbered balance of monies appropriated to the School Safety Program in FY 2026 to ADOA's School Safety Interoperability Fund in FY 2027. Section 118 further directs ADOA to distribute the $2,000,000 to specified counties to install and support school safety projects. *(Please see footnote 5 in the table above for the distribution.)*

Monies in the School Safety Interoperability Fund are distributed to county sheriffs to be used for school safety programs which enable the deployment of a secure, multimedia data communications system to a user base consisting of public safety agencies and public schools. Among other requirements, the communications system must provide for the sharing of text messaging, images, voice audio, full-motion video, files, maps and building floor plans.

Tribal Health Care Investment

The budget includes no funding in FY 2027 for a Tribal Health Care Investment. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(3,000,000) from the General Fund in FY 2027 to remove one-time funding for a grant to an operator of a health care facility to construct an outpatient treatment center for the benefit of tribal members in need of dialysis services.

The FY 2026 Health Care BRB outlined the requirements that a health care facility must meet to qualify for the grant. The FY 2026 appropriation is non-lapsing.

County Funding

County Sheriff Support

The budget includes $7,000,000 from the General Fund in FY 2027 for County Sheriff Support. Adjustments are as follows:

One-Time Funding
The budget includes a one-time increase of $7,000,000 from the General Fund in FY 2027 for distributions to county sheriffs.

An FY 2027 General Appropriations Act footnote allocates the funding to the sheriff's offices of 13 counties and requires that the funding be distributed on or before July 31, 2026. *(Please see footnote 6 in the table above.)*

County Support for Corrections Officer Employer Contributions

The budget includes $377,100 from the General Fund in FY 2027 for County Support for Corrections Officer Employer Contributions. Adjustments are as follows:

CORP Employer Contributions Increase Funding
The budget includes an increase of $377,100 from the General Fund in FY 2027 for distributions to the counties to fully cover the corrections officer retirement plan (CORP) employer contribution rate increase established by the FY 2026 Criminal Justice BRB. *(Please see footnote 7 in the table above.)*

Background - For most Corrections Officer Retirement Plan (CORP) employees hired after 7/1/2018 (Tier 3 employees), the retirement plan includes an annual employer contribution that consists of: 1) a fixed 5% deposited into the employee's defined contribution retirement account; 2) actuarial rates associated with disability and post-retirement health coverage; and 3) an actuarial rate associated with paying down the unfunded liabilities of CORP employees hired before 7/1/2018.

The FY 2026 Criminal Justice BRB increased the fixed employer contribution rate for Tier 3 employees from 5.0% to 5.5% beginning in FY 2027.

Elected Officials Retirement Plan Offset

The budget includes $3,000,000 from the General Fund in FY 2027 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2026.

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.

This appropriation was previously displayed in a separate County Funding section.

Gila County Disaster Relief

The budget includes $10,000,000 from the Livestock Operator Fire and Flood Assistance Fund in FY 2027 for Gila County Disaster Relief. Adjustments are as follows:

One-Time Funding
The budget includes a one-time increase of $10,000,000 from the Livestock Operator Fire and Flood Assistance Fund in FY 2027 for distribution to the Town of Miami, the City of Globe, and Gila County for disaster relief.

An FY 2026 General Appropriations Act footnote specifies that on or before July 15, 2026, the department shall distribute $2,500,000 to the Town of Miami, $2,500,000 to the City of Globe, and $5,000,000 to Gila County.

Small County Assistance

The budget includes $7,650,650 from the General Fund in FY 2027 for Small County Assistance. This amount is unchanged from FY 2026.

This line item provides funding for counties with populations less than 900,000 according to the 2020 Decennial Census. With one exception, each qualifying county receives $550,050 *(see Table 1)*. Graham County receives $1,050,050.

This appropriation was previously displayed in a separate County Funding section. Beginning with the FY 2027 Baseline, this is being displayed within ADOA.

Table 1

Small County Assistance
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**

Other Issues

This section includes information on the following topics:

- FY 2026 Supplementals
- Lapse Prior Year Appropriations
- Statutory Changes
- Fund Transfers
- Reduce Vacant FTE Positions
- Health Insurance Trust Fund
- Valleywise Transfer
- County Expenditure Limits
- County Flexible Revenue Report

FY 2026 Supplementals

Named Claimants

Laws 2026, Chapter 15 provides $403,232.26 in FY 2026 supplemental funding to various agencies for Named Claimants. This amount consists of:

	Claim Amount
General Fund	
Department of Administration	$1,025.25
Department of Corrections	3,145.02
Department of Public Safety	366,040.81
Other Appropriated Funds	
Department of Administration	
Automation Operations Fund	1,571.03
Risk Management Revolving Fund	17,944.04
Special Employee Health Insurance Trust Fund	1,997.24
Industrial Commission of Arizona	
Administrative Fund	3,532.96
Department of Transportation	
Department Fleet Operations Fund	399.03
State Highway Fund	7,576.88

FY 2026 Federal Financial Participation Payment

The budget includes an FY 2026 supplemental appropriation of $2,018,700 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2025. This amount consists of:

- $1,050,900 related to transfers from 3 funds in FY 2025.
- $129,200 related to excess retained earnings in the IT fund.
- $838,600 related to interest on fund transfers, disallowed costs, and interest on disallowed costs. This amount also includes a negotiation cushion estimated by ADOA.

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

Lapse Prior Year Appropriations

The FY 2027 budget lapses $(5,037,800) from the General Fund appropriated in FY 2022 (Section 100) to reduce funding for the retirement of defeasance of financing agreements.

Statutory Changes

The State Budget Implementation BRB makes the following statutory change:

- As permanent law, grants ADOA the ability to delegate authority of specific information technology functions to any budget unit and the authority to enter into agreements with any state agency or political subdivision of this state to furnish IT services. Additionally, requires ADOA to adopt certain software and data sharing practices and develop a statewide IT strategic plan.

The Criminal Justice BRB makes the following statutory change:

- As permanent law, amends A.R.S. 41-710.03 to specify that the state shall not use monies from any source other than the Erroneous Convictions Fund to pay erroneous convictions compensation claims. Specifies that the state is not liable to pay any

amount for erroneous convictions claims in excess of the available monies in the Erroneous Convictions Fund. Applies this change retroactive to December 31, 2025.

The Health Care BRB makes the following statutory changes:

- As permanent law, establishes the Health Insurance Trust Fund (HITF) Oversight Board to approve changes to the state employee medical and dental insurance plans beginning in Plan Year 2028. *(Please see the Health Insurance Trust Fund section below for additional details.)*
- As permanent law, requires that the HITF Oversight Board develop requirements for the sharing of state employee health plan anonymized and aggregated claims and trend data with participating employers.

The Local Government BRB makes the following statutory changes:

- 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 2027, up to $1,250,000 of county revenue for each county. The bill continues 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, 2026. *(Please see the County Flexible Revenue Report section below for more information.)*

The State Properties Management BRB makes the following statutory changes:

- As session law, continues to set the FY 2027 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.
- As session law, requires the department to report sales of state property within the capitol mall to the Speaker of the House, President of the Senate, and JLBC within 10 days of the final transaction. The report shall include the address, square footage and final sales price of the property.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Construction Insurance Fund	$5,500,000
Co-Op State Purchasing Fund	3,000,000
Risk Management Revolving Fund	6,100,000

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for ADOA by (50) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Health Insurance Trust Fund

The Special Employee 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.

The FY 2027 budget reflects the following changes to HITF, which are each described in more detail below:

- Employer premium contribution funding in FY 2027 (one-time) and FY 2029 (ongoing).
- A HITF Oversight Board to approve changes to the health plan.
- $500,000 from HITF for a contracted special audit of the state employee health plan.
- Other plan design changes effective beginning Plan Year (PY) 2026.

Employer Premium Funding

Along with employee contributions, HITF has been funded since FY 2018 with a combination of ongoing and one-time employer funding, except for one year (FY 2022). The FY 2027 budget includes a $660,202,000 one-time subsidy, including $324,684,500 from the General Fund and $335,517,500 from non-General Fund monies. The fund is estimated to have a FY 2027 ending balance of $75,000,000. *Table 2* provides details on HITF revenues and expenditures in FY 2025 and FY 2026.

Table 2

Health Insurance Trust Fund
($ in M)

	FY 25 (Actual)	FY 26 (Actual)[1/]
Beginning Balance	$98.3	$52.4
Revenue		
Ongoing Premiums	861.8	835.6
One-time Employer Increase	230.9	423.2
Net Revenues	*$1,092.7*	*$1,258.8*
Expenses		
Ongoing Medical Expenses	$1,133.3	$1,274.2
Administration	5.3	7.7[2/]
Net Expenses	*$1,138.6*	*$1,281.9*
Cash Balance	**$52.4**	**$29.3**

1/ Figures are accurate as of July 7, 2026.
2/ Administrative spending exceeded the FY 2026 appropriation.

Additionally, the 3-year spending plan associated with the enacted budget includes an increase of $100,000,000 from the General Fund on an ongoing basis beginning in FY 2029 for employer premium funding. Assuming the same General Fund/non-General Fund split as the FY 2027 subsidy, this increase is estimated to generate an ongoing employer premium increase of $203,336,500 Total Funds. The 3-year spending plan does not include an increase to employer premium funding in FY 2028 beyond state agencies' regular base funding.

Oversight Board

The FY 2027 Health Care BRB establishes the HITF Oversight Board to approve changes to the state employee medical and dental insurance plans. The BRB includes the following provisions governing the Board:

- The Board consists of 5 voting members:
  - The ADOA Benefits Division Assistant Director, Chair of the Board.
  - The ADOA Director or their designee.
  - The Department of Insurance and Financial Institutions Director or their designee.
  - One member appointed by the Speaker of the House of Representatives.
  - One member appointed by the President of the Senate.
- None of the 5 members may be sitting elected officials, and the 2 members appointed by the Speaker/President must have at least 3 years of experience in the health care industry in Arizona and may not be a registered lobbyist.
- The Board is required to meet at least twice per year and must vote to approve changes proposed by ADOA staff for any of the following:
  - Benefits.
  - Premiums.
  - Cost sharing (e.g. deductibles, copays, coinsurance, and out-of-pocket maximums).
  - Request for Proposals (RFP) contracts greater than $3,000,000.
- The Board is required to design policies that seek to achieve the following by PY 2035:
  - An 85% employer/15% employee medical premium cost share. The current cost share is estimated to be 93% employer/7% employee.
  - A consistent HITF reserve balance that is 2× the health plan's "Incurred But Not Reported" (IBNR) costs. The IBNR represents the estimated liability for medical and dental insurance claims that have occurred but not yet been filed with the health plan. In September 2025, ADOA estimated that 2× the IBNR costs in PY 2026 would equal $264,816,000.
  - Optimal retiree cross-subsidization.

Additionally, the FY 2027 Health Care BRB mandates that the Board develop requirements for the sharing of state employee health plan anonymized and aggregated claims and trend data with participating employers.

Special Audit

The budget includes a one-time FY 2027 appropriation of $500,000 from HITF to the Auditor General for a special audit of the state employee health plan. The FY 2027 budget requires that the Auditor General contract with an independent third party to conduct the audit. The audit must include an assessment of the state's application of best practices in health care cost containment and a forensic audit of a sample of claims from FY 2026. *(Please see the Auditor General narrative for the footnote language.)*

PY 2026 Changes

Prior to the enactment of the FY 2027 budget, ADOA implemented the following changes for PY 2026, which it estimates will result in a $18,030,000 Total Funds net improvement to the HITF balance:

- Replace the previous Triple Choice Plan (TCP) with a Preferred Provider Organization (PPO) plan that eliminates the member's in-network deductible. The in-network deductible was previously $200 for a single employee and $400 for a family.
- $5 copay increase for primary care physician, specialist, telehealth, and urgent care visits.
- $50 copay increase for inpatient hospital, outpatient facility, and emergency room visits.

- 21.0% increase to retiree premiums. (Premiums for active employees are unchanged.)
- 19.7% increase to COBRA continuation coverage premiums.
- A minor increase to the Health Savings Account (HSA) deductible to comply with federal HSA requirements.

Valleywise Transfer

ADOA and the Maricopa County Special Health Care District (Valleywise) entered into an intergovernmental agreement (IGA) for Valleywise to transfer $75,000,000 annually from FY 2025 through FY 2029 to ADOA for deposit to the General Fund. Half of this amount is due on March 30 of each year and the remainder is due on June 30 of each year.

The budget continues a footnote that would require ADOA to report to the JLBC and OSPB by March 31, 2027, on the amount Valleywise has agreed to send to the department for deposit to the General Fund in FY 2027. If there is any change in the amount that Valleywise has agreed to send to the department from FY 2026, the report shall include the reason for the change.

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	2023	71,942,046	61,341,609
Coconino	2024	78,064,579	77,803,566
Gila	2023	46,330,256	38,857,535
Graham	2024	19,635,884	19,304,190
Greenlee	2023	13,770,969	13,412,993
La Paz	2022	34,400,063	13,778,800
Maricopa	2022	1,527,423,500	1,527,423,500
Mohave	2023	220,597,536	126,789,868
Navajo	2024	56,271,193	51,668,019
Pima	2023	653,975,000	653,974,000
Pinal	2022	303,396,000	190,262,000
Santa Cruz	2021	25,203,200	25,203,200
Yavapai	2023	146,246,043	146,246,043
Yuma	2024	110,274,426	101,588,459

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 2026 Local Government BRB 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 2026. 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, 2025.

Of the 12 eligible counties, 3 reported using the flexibility in FY 2026:

- Apache County: $1,200,000 from the Post-Secondary Education District, the Community College District and Flood Control District to the Jail District to pay 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. Only Coconino County used this authority in FY 2025, at the same level of $1,250,000.
- Mohave County: $1,250,000 from the Library District to the General Fund to pay for County Operations.

The following 7 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee Santa Cruz, Yavapai, and Yuma. La Paz and Navajo counties did not report their use of these funds.

Arizona Department of Administration - Automation Projects Fund

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
SPECIAL LINE ITEMS 1/			
ADOA A to Z Arizona State Services Access Portal	2,888,300	3,370,000	0
ADOA State Web Portal Software and Security Upgrades	0	375,000	0
ADOA State Website Migrations	0	1,750,000	0
ADOA K-12 School Financial Transparency Reporting Portal	1,330,600	0	0
ADOA HRIS Replacement	16,586,200	5,941,700	0
ADOA Business One-Stop Portal	1,945,500	1,700,000	0
Agriculture IT Projects and Cloud Migration	0	0	0
Arizona Medical Board Website Modernization	0	0	150,000
AHCCCS Statewide HHIS Technology Projects 2/	5,385,200	0	0
AHCCCS Medicaid Enterprise System Modernization	0 3/	1,800,000	12,940,000
Corporation Commission Online Records & Filing System 4/	1,966,400	0	0
Judiciary Community Supervision Electronic Monitoring	0	0	0
Judiciary Probation Case Management System Replacement	898,400	0	0
DPS Concealed Weapons Tracking System 5/	106,600	0	0
Real Estate Department System Modernization	0	1,962,000	0
DOR Integrated Tax System Modernization	8,469,900 6/	0	3,656,800 7/
DOR Mainframe Migration	0	0	1,425,000
DWR Application Modernization and Integration	2,399,100	0	0
AGENCY TOTAL	**41,976,200**	**16,898,700**	**18,171,800** 8/9/
FUND SOURCES			
Other Appropriated Funds			
Arizona Medical Board APF Subaccount	0	0	150,000
Business One-Stop APF Subaccount	0	1,700,000	0
Corporation Commission APF Subaccount	1,966,400	0	0
Department of Administration APF Subaccount	6,164,400	5,495,000	0
Department of Public Safety APF Subaccount	106,600	0	0
Department of Revenue APF Subaccount	8,469,900	0	5,081,800
Department of Water Resources APF Subaccount	2,399,100	0	0
Health and Human Services Information System (HHIS) APF Subaccount	5,385,200	0	0
Human Resources Information System APF Subaccount	16,586,200	5,941,700	0
Judiciary – Supreme Court APF Subaccount	898,400	0	0
Medicaid Enterprise System Modernization APF Subaccount	0	1,800,000	12,940,000
Real Estate Department APF Subaccount	0	1,962,000	0
SUBTOTAL - Other Appropriated Funds	41,976,200	16,898,700	18,171,800
SUBTOTAL - Appropriated Funds	**41,976,200**	**16,898,700**	**18,171,800** 10/
TOTAL - ALL SOURCES	41,976,200	16,898,700	18,171,800

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/ This table represents expenditures from the APF and its subaccounts. Because many APF appropriations are spent over multiple years, the FY 2025 actual column also includes non-lapsing expenditures from prior year appropriations. General Fund and Other Fund monies are also transferred into the APF to finance projects. See *Table 3* for all fund transfers into

the APF. As authorized by Section 7 of the FY 2027 General Appropriations Act, these transfers are also discussed in the narrative part of the individual projects.

2/ The following amounts appropriated to the department of administration by Laws 2023, chapter 133, section 113, as amended by Laws 2024, chapter 209, section 11, in fiscal year 2023-2024 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2027:
   1. $6,700,000 for a new information technology platform to authenticate individuals applying for health and human services programs to prevent fraud, waste and abuse.
   2. $2,814,600 for the development of several modules associated with the medicaid enterprise system mainframe replacement.
   3. $1,685,400 for medicaid enterprise system fraud and waste abuse prevention enhancements.
   4. $2,000,000 for medicaid enterprise system systems integrator, which establishes a platform infrastructure in the cloud to serve as the foundation for the modular replacement of the prior prepaid medicaid management information system, and servicenow projects. (General Appropriations Act footnote)

3/ The $3,396,000 appropriated to the department of administration by Laws 2024, chapter 209, section 122 in fiscal year 2024-2025 to replace the medicaid enterprise systems mainframe is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriation, until June 30, 2027. (General Appropriations Act footnote)

4/ The $7,000,000 appropriated to the corporation commission by Laws 2023, chapter 133, section 113 in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. In addition to uses prescribed in Laws 2023, chapter 133, section 113, this amount may be used for post launch expenses of the corporation commission's online records and filing system, including vendor contracts, licensing, maintenance and technical support. Expenditures from this allocation are not subject to review by the joint legislative budget committee. (General Appropriations Act footnote)

5/ The $494,500 appropriated to the department of public safety by Laws 2023, chapter 133, section 113, in fiscal year 2023-2024 to replace the concealed weapons tracking system is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations until June 30, 2027. (General Appropriations Act footnote)

6/ The $19,456,800 appropriated to the department of administration by Laws 2024, chapter 209, section 122 in fiscal year 2024-2025 for the department of revenue tax system modernization project is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

7/ The amount appropriated for the department of revenue integrated tax system modernization line item 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 must provide the department of revenue staff, the joint legislative budget committee staff and the governor's office of strategic planning and budgeting staff direct access to the querying and reporting functions. The querying and reporting functions must 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 the North American industry classification system data listed on federal tax forms. The tax system must 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 the governor's office of strategic planning and budgeting staff direct access to the individual income tax model. At a minimum, the model must allow the department of revenue staff, the joint legislative budget committee staff and the 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 must 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 after the end of a tax year. (General Appropriations Act footnote)

8/ The amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2026-2027 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2028. (General Appropriations Act footnote)

9/ 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 expenditures to date, deliverables, timelines for completion and current status of the projects. (General Appropriations Act footnote)

10/ The transfers into the automation projects fund established by section 41-714, Arizona Revised Statutes, are not appropriations from the automation projects fund. Only direct appropriations from the automation projects fund are appropriations. (General Appropriations 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 A to Z Arizona State Services Access Portal

The budget includes no funding in FY 2027 for the A to Z Arizona State Services Access Portal. Adjustments are as follows:

Remove One-Time Project Funding

The budget includes a decrease of $(3,370,000) from the Department of Administration APF Subaccount in FY 2027 to eliminate one-time funding for the A to Z Arizona portal.

The portal will serve as a central hub for the public to access all state services. The portal will offer full self-service to clients, expedite application vetting and processing, and reduce redundancies arising from the existence of multiple, independent client-facing portals. The portal will include additional data consolidation and identity verification features to reduce fraud.

The FY 2026 budget included an appropriation of $3,370,000 for the project, financed from the State Web Portal Fund.

ADOA State Web Portal Software and Security Upgrades

The budget includes no funding in FY 2027 for State Web Portal Software and Security Upgrades. Adjustments are as follows:

Remove One-Time Project Funding

The budget includes a decrease of $(375,000) from the Department of Administration APF Subaccount in FY 2027 to eliminate one-time funding for software and security upgrades to the State Web Portal.

The State Web Portal hosts approximately 758,000 transactions per year among state, local, and municipal governments and members of the public. The upgrades to the portal will address security vulnerabilities in the current software to ensure future transactions can be completed safely and efficiently.

The FY 2026 budget included an appropriation of $375,000 for the project, financed from the State Web Portal Fund.

ADOA State Website Migrations

The budget includes no funding in FY 2027 for State Website Migrations. Adjustments are as follows:

Remove One-Time Project Funding

The budget includes a decrease of $(1,750,000) from the ADOA APF Subaccount in FY 2027 to eliminate one-time funding for the migration various state websites to a new software platform.

There are currently 185 state agency websites hosted using the ADOA Agency Platform service. The software underlying the current version of this service stopped receiving maintenance and security updates in January 2025, which means that websites need to be migrated to a new platform or be left open to security risks. As of January 2025, ADOA had already migrated most of the

185 websites to a new version of the platform. The FY 2026 budget included an appropriation of $1,750,000 for the project, financed from the Information Technology Fund, which will be used to migrate approximately 50 remaining websites.

ADOA K-12 School Financial Transparency Reporting Portal

The budget includes no funding in FY 2027 for the K-12 School Financial Transparency Reporting Portal. This amount is unchanged from FY 2026. (*Please see the FY 2026 Appropriations Report for additional background on the project.*)

Human Resources Information System Subaccount

ADOA HRIS Replacement

The budget includes no funding in FY 2027 for the HRIS Replacement project. Adjustments are as follows:

Remove One-Time Project Funding
The budget includes a decrease of $(5,941,700) from the HRIS APF Subaccount in FY 2027 to eliminate one-time funding for the HRIS replacement project.

The FY 2026 budget included an appropriation of $5,941,700 for the project, financed from the Information Technology Fund. (*Please see the FY 2026 Appropriations Report for additional information.)*

Business One-Stop Subaccount

ADOA Business One-Stop Portal

The budget includes no funding in FY 2027 for the Business One-Stop Portal. Adjustments are as follows:

Remove One-Time Project Funding
The budget includes a decrease of $(1,700,000) from the Business One-Stop APF Subaccount in FY 2027 to eliminate one-time funding for the Business One-Stop portal.

The FY 2023 budget included $15,614,300 from the ADOA APF Subaccount in FY 2023 for the Business One-Stop Shop Web Portal. The FY 2023 funding was intended to add new functionalities to the Business One Stop portal and was financed from the General Fund.

At its June 2023 meeting, the JLBC 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. ADOA did not request approval for the remaining $9,114,300, as separate projects within the Corporation Commission (e-Corp) and the Department of Revenue (AZTaxes) would have made some of the proposed Business One Stop portal features unnecessary.

The FY 2025 General Appropriations Act transferred $7,000,000 from the ADOA APF Subaccount to the General Fund in FY 2024 and extended the lapsing date of the remaining $2,114,300 through FY 2025 for maintenance and operations costs.
Since these monies lapsed, the FY 2026 budget appropriated $2,114,300 from the Information Technology Fund to the Department of Administration for ongoing support of the Business One-Stop Portal.

The FY 2026 budget included an additional appropriation of $1,700,000 for the project, financed from the Information Technology Fund. While prior appropriations were deposited into an ADOA APF subaccount, the FY 2026 appropriation was deposited into a new Business One-Stop APF subaccount.

Department of Agriculture Subaccount

Agriculture IT Projects and Cloud Migration

The budget includes no funding in FY 2027 for IT projects and cloud migration at the Department of Agriculture. This amount is unchanged from FY 2026.

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 completed about 18 months after contract is awarded to the winning bidder.

The FY 2025 budget extended the lapsing date of the FY 2023 appropriation through FY 2026, and the FY 2026 budget further extended this lapsing date through FY 2027. In lieu of a meeting of the Joint Legislative Budget Committee, the FY 2026 budget also included a provision

deeming the department's expenditure plan for the remaining $1,700,000 of the FY 2023 appropriation as having been favorably reviewed by the Committee.

Arizona Medical Board Subaccount

Arizona Medical Board Website Modernization

The budget includes $150,000 in FY 2027 for a website modernization project at the Arizona Medical Board. Adjustments are as follows:

One-Time Project Funding

The budget includes a one-time increase of $150,000 from the Arizona Medical Board APF Subaccount to modernize the board's public-facing websites, which were developed 10 years ago and lack some ADA-compliant accessibility features.

The FY 2027 appropriation was financed by a transfer from the Arizona Medical Board Fund.

Health and Human Services Information System Subaccount

AHCCCS Statewide HHIS Technology Projects

The budget includes no funding in FY 2027 for Statewide HHIS Technology Projects. This amount is unchanged from FY 2026.

The FY 2024 budget appropriated $15,000,000 from the General Fund for Statewide HHIS Technology Projects. The appropriation was financed from the General Fund. The FY 2025 budget reduced the FY 2024 appropriation by $(1,800,000) and specified that, of the remaining amount:

- $6,700,000 shall be used for a new information technology platform to authenticate individuals applying for health and human service programs to prevent fraud, waste, and abuse.
- $2,814,600 shall be used for the development of several modules associated with the Medicaid Enterprise System (MES) mainframe replacement. This project was deemed to have been favorably reviewed by JLBC in the FY 2025 budget so as to prevent a delay in proceeding with the project.
- $1,685,400 shall be used for MES fraud and waste abuse prevention enhancements. This project was deemed to have been favorably reviewed by JLBC in the FY 2025 budget so as to prevent a delay in proceeding with the project. This project was moved into its own subaccount. (*Please see the MES Modernization Subaccount section*)
- $2,000,000 shall be used for the MES Systems Integrator and ServiceNow projects. This project was favorably reviewed by the JLBC at its June 2023 meeting.

The AHCCCS project includes $7,500,000 in federal expenditure authority from its operating budget. The FY 2027 budget includes a footnote exempting each of the above allocations from lapsing through June 30, 2027.

MES Modernization Subaccount

Medicaid Enterprise System Mainframe Modernization

The budget includes $12,940,000 in FY 2027 for the MES Mainframe Modernization. Adjustments are as follows:

Remove One-Time Project Funding

The budget includes a decrease of $(1,800,000) from the MES Modernization Subaccount in FY 2027 to eliminate one-time funding for the MES Mainframe Modernization project.

One-Time Project Funding

The budget includes a one-time increase of $12,940,000 from the MES Modernization Subaccount in FY 2027 to continue the MES mainframe replacement and modernization project.

Prior budgets included $13,200,000 for Statewide HHIS Technology Projects (see above). Of this amount, $2,814,600 was dedicated to the MES Mainframe Modernization project. The FY 2025 budget established a separate subaccount for this project and provided an appropriation of $3,396,000. The FY 2026 budget included an additional appropriation of $1,800,000 for the project, financed from the General Fund. The FY 2027 budget exempts the FY 2025 appropriation from lapsing through June 30, 2027.

AHCCCS currently utilizes a mainframe-based application to support its core business operations. The mainframe-based Prepaid Medical Management Information System (PMMIS) was developed using a now-outdated coding standard. The primary objective of the MES Mainframe Modernization is to migrate the AHCCCS mainframe system to the cloud.

The total project budget is estimated to be approximately $115 million. Of this amount, the total cost to Arizona is estimated to be approximately $20.0 million. The remaining amount will come from federal funds and the

state of Hawaii, which currently shares Medicaid systems with AHCCCS.

Corporation Commission Subaccount

Corporation Commission Online Records & Filing System

The budget includes no funding in FY 2027 for an Online Records and Filing System Replacement project. This amount is unchanged from FY 2026.

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 vendor stopped maintaining the current system in FY 2024. The FY 2024 budget included $7,000,000 from the Corporation Commission APF Subaccount to implement and migrate to a new cloud-based system. The FY 2024 appropriation was financed by a transfer from the Securities Regulatory and Enforcement Fund. The FY 2027 budget exempts the FY 2024 appropriation from lapsing indefinitely. Additionally, the budget includes a footnote allowing any remaining monies from the FY 2024 allocation to be used for post-launch expenses like licensing and maintenance and exempts these expenditures from the standard JLBC review requirement.

Judiciary Supreme Court Subaccount

Judiciary Community Supervision Electronic Monitoring

The budget includes no funding in FY 2027 for the Statewide Community Supervision Electronic Monitoring System. This amount is unchanged from FY 2026.

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 budget included $2,500,000 from the Judiciary Supreme Court APF Subaccount to continue the project. The FY 2024 appropriation was financed from the General Fund. At its October 2023 meeting, the JLBC gave a favorable review of the project which is expected to be completed in FY 2027.

The FY 2025 budget extended the lapsing date of the FY 2024 appropriation through FY 2027.

Judiciary Probation Case Management System

The budget includes no funding in FY 2027 to replace the Probation Case Management System. This amount is unchanged from FY 2026. (*Please see the FY 2026 Appropriations Report for additional background on the project.)*

Department of Public Safety Subaccount

DPS Concealed Weapons Tracking System

The budget includes no funding in FY 2027 for upgrades to the Department of Public Safety (DPS) Concealed Weapons Tracking System. This amount is unchanged from FY 2026.

The FY 2022 budget included $550,000 from the DPS APF Subaccount to complete upgrades to the Concealed Weapons Tracking System. The FY 2024 budget included an additional $494,500 for the same purpose. The FY 2026 budget exempted the FY 2024 appropriation from lapsing through FY 2026. The FY 2027 budget further exempts the appropriation from lapsing through FY 2027.

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 background on the project.)*

Real Estate Department Subaccount

Real Estate Department System Modernization

The budget includes no funding in FY 2027 for the Real Estate Department System Modernization Project. Adjustments are as follows:

Remove One-Time Project Funding

The budget includes a decrease of $(1,962,000) from the Real Estate Department APF Subaccount to eliminate one-time funding for the Real Estate Department System Modernization project.

The IT system currently used by the department was developed by a single employee who still maintains the system to this day, but who is set to retire before the end of FY 2026. The FY 2025 budget included a footnote allowing the department to use up to $400,000 of its operating appropriation to begin planning for the

system's replacement. The FY 2026 budget included an appropriation of $1,962,000 for the project, financed from the General Fund. The FY 2026 appropriation is expected to sufficiently fund the entirety of the new IT system's development. After the project is completed, ongoing licensing costs and user fees are expected to be approximately $850,000 per year.

Department of Revenue Subaccount

DOR Integrated Tax System Modernization

The budget includes $3,656,800 in FY 2027 for the DOR's development of a new integrated tax system. Adjustments are as follows:

FY 2027 Development Costs

The budget includes a one-time increase of $3,656,800 from the DOR APF Subaccount in FY 2027 for the continuation of the DOR Integrated Tax System Modernization project.

The FY 2027 appropriation is financed by a transfer from the following funds to the DOR APF Subaccount:

- $2,194,100 from the General Fund
- $1,462,700 from the Integrated Tax System Project Fund. The Integrated Tax System 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 shown in *Table 1*.

The FY 2025 3-year spending plan included $19,256,800 for the project in FY 2026. However, due to the project being behind schedule, the FY 2026 budget included no funding for the project and instead shifted the FY 2026 allocation to FY 2029. As the project remains behind schedule, the FY 2027 budget includes similar funding shifts and no longer reflects the FY 2026 budget's 3-year spending plan. *Table 1* has been updated to reflect the new annual funding schedule.

Table 1

Integrated Tax System Annual Funding

	General Fund	Integrated Tax System Project Fund	Total
FY 2023	$9,632,700	$6,187,100	$15,819,800
FY 2024	10,494,100	7,575,300	18,069,400
FY 2025	11,847,300	7,609,500	19,456,800
FY 2026	0	0	0
FY 2027	2,194,100	1,462,700	3,656,800
FY 2028	9,531,400	6,068,600	15,600,000
FY 2029	12,538,400	7,218,400	19,756,800
FY 2030 1/	7,591,700	4,876,300	12,468,000
Total	**$63,829,700**	**$40,997,900**	**$104,827,600**

1/ The project was initially intended to be complete by FY 2029. However, to compensate for project delays, the FY 2027 budget extends the anticipated timeline through FY 2030 and redistributes the project budget across remaining years.

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. Given the lack of any General Fund contribution in FY 2026, the FY 2026 Revenue BRB suspended the local cost contribution as well. *(Please see the FY 2026 Appropriations Report for more historical background on this project.)*

The FY 2027 budget restores the session law that specifies that local governments be charged an assessment for project costs in FY 2027. *(Please see Statutory Changes section below).*

Table 2

State and Locally-Collected Tax Categories Used for Allocation of DOR Tax System Charges

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 (Thru 12/31/25)
Maricopa County Road Tax	42-6105.01 (Eff. 1/1/26)
Pima County Road Tax	42-6106
County Road Tax	42-6107
County Hotel Tax	42-6108/41-6108.01
County Jail Excise Tax	42-6109/42-6109.01
County – Electricity Use Tax	42-6110
County Capital Projects Tax	42-6111
County Judgment Bonds Tax	42-6112
Urban Revenue Sharing	43-206

The total local government allocation will equal 34.06% of the FY 2027 project costs. Each local government type (for example, all counties share of the local government amount) 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 tax categories used to calculate the assessments.) 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

DOR Mainframe Migration

The budget includes $1,425,000 in FY 2027 for a DOR Mainframe Migration project. Adjustments are as follows:

One-Time Project Funding

The budget includes a one-time increase of $1,425,000 from the Department of Revenue APF Subaccount to migrate DOR's systems away from the shared ADOA mainframe. This amount is financed from the Department of Revenue Administrative Fund.

DOR currently utilizes the ADOA shared mainframe to host various systems and services for the agency and taxpayers. The ADOA shared mainframe is being retired in December 2027 and DOR will use this allocation to migrate those systems and services to a new, cloud-based solution. Migration is scheduled to be completed 10 months after the project commences.

Department of Water Resources Subaccount

DWR Application Modernization and Integration

The budget includes no funding in FY 2027 to update the Department of Water Resources' (DWR's) applications. This amount is unchanged from FY 2026. (*Please see the FY 2026 Appropriations Report for additional background on the project.)*

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, extend the end date of the IT charge for the new tax modernization system from FY 2028 to FY 2030 since the charge was suspended for FY 2026 and reduced in FY 2027.
- As permanent law, clarifies that the IT charge continue to be levied against the reauthorized Maricopa County Road Tax which went into effect on January 1, 2026.
- As session law, continue to stipulate legislative intent regarding 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. This amount shall not exceed $1,273,800 for FY 2027. Each local government type (for example all counties share of the $1,273,800) 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 in the Integrated Tax System Modernization section for a list of the tax categories used to calculate the assessments).* 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.
- As session law, continue to 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 $34,400 and $154,500, respectively, in FY 2027.

Table 3

Automation Projects Fund Transfers [1/]

($ in thousands)

	FY 2025 [2/]	FY 2026	FY 2027
Department of Administration Subaccount			
Information Technology Fund		1,750.0	
State Web Portal Fund		3,745.0	
Arizona Medical Board Subaccount			
Arizona Medical Board Fund			150.0
Business One-Stop Subaccount			
Information Technology Fund		1,700.0	
Medicaid Enterprise System Modernization Subaccount			
General Fund	3,396.0	1,800.0	12,940.0
HRIS Subaccount			
Information Technology Fund		5,941.7	
Other Agency Funds			
Personnel Division Fund	2,421.2		
Real Estate Department Subaccount			
General Fund		1,962.0	
Department of Revenue Subaccount			
General Fund	11,847.3		2,194.1
Integrated Tax System Project Fund	7,609.5		1,462.7
Department of Revenue Administrative Fund			1,425.0
Department of Water Resources			
Water Resources Fund			
General Fund Subtotal	***15,243.3***	***3,762.0***	***15,134.1***
Other Appropriated Fund Subtotal	***10,030.7***	***13,136.7***	***3,037.7***
Total	***25,274.0***	***16,898.7***	***18,171.8***

1/ The purpose of this table is to show transfers into the APF. Displayed values have not been adjusted for transfers out of the APF.

2/ The FY 2025 column of numbers are transfers into the fund. The FY 2025 column in the Budget table at the beginning of the narrative reflects expenditures from the fund.

Arizona Department of Administration - School Facilities Division

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	17.0	22.0	22.0
Personal Services	1,003,300	804,800	804,800
Employee Related Expenditures	414,200	307,100	307,100
Professional and Outside Services	81,600	85,800	85,800
Travel - In State	5,800	8,000	8,000
Travel - Out of State	500	2,000	2,000
Other Operating Expenditures	86,200	417,000	417,000
OPERATING SUBTOTAL	**1,591,600**	**1,624,700**	**1,624,700**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(40,600)
New School Facilities (FY 2024 Authorizations)	77,898,600	0	0
New School Facilities (FY 2025 Authorizations)	31,489,500	45,077,100	0
New School Facilities (FY 2026 Authorizations)	0	95,597,700	94,137,900 1/
New School Facilities (FY 2027 Authorizations)	0	0	12,734,900 2/3/4/5/
Chino Valley Unified School District	0	0	0
Holbrook Unified School District	0	0	0
St. David Unified School District	0	0	0
New School Facilities Debt Service	9,938,100	9,938,100	9,938,100 6/7/
Building Renewal Grants Deposit	199,967,900	199,967,900	199,967,900
Building Renewal Grants Administration	0	750,000	750,000 8/
AGENCY TOTAL	**320,885,700**	**352,955,500**	**319,112,900** 9/
FUND SOURCES			
General Fund	320,885,700	352,955,500	319,112,900
SUBTOTAL - Appropriated Funds	**320,885,700**	**352,955,500**	**319,112,900**
Other Non-Appropriated Funds	182,500	0	0
Federal Funds	1,538,200	2,164,200	2,164,200
TOTAL - ALL SOURCES	322,606,400	355,119,700	321,277,100

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 2025, Chapter 233, appropriated $94,137,900 from the General Fund in FY 2027 for the New School Facilities FY 2026 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, 2025. (General Appropriations 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 Appropriations Act footnote)

4/ The legislature intends that the appropriation to the division of school facilities in fiscal year 2027-2028 for new school facilities may include up to $10,000,000 for end of useful life projects that receive final approval from the division of school facilities on or before December 15, 2026 pursuant to section 41-5741, Arizona Revised Statutes. (General Appropriations Act footnote)

5/ The division of school facilities may use not more than $27,318,100 of the unencumbered balance in the new school facilities fund established by section 41-5741, Arizona Revised Statutes, for facilities and land costs for school districts that received final approval on or before December 15, 2025 from the division of school facilities pursuant to section 41-5741, Arizona Revised Statutes.

6/ 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 Appropriations Act footnote)

7/ 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 2026-2027 shall be deposited in or revert to the state general fund. (General Appropriations Act footnote)

8/ 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 Appropriations Act footnote)

9/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by division.

Operating Budget

The budget includes $1,624,700 and 17.0 FTE Positions from the General Fund in FY 2027 for the operating budget. This amount is unchanged from FY 2026.

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(40,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline book will incorporate the agency's planned reduction into the operating budget display.

New School Facilities

The budget includes $106,872,800 from the General Fund in FY 2027 for New School Facilities, which is a decrease of $(33,802,000) from FY 2026. The funding amount for New School Facilities includes the following:

- $94,137,900 for the remaining 50% of construction funding to complete 3 projects which were authorized to begin construction in FY 2026.
- $12,734,900 for FY 2027 New School Facilities Fund authorizations, which include $36,977,200 to resolve an Office of Administrative Hearings (OAH) case brought against SFD by the Agua Fria Union High School District, $1,832,200 for site conditions, $460,000 for a land donation credit, $783,600 for demolition costs at 2 school districts, and $(27,318,100) for savings from prior year projects that were completed under budget. 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. 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. This square footage shortfall can occur from either enrollment growth or when a district's capacity is reduced under a process where SFD is authorized to declare a building (or buildings) has outlived its useful life. Funding is then provided to the district at a statutorily-prescribed dollar amount per square foot.

A footnote in the FY 2027 General Appropriations Act states that it is the Legislature's intent that FY 2028 New School Facilities funding may include up to $10,000,000 for end of useful life projects that receive final approval from SFD on or before December 15, 2026.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC.

At its January 2026 meeting, the JLBC approved a 4.8% adjustment in the cost per square foot. This inflation adjustment is based on a measure of construction costs since December 2024 when the Committee last adopted an adjustment. This adjustment would apply to any FY 2027 projects approved by the division. Because the division approved no projects to begin construction in FY 2027, this adjustment would first apply to projects beginning in FY 2028. (*See Table 1 for the current statutory funding amounts*).

Table 1

New School Facilities
Statutory Funding Guidelines – FY 2027 Awards 1/2/

Type of School	Per Student	Funding Per Square Foot
K-6	90	$358.46
7-8	100	$378.44
9-12 (<1,800 pupils)	134	$438.11
9-12 (≥1,800 pupils)	125	$438.11

1/ Increased by 5% for rural school districts.
2/ Adjusted annually for inflation in subsequent years.

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.

New School Facilities (FY 2024 Authorization)

The budget includes no funding in FY 2027 for New School Facilities projects which were authorized to start construction in FY 2024. This amount is unchanged from FY 2026.

Background – The FY 2024 budget included funding for 7 projects, for which monies were distributed in FY 2024 and FY 2025:

- Agua Fria (9-12) – for a new high school including land
- 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.

New School Facilities (FY 2025 Authorization)

The budget includes no funding in FY 2027 for New School Facilities projects which were authorized to start construction in FY 2025. Adjustments are as follows:

New School Funding Completion
The budget includes a decrease of $(45,077,100) from the General Fund in FY 2027 for the completion of 5 projects:

- Maricopa (6-8) – for a new middle school and a land purchase
- Queen Creek (9-12) – for 2 high school additions.
- Sahuarita (9-12) – for high school addition and site conditions. The SFD award (and corresponding appropriated 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 determined 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 foot project.

New School Facilities (FY 2026 Authorization)

The budget includes $94,137,900 from the General Fund in FY 2027 for New School Facilities projects which were authorized to start construction in FY 2026. Adjustments are as follows:

Continue New School Construction Projects
The budget includes an increase of $538,600 from the General Fund in FY 2027 for New School Facilities projects. These school districts are projected to be at capacity in FY 2027 or before. The first half of construction costs and 100% of land costs for each project were funded in FY 2026. The FY 2026 General Appropriations Act advance appropriated the remaining 50% of construction costs for each project in FY 2027. The projects are as follows:

- Laveen (K-8) – for a new elementary school including land.
- Nadaburg (K-8) – for a new elementary school including a land donation credit.
- Snowflake (7-8) – for a new middle school (due to the size of the project, the full cost was funded in FY 2026).
- Tolleson (9-12) – for a new high school.

This adjustment also includes the removal of $10,000,000 of one-time savings associated with project consolidations in FY 2026. The savings from these consolidations were realized by reducing SFD's FY 2026 New School Facilities appropriation.

The FY 2026 General Appropriations Act appropriated the remaining $94,137,900 of funding in FY 2027 to fund the remaining 50% of construction costs for these projects. As

a result, these monies do not appear in the FY 2027 General Appropriations Act.

Remove One-Time Site Condition Funding
The budget includes a decrease of $(1,998,400) from the General Fund in FY 2027 for one-time funding related to the following projects approved by SFD:

Pima Unified 9-12 (FY 2023 School)	$(1,955,000)
Queen Creek 9-12 (FY 2025 School)	$(43,400)

New School Facilities (FY 2027 Authorization)

The budget includes $12,734,900 from the General Fund in FY 2027 for New School Facilities projects that are funded in FY 2027. Adjustments are as follows:

Agua Fria Construction Adjustment
The budget includes an increase of $36,977,200 from the General Fund in FY 2027 to resolve Office of Administrative Hearings (OAH) claims made by Agua Fria Union High School District regarding SFD's decision to "hold for consideration" the district's request for additional funding of a new high school above what SFD had previously awarded the district for FY 2024.

The $36,977,200 is based on requested additional capacity of 783 students and the cost-per-square-foot rate that would have been applicable in FY 2024. While the Legislature typically appropriates only 50% of construction costs for New School Facilities projects in the first year, due to the terms of the settlement the budget includes the full $36,977,200 amount in FY 2027.

One-Time Site Condition Funding
The budget includes an increase of $1,832,200 from the General Fund in FY 2027 for one-time funding related to the Agua Fria High School project that was previously funded in FY 2024.

One-Time Land Donation Credit
The budget includes an increase of $460,000 from the General Fund in FY 2027 for one-time funding related to a land donation credit for Litchfield Elementary District. Statute requires SFD to pay districts 20% of the fair market value of school property the district receives from a donation, if the property is appropriate for a school site.

One-Time Demolition Costs
The budget includes an increase of $783,600 from the General Fund in FY 2027 for one-time demolition costs related to the following end of useful life projects funded in FY 2026:

Chino Valley Unified School District	$522,900
St. David Unified	$260,700

An FY 2026 General Appropriations Act footnote authorized SFD to use unencumbered balances in the New School Facilities Fund to construct new facilities in Chino Valley Unified and St. David Unified *(see below)*. The FY 2027 appropriations for these districts fund the demolition of existing facilities within these districts to provide space for the new construction authorized in FY 2026.

Prior Year Project Savings
The budget includes a decrease of $(27,318,100) from the General Fund in FY 2027 to account for prior year project savings used to offset the General Fund cost of approved New School Facilities Fund projects. These savings were available due to projects that have received New School Facilities monies in prior years finishing under budget.

The total cost for the projects funded in FY 2027 is $40,053,000. These costs are funded from the FY 2027 appropriation of $12,734,900 along with the unencumbered balance of $27,318,100 in the New School Facilities Fund due to prior year project savings.

Chino Valley Unified School District

The budget includes no funding in FY 2027 for construction in Chino Valley Unified School District. This amount is unchanged from FY 2026.

Background – On August 7, 2024, SFD approved the retirement of 10,485 square feet from the Chino Valley High School building system. On December 13, 2024, SFD approved the construction of 9,200 square feet of new classroom space for Chino Valley High School at a cost of $4,038,300. An FY 2026 General Appropriations Act footnote authorized SFD to use the unencumbered balance of $18,117,400 in the New School Facilities Fund for this project, which resulted in the project receiving no direct General Fund appropriation in FY 2026.

Holbrook Unified School District

The budget includes no funding in FY 2027 for construction in Holbrook Unified School District. This amount is unchanged from FY 2026.

Background – On August 7, 2024, SFD approved the retirement of 30,828 square feet from the Hulet Elementary School building system. The school district transferred 1st through 5th grade students from Hulet Elementary to Park Elementary. On December 13, 2024, SFD approved the construction of 5,100 square feet of new physical education space for Park Elementary School

at a cost of $2,281,500. An FY 2026 General Appropriations Act footnote authorized SFD to use the unencumbered balance of $18,117,400 in the New School Facilities Fund for this project, which resulted in the project receiving no direct General Fund appropriation in FY 2026.

St. David Unified School District

The budget includes no funding in FY 2027 for construction in St. David Unified School District. This amount is unchanged from FY 2026.

Background – On August 7, 2024, SFD approved the retirement of 5,214 square feet from the St. David High School building system. On December 13, 2024, SFD approved the construction of 4,300 square feet of new workshop space for St. David High School at a cost of $1,797,600. An FY 2026 General Appropriations Act footnote authorized SFD to use the unencumbered balance of $18,117,400 in the New School Facilities Fund for this project, which resulted in the project receiving no direct General Fund appropriation in FY 2026.

New School Facilities Debt Service

The budget includes $9,938,100 from the General Fund in FY 2027 for New School Facilities Debt Service. This amount is unchanged from FY 2026.

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 2027 budget 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 2027 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 Deposit

The budget includes $199,967,900 from the General Fund in FY 2027 for Building Renewal Grants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(183,300,000) from the General Fund in FY 2027 to remove one-time FY 2026 funding for building renewal grants.

Continue One-Time Funding

The budget includes an increase of $183,300,000 from the General Fund in FY 2027 to continue 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.)*

Table 2

Building Renewal Appropriations
FY 2013 - FY 2027

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
2025	16,667,900	183,300,000	199,967,900
2026	16,667,900	183,300,000	199,967,900
2027	16,667,900	183,300,000	199,967,900

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.

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.

Building Renewal Grants Administration

The budget includes $750,000 and 5 FTE Positions from the General Fund in FY 2027 for Building Renewal Grants Administration. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(750,000) and (5) FTE Positions from the General Fund in FY 2027 to remove one-time FY 2026 funding for operating costs associated with the administration of the Building Renewal Grant program. The FY 2026 budget makes the FY 2026 appropriation non-lapsing.

Continue One-Time Funding

The budget includes an increase of $750,000 and 5 FTE Positions from the General Fund in FY 2027 to continue one-time funding for operating costs associated with the administration of the Building Renewal Grant program. The FY 2027 budget makes this appropriation non-lapsing.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SFD's General Fund formula and debt service costs are projected to decrease by $(151,250,600) in FY 2028 below FY 2027 and increase by $16,690,000 in FY 2029 above FY 2028. These estimates are based on:

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining second year funding in FY 2028 for schools which were authorized to begin construction in FY 2027; and 2) Providing funding for conceptual approvals made by SFD as part of the agency's long-term planning process.

Because the FY 2027 budget did not include any new schools under the standard SFD award process, the long-term estimates do not include any FY 2028 funding for FY 2027 construction starts.

In FY 2028, new school construction spending is projected to increase by $34,504,000. FY 2028 projects are as follows:

- Buckeye Elementary (K-8) – for a new elementary school.
- Buckeye Union (9-12) – for a new high school, including land.
- Marana (9-12) – for a new high school.
- Maricopa (9-12) – for a high school addition.
- Nadaburg (9-12) – for a high school addition.

These 5 projects would cost a total of $270,174,000. Of that amount, the first $141,376,800 (including one-time land costs of $12,579,600) would be funded in FY 2028. This $141,376,800 increase would be offset by $(106,872,800) in savings associated with the completion of projects funded in FY 2027.

In addition, FY 2029 new school construction spending is projected to increase by $24,173,500. FY 2029 projects are as follows:

- Queen Creek (9-12) – for a high school addition.
- Saddle Mountain (9-12) – for a high school addition.
- Somerton (K-6) – for a new elementary school, including a land donation credit.

These 3 projects would cost a total of $73,186,200. Of that amount, the first $36,753,100 (including one-time land donation credit costs of $320,000) would be funded in FY 2029. This $36,753,100 increase would be offset by $(12,579,600) in savings associated with funding the second half of projects that began in FY 2028, as this remaining funding provided in FY 2029 removes one-time land costs for this set of projects.

New construction projects assumed to start in FY 2028 and FY 2029 reflect SFD conceptual approvals as of December 2025.

Building Renewal Grant Funding

SFD Building Renewal Grant funding would decrease by $(183,300,000) in FY 2028 and remain unchanged for FY 2029. The enacted budget 3-year spending plan labeled the $183,300,000 of FY 2027 funding as one-time and discontinues it in FY 2028, which would return SFD Building Renewal Grant funding to the ongoing "base" level of $16,667,900.

New School Facilities Debt Service

SFD new school facilities debt service funding would decrease by $(2,454,600) in FY 2028 below FY 2027. This decrease represents the lower amount in the final year of SFD's debt service schedule for an FY 2010 lease-purchase agreement used to finance the costs of new school construction.

This debt service funding would further decrease by $(7,483,500) in FY 2029 below FY 2028 to reflect the conclusion of payments for this long-term debt.

Table 3

Long-Term New School Facilities Funding

	Type	Sq. Ft	Rate	Student Capacity	FY 2026	FY 2027	FY 2028	FY 2029
FY 2025 Starts								
Maricopa 6-8	New	96,670	341.44	1,000	16,503,500			
Queen Creek 9-12	Addition	37,500	402.43	300	7,545,600			
Queen Creek 9-12	Addition	62,500	402.43	500	12,576,000			
Sahuarita 9-12 [1/]	Addition	29,750	402.43	238	5,743,700			
Valentine K-8 (Rural)	Replacement	15,463	350.29	151	2,708,300			
Subtotal - FY 2025 Starts					**$ 45,077,100**			
FY 2026 Starts								
Laveen K-8	New	92,400	346.55	1,000	16,010,600	16,010,600		
Laveen Land	New	92,400	346.55	1,000	7,000,000			
Nadaburg K-8	New	73,920	346.55	800	12,808,500	12,808,500		
Nadaburg K-8 Land Donation	New	73,920	346.55	800	300,000			
Snowflake 7-8 (Rural)	New	5,700	379.17	57	2,161,400			
Tolleson 9-12	New	312,500	418.04	2,500	65,318,800	65,318,800		
Pima 9-12 Site Conditions					1,955,000			
Queen Creek 9-12 Site Conditions					43,400			
Prior Year Project Consolidation Savings					(10,000,000)			
Subtotal - FY 2026 Starts					**$ 95,597,700**	**$ 94,137,900**		
FY 2026 Additional Construction Projects								
Chino Valley Unified School District [2/]					-			
Holbrook Unified School District [2/]					-			
St. David Unified School District [2/]					-			
FY 2027 Starts								
Agua Fria 9-12 (OAH Settlement)	New	97,875	377.80	783		36,977,200		
Agua Fria Site Conditions						1,832,200		
Litchfield K-8 Land Donation						460,000		
Chino Valley Unified - Demolition						522,900		
St. David Unified - Demolition						260,700		
Prior Year Project Savings						(27,318,100)		
Subtotal - FY 2027 Starts						**$ 12,734,900**		
FY 2028 Starts								
Buckeye Elementary K-8	New	87,780	363.18	950			15,940,000	15,940,000
Buckeye Union 9-12	New	300,000	438.11	2,400			65,716,500	65,716,500
Buckeye Union 9-12 Land	New	300,000	438.11	2,400			12,579,600	
Marana 9-12	New	50,000	438.11	400			10,952,800	10,952,800
Maricopa 9-12	Addition	125,000	438.11	1,000			27,381,900	27,381,900
Nadaburg 9-12	Addition	40,200	438.11	300			8,806,000	8,806,000
Subtotal - FY 2028 Starts							**$ 141,376,800**	**$ 128,797,200**
FY 2029 Starts								
Queen Creek 9-12	Addition	62,500	438.11	500				13,691,000
Saddle Mountain 9-12	Addition	67,000	438.11	500				14,676,700
Somerton K-6	New	45,000	358.46	500				8,065,400
Somerton K-6 Land Donation								320,000
Subtotal - FY 2029 Starts								**$ 36,753,100**
Total					**$ 140,674,800**	**$ 106,872,800**	**$ 141,376,800**	**$ 165,550,300**

1/ Project formula reduced by $484,900 for design costs previously funded.

2/ Pursuant to a General Appropriations Act footnote, this project may be funded by unencumbered balances in the New School Facilities Fund in FY 2026.

Office of Administrative Hearings

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	12.0	12.0	12.0
Personal Services	613,300	621,600	621,500
Employee Related Expenditures	259,200	265,300	296,400
Other Operating Expenditures	97,500	98,300	98,400
OPERATING SUBTOTAL	**970,000**	**985,200**	**1,016,300**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(24,600)
AGENCY TOTAL	**970,000**	**985,200**	**991,700** 1/
FUND SOURCES			
General Fund	970,000	985,200	991,700
SUBTOTAL - Appropriated Funds	**970,000**	**985,200**	**991,700**
Other Non-Appropriated Funds	1,047,300	1,184,600	1,184,600
TOTAL - ALL SOURCES	2,017,300	2,169,800	2,176,300

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

Operating Budget

The budget includes $1,016,300 and 12 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $31,100 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(24,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal.

Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Arizona Department of Agriculture

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	212.3	217.9	219.9 1/
Personal Services	8,110,400	8,875,800	8,875,800
Employee Related Expenditures	3,618,300	3,707,400	4,169,500
Professional and Outside Services	488,000	394,200	394,200
Travel - In State	1,336,200	2,014,600	2,014,600
Travel - Out of State	42,700	88,000	88,000
Other Operating Expenditures	2,194,200	2,280,700	2,542,000
Equipment	117,900	269,900	269,900
OPERATING SUBTOTAL	**15,907,700**	**17,630,600**	**18,354,000**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(390,500)
Agriculture and Water Innovation Fund Deposit	0	2,000,000	0
Agricultural Consulting and Training	125,500	135,700	135,700
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Licensing System Maintenance	0	0	500,000
Nuclear Emergency Management Program	308,600	347,100	352,900 2/3/
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	**16,453,300**	**20,224,900**	**19,063,600** 4/5/
FUND SOURCES			
General Fund	14,529,000	16,247,500	16,537,800
Other Appropriated Funds			
Air Quality Fund	1,615,700	1,630,300	1,672,900
Long-Term Water Augmentation Fund	0	2,000,000	0
Nuclear Emergency Management Fund	308,600	347,100	352,900
Pest Management Trust Fund	0	0	500,000
SUBTOTAL - Other Appropriated Funds	1,924,300	3,977,400	2,525,800
SUBTOTAL - Appropriated Funds	**16,453,300**	**20,224,900**	**19,063,600**
Other Non-Appropriated Funds	24,799,800	25,237,500	25,237,500
Federal Funds	6,556,700	8,055,600	8,055,600
TOTAL - ALL SOURCES	47,809,800	53,518,000	52,356,700

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 2.44 OF FTE Positions funded in FY 2027 from separate legislation.

2/ 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.

3/ Laws 2025, Chapter 56 as amended by Laws 2025, Chapter 238 appropriated $347,109 and 2.44 FTE Positions in FY 2026 and $352,877 and 2.44 FTE Positions in FY 2027 from the Nuclear Emergency Management Fund. Because this appropriation is in separate legislation, these amounts are not included in the General Appropriations Act.

4/ The department of agriculture may use up to $250,000 from the commercial feed trust fund established by section 3-2607, Arizona Revised Statutes, in fiscal year 2026-2027 for 2 FTE positions. Of the 2 FTE positions, 1 FTE position is for expenses associated with the screwworm response. The department may conduct inspections as part of this response at the border if the border opens for live cattle imports, and the state veterinarian may oversee the screwworm response. Of the 2 FTE positions, 1 FTE position is for expenses related to a foreign animal disease or pest, a United States department of agriculture program disease, a zoonotic disease or any other emerging animal disease responses. (General Appropriations Act footnote)

5/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $18,354,000 and 217.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$16,681,100
Air Quality Fund	1,672,900

Adjustments are as follows:

Remove One-Time Appropriations

The budget includes a decrease of $(381,100) from the General Fund in FY 2027 for removal of one-time funding for equipment purchases associated with hiring 5 new staff.

Add 2 FTE Positions

The budget includes an increase of 2 FTE positions from the Commercial Feed Trust Fund in FY 2027. The department may use up to $250,000 from this non-appropriated fund in FY 2027. Of the 2 FTE positions, 1 FTE position is for expenses associated with the screwworm response. The department may conduct inspections as part of this response at the border if the border opens for live cattle imports, and the state veterinarian may oversee the response. The other FTE position is for expenses related to a foreign animal disease or pest, a United States department of agriculture program disease, a zoonotic disease or any other emerging animal disease response.

Statewide Adjustments

The budget includes an increase of $1,104,500 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	$1,061,900
Air Quality Fund	42,600

(Please see Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(390,500) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Agriculture and Water Innovation Fund Deposit

The budget includes no funding in FY 2027 for an Agriculture and Water Innovation Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(2,000,000) from the Long-Term Water Augmentation Fund in FY 2027 for removal of a one-time deposit to the non-appropriated Agriculture and Water Innovation Fund.

The FY 2026 budget established this fund for a pilot program to award grants for the installation of agriculture water efficiency technology to certain farming entities or irrigation districts (on behalf of its members) that meet the statutory qualifications.

Agricultural Consulting and Training

The budget includes $135,700 from the General Fund in FY 2027 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2026.

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 budget includes $23,300 from the General Fund in FY 2027 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2026.

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 budget includes $65,000 from the General Fund in FY 2027 for the Animal Damage Control line item. This amount is unchanged from FY 2026.

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.

Licensing System Maintenance

The budget includes $500,000 from the Pest Management Trust Fund in FY 2027 for Licensing System Maintenance. Adjustments are as follows:

One-Time Digital Licensing Maintenance Costs

The budget includes a one-time increase of $500,000 from the Pest Management Trust Fund in FY 2027 for the annual costs of maintaining the new digital licensing system in FY 2027.

The monies in this line item fund operational costs for the new licensing system. For information on the development of the system and other IT projects, please see the *Other Issues* section.

Nuclear Emergency Management Program

The budget includes $352,900 and 2.44 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2027 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

New NEMF Assessment

The budget includes an increase of $5,800 from the NEMF in FY 2027 for a change to the assessment rate in FY 2027.

Laws 2025, Chapter 56 (as amended by Laws 2025, Chapter 238) appropriated $347,109 and 2.44 FTE Positions from NEMF in FY 2026 and $352,877 and 2.44 FTE Positions from NEMF in FY 2027. As a result, these monies and FTE Positions do not appear in the General Appropriation Act. (*Please see Table 1 below 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.

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.

Red Imported Fire Ant Control

The budget includes $23,200 from the General Fund in FY 2027 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2026.

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

Information Technology Projects and Cloud Migration

The FY 2026 budget included a footnote extending the $2,000,000 FY 2023 appropriation from the General Fund for the Department of Agriculture's Information Technology (IT) projects and cloud migration from the end of FY 2026 to the end of FY 2027. (*Please see the Department of Administration - Automation Projects Fund narrative for details regarding the Department of Agriculture's IT projects.*)

Table 1

Nuclear Emergency Management Fund

Agency	FY 2025 FTEs	FY 2025 Approp.	FY 2026 FTEs	FY 2026 Approp.	FY 2027 FTEs	FY 2027 Approp.
Emergency and Military Affairs 1/	8.50	$2,176,031	8.00	$2,320,882	8.00	$2,408,462
Agriculture	2.88	308,569	2.44	347,109	2.44	352,877
Total	**11.38**	**$2,484,600**	**10.44**	**$2,667,991**	**10.44**	**$2,761,339**

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

Arizona Health Care Cost Containment System

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2,459.3	2,459.3	2,428.3
Personal Services	56,810,900	56,834,000	57,320,600
Employee Related Expenditures	23,473,500	24,317,900	28,332,600
Professional and Outside Services	12,462,400	22,146,700	22,146,700
Travel - In State	106,200	169,900	169,900
Travel - Out of State	65,300	101,800	101,800
Other Operating Expenditures	50,306,700	93,560,600	118,575,300
Equipment	164,900	260,100	260,100
OPERATING SUBTOTAL	**143,389,900**	**197,391,000**	**226,907,000** 1/
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	17,086,000	19,605,800	19,605,800
DES Eligibility	95,255,700	99,294,500	97,074,500 2/
Proposition 204 - AHCCCS Administration	30,324,500	15,788,200	16,474,200 3/
Proposition 204 - DES Eligibility	39,523,700	44,358,700	44,358,700 3/
H.R. 1 Implementation - Medicaid	0	0	51,500,000 4/5/
Medicaid Services 6/-9/			
Traditional Medicaid Services	8,085,122,300	10,311,577,900	10,308,634,300 10/-14/
Proposition 204 Services	6,880,264,000	7,698,377,600	7,193,353,000 3/13/14/
Adult Expansion Services	671,925,500	882,372,100	844,120,200 13/14/
Comprehensive Health Plan	153,596,400	178,650,800	200,180,300 13/14/
KidsCare Services	200,218,800	258,293,100	257,442,000
ALTCS Services	2,255,770,600	2,514,569,900	2,663,643,700 15/-17/
Behavioral Health Services in Schools	8,630,600	8,445,400	8,289,600
Enhanced Residential Treatment Program	0	0	7,812,000 18/
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	82,029,600	77,646,900	77,646,900 19/
Case Management Provider Wage Increases	1,000,000	0	0
Supported Housing	14,322,300	65,324,800	65,324,800
Crisis Services	15,800,500	16,391,300	20,391,300
Secure Behavioral Health Residential Facilities	0	5,000,000	0
Hospital Payments			
Disproportionate Share Payments - Private Hospitals	18,745,600	884,800	884,800
DSH Payments - Voluntary Match	47,630,600	205,641,700	207,593,800 14/20/
Graduate Medical Education	390,121,400 21/	540,065,700	569,176,800 14/22/-26/
Critical Access Hospitals	28,416,700	28,512,600	28,336,000
Targeted Investments Program	55,081,300	67,000,000	56,000,000
AGENCY TOTAL	**19,234,256,000**	**23,235,192,800**	**22,964,749,700** 27/-29/
FUND SOURCES			
General Fund	2,535,430,400	2,718,381,000	2,920,591,900
Other Appropriated Funds			
Budget Neutrality Compliance Fund	4,914,300	5,112,300	5,304,500
Children's Health Insurance Program Fund	154,309,300	194,444,800	193,510,000
IGA and ISA Fund	0	3,200,000	0
Prescription Drug Rebate Fund - State	189,679,500	341,207,900	291,209,300
Seriously Mentally Ill Housing Trust Fund	6,819,000	2,017,700	2,957,300
Substance Abuse Services Fund	1,765,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	13,414,200	15,400,000	13,467,800

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Tobacco Tax and Health Care Fund - Medically Needy Account	50,577,400	57,545,600	51,482,300
SUBTOTAL - Other Appropriated Funds	421,478,900	621,178,500	560,181,400
SUBTOTAL - Appropriated Funds	**2,956,909,300**	**3,339,559,500**	**3,480,773,300**
Expenditure Authority Funds			
AHCCCS Fund	12,242,658,700	14,873,753,600	14,165,814,200
Arizona Tobacco Litigation Settlement Fund	83,737,000	102,000,000	102,000,000
Delivery System Reform Incentive Payment Fund	18,817,700	24,321,800	20,612,000
Health Care Investment Fund	695,072,800	1,073,417,100	1,079,429,900
Hospital Assessment Fund	564,108,200	648,223,600	517,230,900
Long Term Care System Fund	1,685,755,000	1,923,512,300	2,030,235,000
Nursing Facility Provider Assessment Fund	92,151,000	93,066,100	91,909,500
Political Subdivision Funds	257,621,500	519,773,200	519,220,400
Prescription Drug Rebate Fund - Federal	609,060,300	609,060,300	929,047,500 27/
Third Party Liability and Recovery Fund	194,700	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	28,169,800	28,310,600	28,282,300
SUBTOTAL - Expenditure Authority Funds	16,277,346,700	19,895,633,300	19,483,976,400 9/14/
SUBTOTAL - Appropriated/Expenditure Authority Funds	**19,234,256,000**	**23,235,192,800**	**22,964,749,700**
Other Non-Appropriated Funds	160,723,500	177,556,600	177,752,000
Federal Funds	175,197,600	193,303,700	109,563,000
TOTAL - ALL SOURCES	19,570,177,100	23,606,053,100	23,252,064,700

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

FOOTNOTES

1/ 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 must 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 Appropriations Act footnote)

2/ 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 Appropriations Act footnote)

3/ 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 Appropriations Act footnote)

4/ The amount appropriated for the Public Law 119-21 implementation - medicaid line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2028. (General Appropriations Act footnote)

5/ Of the amount appropriated for the Public Law 119-21 implementation - medicaid line item, $4,000,000 from the state general fund and $24,400,000 from expenditure authority shall be expended for information technology system upgrades. Any information technology projects funded from the Public Law 119-21 implementation – medicaid line item are exempt from review by the information technology authorization committee established by section 18-121, Arizona Revised Statutes. (General Appropriations Act footnote)

6/ 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 Appropriations Act footnote)

7/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2027 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 Appropriations Act footnote)

8/ On or before March 31, 2027, the Arizona health care cost containment system administration shall submit a report to the director of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the amount of directed payments that the Maricopa county special health care district will receive from the safety net services initiative in fiscal year 2026-2027, disaggregated by state match and by federal match. (General Appropriations Act footnote)

9/ Of the amount appropriated from the expenditure authority fund source, $4,244,300,000 is for hospital enhanced access leading to health improvements initiative payments in fiscal year 2026-2027. This amount includes monies from hospital assessments collected pursuant to section 36-2999.72, Arizona Revised Statutes, and any federal monies used to match those payments. (General Appropriations Act footnote)

10/ 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 2026-2027 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriations Act footnote)

11/ The Arizona health care cost containment system administration shall transfer $836,000 from the traditional medicaid services line item for fiscal year 2026-2027 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriations Act footnote)

12/ The amount appropriated for the traditional medicaid services line item includes $4,400,000 from the state general fund and $7,758,100 from expenditure authority for inpatient payments to rural hospitals as defined in section 36-2905.02, Arizona Revised Statutes. (General Appropriations Act footnote)

13/ 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 Appropriations Act footnote)

14/ 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 2026-2027 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 Appropriations Act footnote)

15/ 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 Appropriations Act footnote)

16/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2026-2027 nonfederal costs of providing long-term care system services is $445,813,900. This amount is included in the expenditure authority fund source. (General Appropriations Act footnote)

17/ Any supplemental payments received in excess of $91,455,300 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2026-2027, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2026-2027. 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 Appropriations Act footnote)

18/ The amount appropriated for the enhanced residential treatment program line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. The legislature intends to continue to fund $2,739,600 from the seriously mentally ill housing trust fund established by section 41-3955.01, Arizona Revised Statutes, and $5,072,400 from expenditure authority for the enhanced residential treatment program in fiscal years 2027-2028 and 2028-2029 as part of a three-year pilot program. (General Appropriations Act)

19/ On or before June 30, 2027, 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 must 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 one thousand two hundred class members, supported employment services for seven hundred fifty class members, eight assertive community treatment teams and consumer operated services for one

thousand five hundred class members. The administration shall also report by fund source the amounts it plans to use to pay for expanded services. (General Appropriations Act footnote)

20/ 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 2026-2027 by the Arizona health care cost containment system administration in excess of $208,478,600 are appropriated to the administration in fiscal year 2026-2027. 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 Appropriations Act footnote). NOTE: The footnote reference to $208,478,600 is incorrect. The correct number is $207,593,800.

21/ Monies appropriated for graduate medical education by Laws 2024, chapter 209, section 19 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2026. (General Appropriations Act footnote)

22/ Any monies for graduate medical education received in fiscal year 2026-2027, including any federal matching monies, by the Arizona health care cost containment system administration in excess of $569,176,800 are appropriated to the administration in fiscal year 2026-2027. 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 Appropriations Act footnote)

23/ If any graduate medical education monies remain after the Arizona health care cost containment system administration has funded all eligible graduate medical education programs in counties with a population of less than five hundred thousand persons, the administration may fund the costs of graduate medical education programs operated by community health centers and rural health clinics. (General Appropriations Act footnote)

24/ 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 $9,152,300 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 Appropriations Act footnote)

25/ 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 $7,321,800 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 Appropriations Act footnote)

26/ 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, 2028. (General Appropriations Act footnote)

27/ 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 Appropriations Act footnote)

28/ On or before July 1, 2027, 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, 2026. (General Appropriations Act footnote)

29/ General Appropriations Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $226,907,000 and 1,150.2 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$41,747,000
Children's Health Insurance Program (CHIP) Fund	5,569,100
Health Care Investment Fund	2,516,500
Prescription Drug Rebate Fund (PDRF) - State	2,101,200
Nursing Facility Provider Assessment Fund	454,200
Seriously Mentally Ill (SMI) Housing Trust Fund	217,700
AHCCCS Fund	174,301,300

Adjustments are as follows:

FY 2027 External Legal Costs

The budget includes a one-time increase of $1,375,000 from PDRF - State in FY 2027 to continue to fund external legal costs related to sober living home fraud.

Remove FY 2026 External Legal Costs

The budget includes a decrease of $(1,375,000) from PDRF - State in FY 2027 to remove one-time funding for external legal costs related to sober living home fraud.

FY 2027 MES Replacement Funding

The budget includes a one-time increase of $82,700,000 from the AHCCCS Fund in FY 2027 to continue to fund the replacement of AHCCCS' Medicaid Enterprise System (MES), formerly known as the Prepaid Medicaid Management Information System (PMMIS). The corresponding General Fund state match amount of $12,940,000 is included in the Arizona Department of Administration – Automation Projects Fund. *(Please see ADOA – Automation Projects Fund narrative for additional information.)*

Remove FY 2026 MES Replacement Funding

The budget includes a decrease of $(57,540,000) from the AHCCCS Fund in FY 2027 to remove one-time funding for replacement of AHCCCS' MES. The corresponding General Fund state match reduction of $(1,800,000) is included in the Arizona Department of Administration – Automation Projects Fund. *(Please see ADOA – Automation Projects Fund narrative for additional information.)*

Fraud Enforcement Staff

The budget includes an increase of $730,000 and 7 FTE Positions in FY 2027 for fraud enforcement staff. This amount consists of:

General Fund	365,000
AHCCCS Fund	365,000

The additional staff will be located in the agency's Office of Inspector General (OIG) and will assist with the investigation, enforcement, and prosecution of fraudulent activity within the Medicaid system.

Statewide Adjustments

The budget includes an increase of $3,626,000 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	913,700
CHIP Fund	79,900
Health Care Investment Fund	18,000
PDRF - State	1,400
Nursing Facility Provider Assessment Fund	800
AHCCCS Fund	2,612,200

(Please see the Agency Detail and Allocations section.)

Administration

AHCCCS Data Storage

The budget includes $19,605,800 in FY 2027 for AHCCCS Data Storage. This amount consists of:

General Fund	5,915,400
CHIP Fund	440,000
AHCCCS Fund	13,250,400

These amounts are unchanged from FY 2026.

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 budget includes $97,074,500 and 885 FTE Positions in FY 2027 for DES Eligibility services. These amounts consist of:

General Fund	30,191,200
AHCCCS Fund	66,883,300

Adjustments are as follows:

Remove One-Time Income Eligibility Verification Funding

The budget includes a decrease of $(2,220,000) from the General Fund in FY 2027 to remove one-time funding used to backfill a loss in federal funding associated with income eligibility verification. This funding was continued, however, as part of the budget's one-time funding for H.R. 1 implementation. *(Please see the H.R. 1 Implementation - Medicaid line item for additional information.)*

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

Proposition 204 - AHCCCS Administration

The budget includes $16,474,200 and 131 FTE Positions in FY 2027 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	5,109,800
AHCCCS Fund	11,364,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $686,000 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	167,500
AHCCCS Fund	518,500

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 budget includes $44,358,700 and 300.1 FTE Positions in FY 2027 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	15,417,700
Budget Neutrality Compliance Fund (BNCF)	5,304,500
AHCCCS Fund	23,636,500

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(192,200) from the General Fund and a corresponding increase of $192,200 from the BNCF in FY 2027 to reflect an increase of county contributions in FY 2027. This adjustment assumes an inflation adjustment of 2.48% and a state population adjustment of 1.28% 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.

H.R. 1 Implementation - Medicaid

The budget includes $51,500,000 and 75 FTE Positions in FY 2027 for H.R. 1 Implementation - Medicaid. These amounts consist of:

General Fund	10,200,000
AHCCCS Fund	41,300,000

Adjustments are as follows:

H.R. 1 Implementation Funding

The budget includes a one-time increase of $51,500,000 and 75 FTE Positions in FY 2027 for the administrative costs associated with implementation of H.R. 1. These amounts consist of:

General Fund	10,200,000
AHCCCS Fund	41,300,000

This funding is for the administrative costs of implementing the Medicaid provisions of H.R. 1, the federal budget reconciliation bill that was signed into law on July 4, 2025. *(Please see the Medicaid Services section for additional details on H.R. 1-related changes.)* The funding will be used for:

- Additional AHCCCS administrative staff.
- Additional DES eligibility staff.
- Information technology (IT) modifications.
- Continuing funding for income eligibility verification that was labeled as one-time in the FY 2026 budget. *(Please see the DES Eligibility line item for additional information.)*
- Additional income eligibility verification costs specific to H.R. 1-related changes.

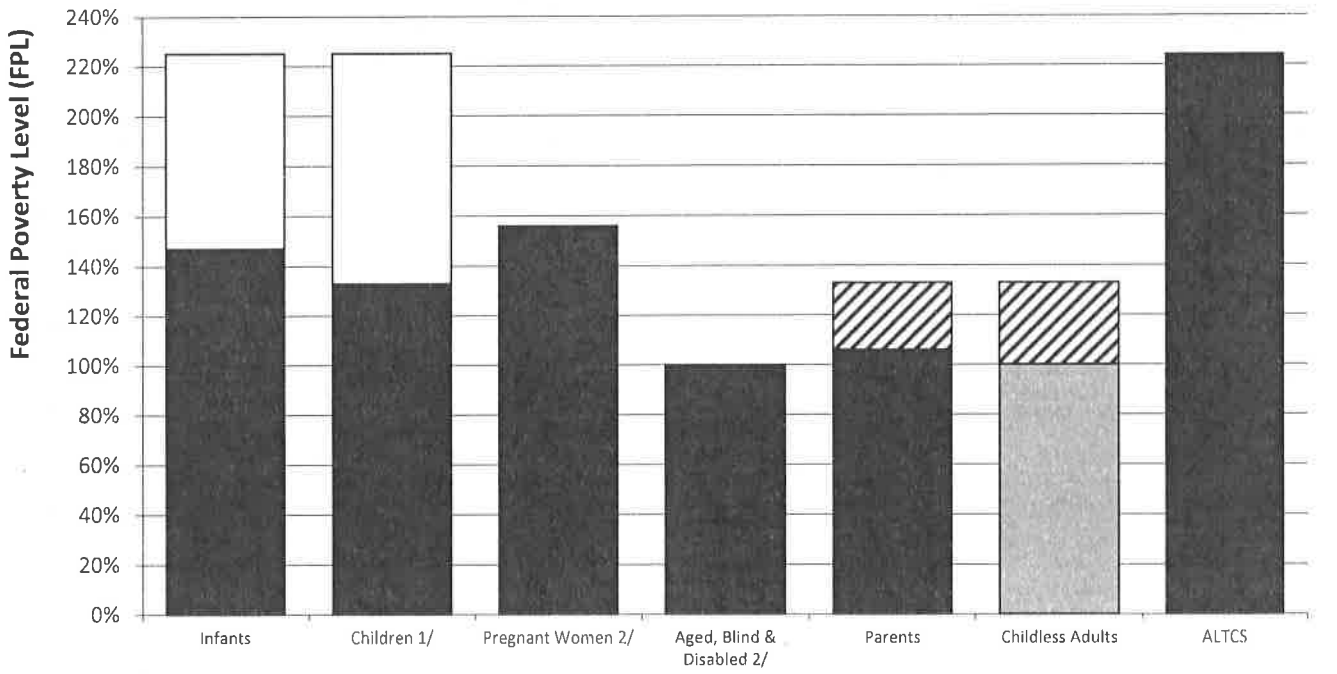
The budget adds a footnote making the monies non-lapsing through June 30, 2028. Additionally, the budget adds a footnote specifying that of the total funding for H.R. 1 implementation, $28,400,000 is for IT projects that are exempt from review by the Information Technology Authorization Committee (ITAC). The General Appropriations Act refers to H.R. 1 as "Public Law 119-21."

Medicaid Services

Medicaid services line items include funding for physical health services, behavioral health services, and long-term care services for Medicaid enrollees. The services include:

- Capitation: These are payments to contracted health plans at a fixed monthly rate per enrollee determined by AHCCCS actuaries. The contractors use capitation revenues to pay for covered Medicaid health services and related administrative costs.
- Fee-For-Service: These are payments AHCCCS makes directly to health care providers for AHCCCS members that are not enrolled in a contracted health plan.
- Medicare Premiums: These are payments AHCCCS makes to cover the out-of-pocket expenses associated with the Medicare program for low-income elderly individuals.

Chart 1



1/ Children ages 6 to 18 years in families with incomes between 100% FPL and 133% FPL are eligible to receive an 74.76% federal match in FFY 2027.

2/ Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Freedom to Work" program up to 250% FPL receive coverage at the regular (mandatory) federal match.

- Reinsurance: These are reimbursements AHCCCS makes to contracted health plans for members incurring medical expenses above certain high-cost thresholds specified in AHCCCS contracts.
- Medicare Clawback: These are payments AHCCCS makes to the federal government to cover a portion of the cost of Medicare prescription drug coverage for AHCCCS enrollees.

The Medicaid Services line items are delineated by basis for eligibility. *Chart 1* shows the income eligibility limits for each AHCCCS population in FY 2027. *Table 1* displays actual and estimated AHCCCS enrollment by basis of eligibility. The budget applies "formula adjustments" to each line item based on estimated changes in enrollment, the federal match rate, and inflation.

The budget includes an increase of $141,092,100 from the General Fund and $192,246,500 in Total Funds in FY 2027 for formula adjustments. The main formula assumptions for the FY 2027 budget include:

- Enrollment decline of (190,000) members, or (10.3)%, between June 2025 and June 2026. The budget assumes an additional enrollment decline of (42,000), or (2.5)%, between June 2026 and June 2027 based on 3 factors: base enrollment changes, H.R. 1 provisions affecting enrollment, and FY 2027 Health Care Budget Reconciliation Bill (BRB) changes to eligibility verification. The budget assumes that the combined impact of these factors will result in 1.61 million members by June 2027 *(See Table 1)*. H.R. 1 and Health Care BRB changes are described in more detail below.
- 14.1% inflation in capitation payments in FY 2026 and 3.0% inflation in capitation payments in FY 2027. *(See FY 2026 Supplemental in the Other Issues section for more information on the FY 2026 inflation adjustment.)* The budget assumes that the average capitation rate will be $753 per member, per month in FY 2027 (or $9,036 annually).
- A reduction in the regular federal match rate from 64.48% in FY 2026 to 63.94% in FY 2027.

The budget also includes a decrease of $(104,728,400) from the General Fund and $(576,470,200) in Total Funds in FY 2027 to remove a FY 2026 supplemental. *(See FY 2026 Supplemental in Other Issues for additional*

Table 1

AHCCCS Enrollment [1/]

Population	June 2025 (Actual)	June 2026 (Prior Est.)[2/]	June 2026 (Actual)	June 2027 (Forecast)	'26-'27 % Change
Traditional	1,004,724	1,014,001	894,693	888,502	(0.7)%
Prop 204 Childless Adults	396,300	400,251	346,247	322,412	(6.9)%
Other Prop 204	158,815	161,311	143,863	133,961	(6.9)%
Adult Expansion	61,219	61,830	53,489	51,689	(3.4)%
KidsCare	53,547	56,587	54,254	54,254	0.0%
CHP	7,190	7,397	6,506	6,506	0.0%
ALTCS - Elderly & Physically Disabled [3/]	28,440	29,002	28,348	28,632	1.0%
Emergency Services	130,503	124,973	122,975	122,975	0.0%
Total Enrollment	**1,840,738**	**1,855,352**	**1,650,479**	**1,608,931**	**(2.5)%**

1/ The figures represent June 1 enrollment for both capitated and fee-for-service members.
2/ The figures in this column represent enrollment estimates included in the FY 2026 enacted budget.
3/ The ALTCS - Elderly and & Physically Disabled program is funded in AHCCCS. An additional 48,477 people received Medicaid services through the Department of Economic Security's ALTCS - Developmental Disabilities program as of June 2026.

information.) This is displayed separately from formula adjustments within the Medicaid Services line items.

H.R. 1 - Enrollment Changes

H.R. 1's primary impact on AHCCCS benefit spending results from provisions that potentially reduce the number of Medicaid participants. The budget incorporates these reductions as part of formula adjustments. The two most significant provisions are scheduled to begin on January 1, 2027:

- Redetermine eligibility of the "expansion" population semiannually rather than once a year.
- Require the Medicaid expansion population to work or participate in "community engagement" activities for 80 hours a month. The federal Department of Health and Human Services (HHS) may allow a state to delay implementation to no later than January 1, 2029, if the state is demonstrating a good faith effort to comply.

Health Care BRB Changes

Additionally, the FY 2027 Health Care BRB makes the following changes in AHCCCS enrollment verification in FY 2027:

- Requires AHCCCS to comply with federal Medicaid law and regulations on member eligibility redeterminations, including new H.R. 1 requirements.
- Requires AHCCCS to do the following when determining member eligibility:
  - Review Department of Health Services death records.
  - Review federal data on out-of-state enrollment in Medicaid, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program (SNAP), as well as out-of-state vital death records, to identify potential changes in residency.
  - Review DES information on changes to unemployment benefits, employment status, or wages.
  - Review Arizona Lottery Commission and Department of Gaming information to identify substantial lottery or gambling winnings, including online gambling winnings.
- Prohibits the use of self-attestation in verifying residency.
- Prohibits the agency from accepting eligibility determinations made under the federal health insurance exchange without independent agency verification.

Traditional Medicaid Services

The budget includes $10,308,634,300 in FY 2027 for Traditional Medicaid Services. This amount consists of:

General Fund	1,928,703,000
Health Care Investment Fund	762,017,400
Political Subdivision Funds	161,875,400
PDRF - State	281,529,700
TTHCF - Medically Needy Account	51,482,300
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	892,625,500
AHCCCS Fund	6,230,206,300

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $176,723,100 in FY 2027 for formula adjustments. This amount consists of:

General Fund	103,696,400

Health Care Investment Fund	3,418,300
Political Subdivision Funds	39,120,000
TTHCF - Medically Needy Account	(6,063,300)
PDRF - In Lieu of Federal Funds	319,987,200
AHCCCS Fund	(283,435,500)

Besides the formula adjustments referenced above, these amounts include $5,528,900 from the General Fund and $9,804,800 from the AHCCCS Fund for limited prerelease services for incarcerated individuals. The FY 2026 Health Care BRB authorized AHCCCS to cover limited prerelease services up to 90 days prior to their release. The FY 2026 budget, however, did not include an increase in funding for these services.

Remove FY 2026 Supplemental

The budget includes a decrease of $(187,266,700) in FY 2027 for the removal of one-time supplemental formula funding in FY 2026. This amount consists of:

General Fund	(87,582,000)
Political Subdivision Funds	(27,745,400)
AHCCCS Fund	(71,939,300)

Urban Traditional Healing Services Pilot Coverage

The budget includes an increase of $1,600,000 in FY 2027 for urban traditional healing services pilot coverage. This amount consists of:

General Fund	421,000
AHCCCS Fund	1,179,000

The FY 2027 Health Care BRB, conditional on federal approval, establishes a 3-year pilot program in FY 2027 through FY 2029 for AHCCCS to cover traditional healing services when delivered at an Urban Indian Organization (UIO) facility. The 3-year spending plan associated with the FY 2027 enacted budget includes one-time funding of $421,000 from the General Fund and $1,179,000 from the AHCCCS Fund for the program in FY 2027, FY 2028, and FY 2029.

Backfill One-Time FMAP Savings

The budget includes an increase of $6,000,000 from the General Fund in FY 2027 to backfill one-time FMAP savings. The FY 2026 enacted budget included a one-time decrease of $(6,000,000) from the General Fund due to revisions to the state's FMAP in FFY 2025. This increase backfills those one-time savings in FY 2027.

Backfill Prescription Drug Rebate Shift

The budget includes an increase of $50,000,000 from the General Fund and a corresponding decrease of $(50,000,000) from PDRF - State in FY 2027 to backfill a portion of an FY 2026 General Fund offset. The 3-year spending plan associated with the FY 2026 enacted budget included a $150,000,000 offset in FY 2026 but assumed the offset would be reduced to $100,000,000 beginning in FY 2027.

Background – Traditional Medicaid Services funds physical health and behavioral health services of the following populations with the following net incomes:

- Children under 1, up to 147% of the federal poverty level (FPL).
- Children aged 1-5, up to 141% FPL.
- Children aged 6-18, up to 133% FPL.
- Pregnant women (including 1 year postpartum), up to 156% FPL.
- Aged, blind, and disabled adults, up to 75% FPL for an individual and 83% FPL for a couple.
- Parents and caretaker relatives, up to 15% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program.
- Working individuals aged 16-64 that are blind or have a disability, up to 250% FPL ("Freedom to Work").

Proposition 204 Services

The budget includes $7,193,353,000 in FY 2027 for Proposition 204 Services. This amount consists of:

General Fund	187,697,200
Health Care Investment Fund	243,092,300
Hospital Assessment Fund	455,223,700
Political Subdivision Funds	61,574,500
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	13,467,800
TPTF - Proposition 204 Protection Account	28,282,300
AHCCCS Fund	6,102,015,200

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(257,608,800) in FY 2027 for formula adjustments. This amount consists of:

General Fund	(11,821,500)
Health Care Investment Fund	(133,000)
Hospital Assessment Fund	(20,769,500)
Political Subdivision Funds	13,799,400
TPTF - Emergency Health Services Account	(1,932,200)
TPTF - Proposition 204 Protection Account	(4,057,700)
AHCCCS Fund	(232,694,300)

Remove FY 2026 Supplemental

The budget includes a decrease of $(247,415,800) in FY 2027 for the removal of one-time supplemental formula funding in FY 2026. This amount consists of:

General Fund	(12,618,000)
Health Care Investment Fund	(800)
Hospital Assessment Fund	(19,737,700)
Political Subdivision Funds	(50,097,300)
TPTF - Proposition 204 Protection Account	4,029,400
AHCCCS Fund	(168,991,400)

Backfill Hospital Assessment Behavioral Health Shift

The budget includes an increase of $100,000,000 from the General Fund and a corresponding decrease of $(100,000,000) from the Hospital Assessment Fund in FY 2027 to backfill a portion of the behavioral health costs of the Proposition 204 population. The FY 2025 Health Care BRB only permitted the use of the Hospital Assessment in FY 2025 and FY 2026 to cover behavioral health expenses. The 3-year spending plan therefore included this FY 2027 increase. *(Please see the FY 2026 Appropriations Report for additional information.)*

The FY 2027 Health Care BRB exempts AHCCCS from rulemaking requirements for implementing the hospital assessment in FY 2027 and makes the rulemaking exemption retroactive to July 1, 2026.

Beginning in FY 2028, H.R. 1 reduces the maximum assessment rate by (0.5)% each year until it reaches 3.5% by FY 2032. AHCCCS currently levies a 6.0% assessment, the maximum allowed under prior federal law.

Background – The Proposition 204 program serves adults with incomes that exceed the income limits for the Traditional population but are below 100% FPL (childless adults, aged, blind, and disabled adults) or below 106% FPL (parents and caretaker relatives).

Adult Expansion Services

The budget includes $844,120,200 in FY 2027 for Adult Expansion Services. This amount consists of:

General Fund	9,108,700
Health Care Investment Fund	19,867,100
Hospital Assessment Fund	62,007,200
Political Subdivision Funds	3,557,600
AHCCCS Fund	749,579,600

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $45,392,900 in FY 2027 for formula adjustments. This amount consists of:

General Fund	773,900
Health Care Investment Fund	1,100
Hospital Assessment Fund	15,132,500
Political Subdivision Funds	736,600
AHCCCS Fund	28,748,800

Remove FY 2026 Supplemental

The budget includes a decrease of $(83,644,800) in FY 2027 for the removal of one-time supplemental formula funding in FY 2026. This amount consists of:

General Fund	(1,633,500)
Health Care Investment Fund	(37,100)
Hospital Assessment Fund	(5,618,000)
Political Subdivision Funds	111,000
AHCCCS Fund	(76,467,200)

Background – The Adult Expansion Services line item funds Medicaid services for adults aged 19-64 with net incomes above the Proposition 204 income thresholds but at or below 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 budget includes $200,180,300 in FY 2027 for the Comprehensive Health Plan (CHP). This amount consists of:

General Fund	62,906,500
Health Care Investment Fund	9,092,200
AHCCCS Fund	128,181,600

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $21,529,500 in FY 2027 for formula adjustments. This amount consists of:

General Fund	6,729,800
Health Care Investment Fund	2,503,900
AHCCCS Fund	12,295,800

These amounts consist of a decrease of $(2,228,500) for standard formula adjustments, as well as a one-time increase of $23,758,000 for a CHP reconciliation payment. The payment is associated with a CHP operating costs shortfall for the contract year ending on September 30, 2024.

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 budget includes $257,442,000 in FY 2027 for KidsCare Services. This amount consists of:

General Fund	54,834,700
Health Care Investment Fund	12,911,500
Political Subdivision Funds	2,194,900
CHIP Fund	187,500,900

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(193,300) in FY 2027 for formula adjustments. This amount consists of:

General Fund	452,800
Health Care Investment Fund	(99,100)
Political Subdivision Funds	467,700
CHIP Fund	(1,014,700)

Remove FY 2026 Supplemental

The budget includes a decrease of $(657,800) from Political Subdivision Funds in FY 2027 for the removal of one-time supplemental formula funding in FY 2026.

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.

State law requires AHCCCS to adopt rules for the collection of premiums from families with incomes above 150% FPL. Prior to the COVID-19 pandemic, households were charged a monthly premium of $10 to $70, depending on the family's income and number of children enrolled in the program. However, AHCCCS has paused premium collections "until further notice" as it develops changes to its premium policies. In anticipation of these changes, AHCCCS has applied for and received federal approval to waive any consequences for failure to pay KidsCare premiums.

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 budget includes $2,663,643,700 in FY 2027 for ALTCS Services. This amount consists of:

General Fund	445,072,900
Health Care Investment Fund	29,932,900
Political Subdivision Funds	22,947,200
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	91,455,300
Long Term Care System Fund	2,030,235,000

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $206,558,900 in FY 2027 for formula adjustments. This amount consists of:

General Fund	41,361,000
Health Care Investment Fund	521,500
Political Subdivision Funds	4,700,900
Nursing Facility Provider Assessment Fund	(1,157,400)
Long Term Care System Fund	161,132,900

Remove FY 2026 Supplemental

The budget includes a decrease of $(57,485,100) in FY 2027 for the removal of one-time supplemental formula funding in FY 2026. This amount consists of:

General Fund	(2,894,900)
Health Care Investment Fund	(180,000)
Long Term Care System Fund	(54,410,200)

Additionally, the FY 2027 Health Care BRB exempts AHCCCS from rulemaking requirements related to service frequency and hour limitation policy changes in FY 2027. This exemption affects AHCCCS' proposed restrictions on attendant care/habilitation service utilization among ALTCS children, including children receiving services via the Parents as Paid Caregivers (PPCG) program. These

restrictions are related to statutory changes to PPCG required by HB 2945 from the 2025 session. Although these restrictions would primarily affect the Developmental Disabilities (DD) program within DES, approximately 406 children with physical disabilities under AHCCCS would potentially be affected as well.

Background – ALTCS provides coverage for individuals up to 224% of the FPL, or $35,784 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is approximately 75% of FPL, or $11,928 per person annually.

Pursuant to A.R.S. § 11-292, counties and the state jointly (E) cover the state match of the ALTCS program based on a statutory formula. The county monies are deposited in the Long Term Care System Fund along with federal funds. A General Appropriations Act footnote would continue to specify the county share of cost for the program, which the budget assumes will reach $445,813,900 in FY 2027.

Behavioral Health Services in Schools

The budget includes $8,289,600 in FY 2027 for Behavioral Health Services in Schools. This amount consists of:

General Fund	3,000,000
AHCCCS Fund	5,289,600

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(155,800) from the AHCCCS Fund in FY 2027 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.

Enhanced Residential Treatment Program

The budget includes $7,812,000 and 7 FTE Positions in FY 2027 for the Enhanced Residential Treatment Program. These amounts consist of:

Seriously Mentally Ill (SMI) Housing Trust Fund	2,739,600
AHCCCS Fund	5,072,400

Adjustments are as follows:

Enhanced Residential Treatment Program Funding

The budget includes an increase of $7,812,000 and 7 FTE Positions in FY 2027 for Enhanced Residential Treatment Program funding. These amounts consist of:

Seriously Mentally Ill (SMI) Housing Trust Fund	2,739,600
AHCCCS Fund	5,072,400

This funding is for the administrative and benefit costs of implementing a 3-year pilot program established by Laws 2026, Chapter 237. The budget adds a footnote stating it is the intent of the Legislature to continue the funding in FY 2028 and FY 2029. The monies are appropriated as non-lapsing.

The Medicaid-funded pilot program, subject to federal approval, will cover standard AHCCCS physical/behavioral health services, as well as stays in enhanced residential treatment facilities, which provide continuous supervision and structured day-to-day supports. Eligibility is limited to individuals that: have a serious mental illness (SMI), require an enhanced level of care, and have incomes up to 224% of the FPL, or $35,784 per year. Laws 2026, Chapter 237 establishes an enrollment cap of up to 60 qualifying SMI adults to be placed at one of these facilities. Additionally, AHCCCS may choose to increase the number of enrollees in the program, subject to available funding and review by the JLBC.

The Department of Health Services (DHS) is responsible for licensing and implementing standards for these facilities. The FY 2027 budget includes one-time funding for licensing costs. *(Please see the DHS narrative for additional details.)*

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The budget includes $77,646,900 from the General Fund in FY 2027 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2026.

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.)*

Case Management Provider Wage Increases

The budget includes no funding in FY 2027 for Case Management Provider Wage Increases. This amount is unchanged from FY 2026.

Supported Housing

The budget includes $65,324,800 in FY 2027 for Supported Housing. This amount consists of:

General Fund	5,324,800
AHCCCS Fund	60,000,000

These amounts are unchanged from FY 2026.

Background – This line item funds housing services that enable individuals to live in the community. These funds may serve Medicaid recipients authorized via a federal waiver and 100% state-funded recipients. AHCCCS administers its housing programs via 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.

Crisis Services

The budget includes $20,391,300 in FY 2027 for Crisis Services. This amount consists of:

General Fund	18,141,100
Substance Abuse Services Fund	2,250,200

Adjustments are as follows:

Crisis Services Hotline Funding

The budget includes a one-time increase of $4,000,000 from the General Fund in FY 2027 for crisis services hotline funding. The funding is for AHCCCS to address higher usage of the 24-hour 9-8-8 crisis services hotline, particularly increased usage among individuals not eligible for Medicaid.

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.

Secure Behavioral Health Residential Facilities

The budget includes no funding in FY 2027 for Secure Behavioral Health Residential Facilities. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(5,000,000) in FY 2027 to remove one-time funding for new Secure Behavioral Health Residential Facility (SBHRF) construction or retrofitting of an existing building to become an SBHRF facility. This amount consists of:

SMI Housing Trust Fund	(1,800,000)
IGA and ISA Fund	(3,200,000)

The FY 2026 budget directed AHCCCS to distribute monies to SBHRFs that intend to apply for DHS licensure and that provide secure on-site supportive treatment to persons that are determined to be seriously mentally ill, chronically resistant to treatment, and either civilly committed or deemed dangerous and incompetent to stand trial. AHCCCS issued a Request for Proposal (RFP) on April 30, 2026, based on an FY 2026 budget requirement. AHCCCS must give priority to facilities that can open within 12 months and meet the geographic needs of the state.

Hospital Payments

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

Disproportionate Share Payments - Private Hospitals

The budget includes $884,800 in FY 2027 for Disproportionate Share Payments (DSH) to private hospitals. This amount consists of:

General Fund	320,200
AHCCCS Fund	564,600

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $4,700 from the General Fund and a corresponding decrease of $(4,700) from the AHCCCS Fund in FY 2027 to reflect a change in the federal match rate.

This line item funds supplemental payments to private hospitals that serve a high share of Medicaid recipients and uninsured individuals. In FY 2025, there were 13

private hospitals that received DSH payments. *(For additional DSH program history, please refer to the FY 2026 Appropriations Report.)*

DSH Payments - Voluntary Match

The budget includes $207,593,800 in FY 2027 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	75,128,200
AHCCCS Fund	132,465,600

Adjustments are as follows:

Funding Adjustment

The budget includes an increase of $1,952,100 in FY 2027 due to DSH formula adjustments. This amount consists of:

Political Subdivision Funds	1,796,400
AHCCCS Fund	155,700

Background – This line item provides DSH payments to hospitals that serve a high share of Medicaid recipients and uninsured individuals with matching funds provided by political subdivisions. The budget continues a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments.

Graduate Medical Education

The budget includes $569,176,800 in FY 2027 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	191,942,600
AHCCCS Fund	368,234,200

Adjustments are as follows:

Funding Adjustment

The budget includes an increase of $40,618,500 in FY 2027 for a GME funding adjustment. This amount consists of:

Political Subdivision Funds	17,215,700
AHCCCS Fund	23,402,800

The funding adjustment reflects AHCCCS' estimate of hospital participation in the program in FY 2027, as well as changes in the federal match rate.

Remove One-Time HPSA Funding

The budget includes a decrease of $(11,507,400) in FY 2027 to remove one-time funding used to supplement GME payments to hospitals located in health professional shortage areas (HPSA). This amount consists of:

General Fund	(4,000,000)
AHCCCS Fund	(7,507,400)

As of the FY 2027 budget, the non-lapsing status of GME funding over the past 3 years is as follows:

- FY 2025 funding is non-lapsing through December 31, 2026.
- FY 2026 funding is non-lapsing through June 30, 2027, except for the one-time funding for HPSA, which is continuously non-lapsing.
- FY 2027 funding is non-lapsing through June 30, 2028.

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 2025, 34 hospitals received a total of $459,719,900 for Graduate Medical Education.

The General Fund portion of the program supports GME payments to hospitals located in health professional shortage areas. The budget continues footnotes that instruct AHCCCS how to allocate monies for this program.

Critical Access Hospitals

The budget includes $28,336,000 in FY 2027 for Critical Access Hospitals (CAH). This amount consists of:

General Fund	10,254,800
AHCCCS Fund	18,081,200

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $87,200 from the General Fund and a corresponding decrease of $(87,200) from the AHCCCS Fund in FY 2027 due to a change in the federal match.

FY 2027 Supplemental Pool Increase

The budget includes a one-time increase of $11,881,700 in FY 2027 to continue supplemental payments to Critical Access Hospitals. This amount consists of:

General Fund	4,300,000
AHCCCS Fund	7,581,700

Remove FY 2026 Supplemental Pool Increase

The budget includes a decrease of $(12,058,300) in FY 2027 to remove one-time funding for supplemental payments to Critical Access Hospitals. This amount consists of:

General Fund	(4,300,000)
AHCCCS Fund	(7,758,300)

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 2026, 12 hospitals qualified for funding from CAH.

Additionally, Arizona received $166,989,000 in non-appropriated grant monies from the federal government as part of the first year of the Rural Health Transformation (RHT) program. H.R. 1 appropriated $50,000,000,000 nationwide over 5 years ($10,000,000,000 annually) to support rural health initiatives such as provider payments, disease prevention, and workforce development. The program is designed to improve rural health care access and may offset at least a portion of the losses to rural hospitals from the new limitations on provider assessments and provisions expected to reduce Medicaid enrollment. The average grant award per state was $200,000,000.

The FY 2027 Health Care BRB establishes the non-appropriated Arizona Rural Health Transformation Fund under AHCCCS for these federal RHT grants. The BRB requires AHCCCS to hold 3 meetings and submit its expenditure plan to the JLBC for review prior to spending monies in this fund.

Targeted Investments Program

The budget includes $56,000,000 in FY 2027 for the Targeted Investments (TI) Program. This amount consists of:

Delivery System Reform Incentive Payment (DSRIP) Fund	20,612,000
AHCCCS Fund	35,388,000

Adjustments are as follows:

Funding Adjustment

The budget includes a decrease of $(11,000,000) in FY 2027 for a funding adjustment. This amount consists of:

DSRIP Fund	(3,709,800)
AHCCCS Fund	(7,290,200)

This adjustment is based on AHCCCS' estimated level of TI program payments in FY 2027.

Background – This program makes incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. In October 2022, CMS authorized the program at a total funding level of $250,000,000 over 5 years. 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.

Other Issues

This section includes information on the following topics:

- FY 2026 Supplemental
- Reduce Vacant FTE Positions
- Statutory Changes
- Long-Term Budget Impacts
- County Contributions

FY 2026 Supplemental

The budget includes an FY 2026 supplemental of $104,728,400 from the General Fund and $471,741,800 from expenditure authority to account for a projected formula funding shortfall. The General Fund supplemental consists of the following factors, which are described in more detail below:

- $(105,621,600) for lower-than-anticipated enrollment.
- $169,757,700 for a higher-than-anticipated capitation rate adjustment.
- $40,592,300 for all other factors.

The FY 2026 enacted budget assumed that AHCCCS enrollment would increase by approximately 15,000 throughout FY 2026 and total 1.86 million by June 2026. However, enrollment instead declined by (190,000), totaling 1.65 million by June 2026. The FY 2027 budget assumes that these enrollment declines are expected to generate $(105,621,600) in FY 2026 General Fund savings compared to the FY 2026 enacted budget.

However, on October 1, 2025, AHCCCS implemented an average capitation rate increase of 5.5%. Compared to the FY 2026 enacted budget's assumption of a 3.0% increase, this generated AHCCCS costs. On December 11, 2025,

AHCCCS further increased the October 1, 2025 rates retroactively by an additional 8.6%. The combined increase of both adjustments totaled 14.1%. The budget assumes that these increases generate $169,757,700 in General Fund costs compared to the FY 2026 enacted budget. AHCCCS attributed the need for these rate increases to a variety of factors, including:

- The caseload declines discussed above have resulted in members with higher-than-average health care costs remaining on the program.
- Significant increases in utilization of Applied Behavior Analysis (ABA) services.
- General medical inflation.

The budget assumes an additional $40,592,300 in above-budget General Fund costs from the following factors:

- The resolution of a backlog in provider prepayment reviews that resulted in a one-time increase in fee-for-service costs.
- Backfilling a larger-than-anticipated decline in tobacco tax revenue.
- An increase in the number of members receiving retroactive coverage.

The budget projects that the net impact of these factors results in a General Fund shortfall of $(104,728,400) in FY 2026. In addition to including an FY 2026 supplemental to account for this, the budget also includes a base adjustment as part of its formula adjustments for FY 2027.

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for AHCCCS by (120) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Statutory Changes

The Health Care BRB makes the following statutory changes:

Rates and Services

- As session law, continues 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.
- As session law, continues to mandate reporting by January 31, 2027, on aggregate spending and aggregate utilization of mental health medications, including antipsychotics and antidepressants, during the contract year ending on September 30, 2025.
- As session law, conditional on federal approval, establishes a 3-year pilot program in FY 2027 through FY 2029 for AHCCCS to cover traditional healing services when delivered at an Urban Indian Organization facility.
- As session law, exempts AHCCCS from rulemaking requirements for policy changes related to service frequency or hour limitations in FY 2027. Requires that the agency provide an opportunity for public comment at least 30 days before implementing the changes.

Counties

- As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, sets the FY 2027 County Acute Care contribution at $42,447,600.
- As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2027, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
- As session law, sets the FY 2027 county Arizona Long Term Care System (ALTCS) contributions at $445,813,900.

Hospitals

- As session law, continues to establish FY 2027 disproportionate share (DSH) distributions to the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center.
- As session law, continues to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.
- As session law, continues to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2027 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.
- As session law, exempts AHCCCS from rulemaking requirements for implementing the hospital assessment in FY 2027 and makes the rulemaking exemption retroactive to July 1, 2026.

Available Funding

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

H.R. 1 Implementation

- As session law, makes various changes to AHCCCS enrollment verification and presumptive eligibility policies in FY 2027. *(Please see the Medicaid Services section for additional details.)*
- As permanent law, establishes the Arizona Rural Health Transformation (RHT) Fund as a non-appropriated fund under AHCCCS for federal RHT grants. Requires AHCCCS to hold 3 public meetings and provide a report to the Joint Legislative Budget Committee detailing its expenditure plan for federal RHT grants before the Executive branch may spend any of the monies from the fund.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, AHCCCS' General Fund costs are projected to increase by $113,035,200 in FY 2028 above FY 2027 and by $122,642,800 in FY 2029 above FY 2028.

The FY 2028 estimate is based on:

- $131,535,200 for 1% caseload growth, 3.0% capitation growth, an estimated 63.81% FMAP, phasing in the impacts of H.R. 1 and the FY 2027 Health Care BRB, and the removal of funding for a one-time CHP reconciliation payment.
- $(18,500,000) to remove FY 2027 one-time funding.

The FY 2029 estimate is based on:

- $122,642,800 for 1% caseload growth, 3.0% capitation growth, an estimated 63.81% FMAP, and phasing in the impacts of H.R. 1 and the FY 2027 Health Care BRB.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 2*. 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.

Table 2

County Contributions

	FY 2026			FY 2027		
County	BNCF 1/	Acute 2/	ALTCS 3/	BNCF 1/	Acute 2/	ALTCS 3/
Apache	$168,500	$268,800	$707,000	$174,800	$268,800	$792,400
Cochise	314,300	2,214,800	7,510,100	326,100	2,214,800	8,055,900
Coconino	310,100	742,900	2,122,700	321,700	742,900	2,378,900
Gila	127,300	1,413,200	3,173,800	132,100	1,413,200	3,365,400
Graham	90,500	536,200	2,339,400	93,900	536,200	2,320,400
Greenlee	23,300	190,700	66,900	24,100	190,700	138,200
La Paz	48,200	212,100	828,800	50,000	212,100	756,100
Maricopa	0	14,783,900	275,201,600	0	14,417,300	298,895,000
Mohave	361,900	1,237,700	10,438,200	375,500	1,237,700	12,022,500
Navajo	237,200	310,800	2,926,600	246,100	310,800	3,279,800
Pima	2,155,700	14,951,800	63,729,700	2,237,100	14,951,800	68,282,000
Pinal	421,800	2,715,600	17,094,300	437,700	2,715,600	19,662,800
Santa Cruz	99,700	482,800	2,949,900	103,400	482,800	3,204,100
Yavapai	398,500	1,427,800	7,808,600	413,400	1,427,800	8,793,400
Yuma	355,300	1,325,100	12,640,000	368,600	1,325,100	13,867,000
Subtotal	**$5,112,300**	**$42,814,200**	**$409,537,600**	**$5,304,500**	**$42,447,600**	**$445,813,900**
Total			**$457,464,100**			**$493,566,000**

1/ Numbers may not add to total due to rounding.
2/ County contributions to the acute care program are displayed within the AHCCCS Fund under the Traditional Medicaid Services line item.
3/ County contributions to the ALTCS program are displayed within the Long Term Care System Fund.

Arizona Commission on the Arts

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	**2,000,000**	**2,000,000**	**2,000,000** 1/
FUND SOURCES			
General Fund	2,000,000	2,000,000	2,000,000
SUBTOTAL - Appropriated Funds	**2,000,000**	**2,000,000**	**2,000,000**
Other Non-Appropriated Funds	1,343,500	1,733,300	2,131,800 2/
Federal Funds	1,154,300	1,257,000	1,257,000
TOTAL - ALL SOURCES	4,497,800	4,990,300	5,388,800

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 Appropriations Act funds are appropriated as a Special Line Item by Agency.

2/ Monies appropriated from the General Fund for deposit into the Arts Trust Fund pursuant to the FY 2027 General Appropriations Act are not displayed to avoid double counting of appropriations.

Arts Trust Fund Deposit

The budget includes $2,000,000 from the General Fund in FY 2027 for deposit into the non-appropriated Arts Trust Fund. Adjustments are as follows:

Remove One-Time FY 2026 Funding

The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 to remove one-time funding for the Arts Trust Fund.

One-Time FY 2027 Arts Trust Fund Deposit

The budget includes an increase of $2,000,000 from the General Fund in FY 2027 for a one-time deposit into the Arts Trust Fund.

The budget's 3-year plan includes $1,000,000 from the General Fund in FY 2028 for a one-time deposit into 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.

Board of Athletic Training

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	1.5	1.5	1.5
Personal Services	86,300	75,400	75,400
Employee Related Expenditures	31,000	60,800	64,100
Professional and Outside Services	14,800	0	0
Travel - In State	1,200	1,200	1,200
Other Operating Expenditures	29,600	28,600	29,000
Equipment	100	0	0
AGENCY TOTAL	**163,000**	**166,000**	**169,700** 1/
FUND SOURCES			
Other Appropriated Funds			
Athletic Training Fund	163,000	166,000	169,700
SUBTOTAL - Other Appropriated Funds	163,000	166,000	169,700
SUBTOTAL - Appropriated Funds	**163,000**	**166,000**	**169,700**
TOTAL - ALL SOURCES	163,000	166,000	169,700

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

FOOTNOTES

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

Operating Budget

The budget includes $169,700 and 1.5 FTE Positions from the Athletic Training Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $3,700 from the Athletic Training Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Attorney General - Department of Law

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	677.7	677.7	677.7
Personal Services	36,166,500	36,441,100	36,441,100
Employee Related Expenditures	12,596,400	14,489,600	17,220,900
Professional and Outside Services	1,276,500	608,700	608,700
Travel - In State	211,600	283,600	283,600
Travel - Out of State	138,400	108,300	108,300
Other Operating Expenditures	8,900,100	12,523,100	12,073,000
Equipment	538,500	875,600	875,600
OPERATING SUBTOTAL	**59,828,000**	**65,330,000**	**67,611,200** [1/2/3/]
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(610,000)
Additional Operating Resources			
Capital Postconviction Prosecution	848,100	880,300	899,100
Criminal Division Major Fraud Unit	896,600	1,268,100	1,424,100
Southern Arizona Law Enforcement	1,620,500	1,717,300	1,822,000
State Grand Jury	187,400	194,400	197,100
Other Programs			
Child and Family Advocacy Centers	100,000	100,000	100,000 [4/]
Coordinated Reentry Planning Services Grants	0	10,000,000	17,000,000 [5/]
Government Accountability and Special Litigation	1,212,300	1,467,300	1,789,200
Internet Crimes Against Children Enforcement	49,400	1,613,300	1,613,300 [6/]
Military Airport Planning	79,100	85,000	85,000 [7/]
Organized Retail Theft Task Force	1,027,900	1,645,200	1,860,800 [8/]
Risk Management Interagency Service Agreement	8,347,700	10,489,000	10,487,800
Tobacco Enforcement	223,100	877,000	877,000
Victims' Rights	2,363,000	4,022,500	4,029,000
Opioid-Related Distributions			
Transfer to ADC for Opioid Remediation/Allowable Settlement Uses	40,000,000	40,000,000	40,000,000 [9/]
Transfer to DEMA for Opioid Remediation/Allowable Settlement Uses	3,000,000	0	0
Transfer to DHS for Opioid Remediation/Allowable Settlement Uses	1,000,000	0	0
Veterans Substance Abuse Treatment Grants	100	0	0
AGENCY TOTAL	**120,783,200**	**139,689,400**	**149,185,600** [10/]
FUND SOURCES			
General Fund	26,245,500	27,692,600	35,514,600
Other Appropriated Funds			
Antitrust Enforcement Revolving Fund	156,800	162,900	178,300
Attorney General Legal Services Cost Allocation Fund	1,863,700	2,338,900	2,371,600
Collection Enforcement Revolving Fund – Operating	7,182,700	7,374,300	7,529,400
Consumer Protection - Consumer Fraud Revolving Fund	12,535,100	16,918,400	19,791,300
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund	44,000,100	50,000,000	43,000,000
Drag Race Prevention Enforcement Fund	0	0	800,000
Driving Under the Influence Abatement Fund	0	0	1,800,000
Interagency Service Agreements Fund	15,940,600	17,635,600	17,633,200
Internet Crimes Against Children Enforcement Fund	0	900,000	900,000
Risk Management Revolving Fund	10,698,800	12,855,300	12,853,800
Utility Regulation Revolving Fund	0	0	3,000,000

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Victims' Rights Fund	2,159,900	3,811,400	3,813,400
SUBTOTAL - Other Appropriated Funds	94,537,700	111,996,800	113,671,000
SUBTOTAL - Appropriated Funds	**120,783,200**	**139,689,400**	**149,185,600**
Other Non-Appropriated Funds	68,347,100	73,033,200	73,493,000
Federal Funds	20,471,300	11,556,500	11,994,700
TOTAL - ALL SOURCES	209,601,600	224,279,100	234,673,300

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/ 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 2026-2027. (General Appropriations Act footnote)

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 Appropriations Act footnote)

3/ Of the amount appropriated in the operating lump sum appropriation in fiscal year 2026-2027, $204,100 and 4 FTE positions shall be used to expand the medicaid fraud control unit within the criminal division of the office of the attorney general.

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 Appropriations Act footnote)

5/ Of the amount appropriated in the coordinated reentry planning services grants line item, $2,000,000 shall be distributed to each of Coconino, Maricopa, Mohave, Navajo, Pima, Pinal and Yavapai counties in fiscal year 2026-2027 to supplement costs associated with the operation of an existing coordinated reentry planning services program, $2,000,000 shall be distributed to La Paz county to establish a coordinated reentry planning services program and $1,000,000 shall be distributed as a grant to establish a statewide coordinated reentry planning services database. The coordinated reentry planning services grants line item includes $3,000,000 from monies deposited in the consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44 1531.02, Arizona Revised Statutes, that are not related to opioid claims pursuant to section 44-1531.02, subsection C, Arizona Revised Statutes. (General Appropriations Act footnote)

6/ The $900,000 appropriation from the internet crimes against children enforcement fund established by section 41-199, Arizona Revised Statutes, and the $378,300 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, 2028. (General Appropriations Act footnote)

7/ 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 Appropriations Act.

8/ The amount appropriated 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 Appropriations Act footnote)

9/ A. In addition to any other appropriation made in fiscal year 2026-2027, the sum of $40,000,000 is appropriated from the consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44-1531.02, Arizona Revised Statutes, in fiscal year 2026-2027 to the attorney general. This amount consists of monies deposited in the subaccount pursuant to opioid claims-related litigation or settlements.

B. On or before July 8, 2026, the attorney general shall transfer the monies appropriated in subsection A of this section to the state department of corrections opioid remediation fund established pursuant to section 35-142, Arizona Revised Statutes. If sufficient monies are not available on July 8, 2026 to complete the transfer of all monies appropriated in subsection A of this section, on or before July 8, 2026, the attorney general shall transfer such monies as are then held in the consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44-1531.02, Arizona Revised Statutes, and not otherwise appropriated by the legislature. If a partial transfer is made pursuant to the preceding sentence, then within three business days of receipt of additional monies into the

consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44-1531.02, Arizona Revised Statutes, the attorney general shall transfer such monies to the state department of corrections opioid remediation fund established pursuant to section 35-142, Arizona Revised Statutes, and shall repeat such transfer process on receipt of additional monies until the entirety of the amount appropriated in subsection A of this section has been transferred.

C. The state department of corrections shall use the monies in the state department of corrections opioid remediation fund only for past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the one Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation.

D. Except as provided in subsection C of this section, the attorney general shall not impose any conditions on the transfer of the monies in the state department of corrections opioid remediation fund.

E. If the attorney general does not transfer the full amount specified in subsection A of this section on or before the date specified in subsection B of this section, the general accounting office of the department of administration shall directly transfer the amount from the consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44 1531.02, Arizona Revised Statutes, to the state department of corrections opioid remediation fund.

F. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote, Section 123)

10/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $67,611,200 and 517.5 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$24,379,500
Antitrust Enforcement Revolving Fund	178,300
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,371,600
Collection Enforcement Revolving Fund (CERF)	7,529,400
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	13,153,200
Interagency Service Agreements (ISA) Fund	17,633,200
Risk Management Revolving Fund	2,366,000

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $2,281,200 in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)* This amount consists of:

General Fund	(21,800)
Antitrust Enforcement Revolving Fund	15,400
Attorney General Legal Services Cost Allocation Fund (LSCAF)	32,700
Collection Enforcement Revolving Fund (CERF)	155,100
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	2,102,500
Interagency Service Agreements (ISA) Fund	(2,400)
Risk Management Revolving Fund	(300)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(610,000) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Additional Operating Resources

Capital Postconviction Prosecution

The budget includes $899,100 and 6 FTE Positions from the General Fund in FY 2027 for Capital Postconviction Prosecution. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $18,800 from the General Fund in FY 2027 for statewide adjustments.

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

Criminal Division Major Fraud Unit

The budget includes $1,424,100 and 7 FTE Positions from the CPCF Revolving Fund in FY 2027 for the Criminal Division Major Fraud Unit. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $156,000 from the CPCF Revolving Fund in FY 2027 for statewide adjustments.

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.

Southern Arizona Law Enforcement

The budget includes $1,822,000 and 16 FTE Positions in FY 2027 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,375,700
CPCF Revolving Fund	446,300

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $104,700 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	27,800
CPCF Revolving Fund	76,900

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.

State Grand Jury

The budget includes $197,100 and 1.6 FTE Positions from the General Fund in FY 2027 for the State Grand Jury. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $2,700 from the General Fund in FY 2027 for statewide adjustments.

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.

Other Programs

Child and Family Advocacy Centers

The budget includes $100,000 from the General Fund in FY 2027 for the Child and Family Advocacy Centers line item. This amount is unchanged from FY 2026.

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, which provide victim advocacy, case management, and counseling services to primary and secondary victims of child abuse, domestic violence, sexual assault, elder abuse and homicide.

Coordinated Reentry Planning Services Grants

The budget includes $17,000,000 in FY 2027 for distributions to counties for coordinated reentry planning services programs. This amount consists of:

General Fund	8,400,000
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (Non-Opioid)	3,000,000
Drag Race Prevention Enforcement Fund	800,000
Driving Under the Influence Abatement Fund	1,800,000
Utility Regulation Revolving Fund	3,000,000

Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(10,000,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2027 for Coordinated Reentry Planning Services Grants. An FY 2026 General Appropriations Act footnote specifies that $2,000,000 shall be distributed to each of Coconino, Mohave, Navajo, Pinal, and Yavapai counties to supplement costs associated with the operation of existing coordinated reentry planning services programs as defined in A.R.S. § 11-392.

One-Time Funding

The budget includes an increase of $17,000,000 in FY 2027 for Coordinated Reentry Planning Services Grants. This amount consists of:

General Fund	8,400,000
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (Non-Opioid)	3,000,000
Drag Race Prevention Enforcement Fund	800,000
Driving Under the Influence Abatement Fund	1,800,000
Utility Regulation Revolving Fund	3,000,000

An FY 2027 General Appropriations Act footnote specifies that $2,000,000 shall be distributed to each of Coconino, Maricopa, Mohave, Navajo, Pima, Pinal, and Yavapai counties to supplement costs associated with the operation of existing coordinated reentry planning services programs as defined in A.R.S. § 11-392. The footnote further directs $2,000,000 to be distributed to La Paz County to establish a coordinated reentry planning services program, and the remaining $1,000,000 as a grant to establish a statewide coordinated reentry planning services database.

Coordinated reentry planning services programs screen and assess individuals booked into a county jail and connect those individuals with behavioral health and substance use disorder treatment providers while they move through the criminal justice process.

Statute requires any county that receives state monies for the operation of a coordinated reentry planning services program to annually report to JLBC and the Governor's Office of Strategic Planning and Budgeting on the outcomes of the coordinated reentry program and the populations served.

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 that are not related to settlements with opioid distributors.

Government Accountability and Special Litigation

The budget includes $1,789,200 and 10 FTE Positions from the CPCF Revolving Fund in FY 2027 for the Government Accountability and Special Litigation (GASL) line item. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $321,900 from the CPCF Revolving Fund in FY 2027 for statewide adjustments.

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.

Internet Crimes Against Children Enforcement

The budget includes $1,613,300 and 2 FTE Positions in FY 2027 for the Internet Crimes Against Children (ICAC) Enforcement line item. These amounts consists of:

General Fund	378,300
ICAC Enforcement Fund	900,000
CPCF Revolving Fund	335,000

These amounts are unchanged from FY 2026.

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

An ongoing General Appropriations Act footnote makes the General Fund and ICAC Enforcement Fund amounts non-lapsing through the following fiscal year.

Military Airport Planning

The budget includes $85,000 and 1 FTE Position from the General Fund in FY 2027 for Military Airport Planning. These amounts are unchanged from FY 2026.

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 Appropriations 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.

Organized Retail Theft Task Force

The budget includes $1,860,800 and 9 FTE Positions from the CPCF Revolving Fund in FY 2027 for the Organized Retail Theft Task Force line item. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $215,600 from the CPCF Revolving Fund in FY 2027 for statewide adjustments.

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 Appropriations 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 budget includes $10,487,800 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2027 for the Risk Management Interagency Service Agreement. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of $(1,200) from the Risk Management Revolving Fund in FY 2027 for statewide adjustments.

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.

Tobacco Enforcement

The budget includes $877,000 and 6.6 FTE Positions in FY 2027 for Tobacco Enforcement. These amounts consist of:

General Fund	94,300
CPCF Revolving Fund	782,700

These amounts are unchanged from FY 2026.

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 budget 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 budget includes a total of up to $2,077,000 for the Attorney General to enforce the MSA in FY 2027.

Victims' Rights

The budget includes $4,029,000 and 8 FTE Positions in FY 2027 for Victims' Rights. These amounts consist of:

General Fund	215,600
Victims' Rights Fund	3,813,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $6,500 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	4,500
Victims' Rights Fund	2,000

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.

Opioid-Related Distributions

Transfer to ADC for Opioid Remediation/Allowable Settlement Uses

The budget includes $40,000,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2027 for a transfer to the State Department of Corrections Opioid Remediation Fund established within the Arizona Department of Corrections (ADC) for opioid remediation and allowable settlement uses. This amount is unchanged from FY 2026.

Section 123 of the General Appropriations Act requires ADC to use the monies in the State Department of Corrections Opioid Remediation Fund only for past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the One Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation.

The budget continues a General Appropriations Act footnote that would require the appropriation to be transferred to the ADC Opioid Remediation Fund by July 8, 2026. If the AG has insufficient monies for the transfer

on July 8, the AG must transfer whatever balance is available, and then continue to transfer any new revenues to the ADC Opioid Remediation Fund within 3 business days of those monies becoming available, until the full $40,000,000 transfer has been completed. These monies are non-lapsing.

Transfer to DEMA for Opioid Remediation/Allowable Settlement Uses

The budget includes no funding in FY 2027 for a transfer to the Department of Emergency and Military Affairs Opioid Remediation Fund established within the Arizona Department of Emergency and Military Affairs (DEMA) to expand existing drug interdiction efforts for the purposes of reducing drug trafficking activities, with a focus on assisting law enforcement agencies in fentanyl cases. This amount is unchanged from FY 2026.

The FY 2026 budget appropriated monies to DEMA in FY 2026 from non-AG funds for purposes comparable to those funded by AG opioid claims-related monies in FY 2025. An FY 2025 General Appropriation Act footnote made the FY 2025 appropriation non-lapsing. *(Please see the DEMA section for additional information.)*

Transfer to DHS for Opioid Remediation/Allowable Settlement Uses

The budget includes no funding in FY 2027 for a transfer to the Department of Health Services Opioid Remediation Fund established within the Arizona Department of Health Services (DHS) to distribute and equip first responders with overdose reversal medication. This amount is unchanged from FY 2026.

An FY 2025 General Appropriation Act footnote made the FY 2025 appropriation non-lapsing.

One-Time Veterans Substance Abuse Treatment Grants

The budget includes no funding in FY 2027 for veterans substance abuse treatment grants. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated $5,000,000 for veterans substance abuse treatment grants. An FY 2025 General Appropriations Act footnote specified that organizations must treat opioid use disorder in conjunction with judicial substance abuse treatment programs to be eligible for these grants. Because the AG did not submit an expenditure plan to JLBC for review for this line item, the appropriation lapsed without any monies being expended.

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.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Opioid Settlements
- Attorney General Legal Services Cost Allocation Fund

Statutory Changes

The Criminal Justice Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, continues the Civil Rights Division within the Attorney General's Office and terminates the Civil Rights Advisory Board. The Civil Rights Division previously had a repeal date of January 1, 2027.

The Health Care BRB makes the following statutory changes:

- As session law, if a local jurisdiction exceeds its expenditure limit in FY 2027 due to spending monies from the One Arizona opioid settlement agreement, the "exceedance" penalty shall be reduced by the amount of the One Arizona distribution.
- As permanent law, prevent a local government from spending opioid claims-related monies on safer smoking equipment.

Opioid Settlements

The Attorney General has reported that they estimate the state will receive $533.8 million over the lifetime of numerous settlements with opioid manufacturers and distributors for their role in the proliferation of opioid addiction. Under the terms of the majority of these settlements, the state receives 44% of the total settlement amount, with the remaining 56% going to cities and counites. The $533.8 million figure represents the state's 44% share of the total settlement amount. The Attorney General currently projects that settlement payments will finish by FY 2041.

These settlement monies may 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.

Opioid settlement monies are deposited in the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. Beginning in FY 2024, all opioid settlement monies deposited in the Consumer Remediation Subaccount are subject to both JLBC review and legislative appropriation, pursuant to A.R.S. 44-1531.02C.

Statute requires the AG to report annually on or before December 31 to JLBC and OSPB on the estimated total opioid revenues to be received by the state through the lifetime of all opioid settlements to which the state is party.

Since FY 2023, the Legislature has made the following appropriations of opioid settlement monies to the Attorney General:

- FY 2023: $5.0 million for grants to counties and medically underserved populations.
- FY 2024: $11.5 million for grants to counties with coordinated reentry programs; $500,000 to governmental child and family advocacy centers; and $75.0 million for transfer to ADC for opioid remediation expenses.
- FY 2025: $40.0 million for transfer to ADC for opioid remediation expenses; $5.0 million for Veterans Substance Abuse Treatment Grants; $3.0 million for transfer to DEMA for opioid remediation expenses; and $1.0 million for transfer to DHS for opioid remediation expenses.
- FY 2026: $40.0 million for transfer to ADC for opioid remediation expenses; $10.0 million for Coordinated Reentry Planning Services Grants.
- FY 2027: $40.0 million for transfer to ADC for opioid remediation expenses.

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 Appropriations Act each year. See *Table 1* for a list of agencies and their corresponding FY 2027 Attorney General Legal Services charge. These charges do not necessarily represent the full cost for Attorney General legal services paid by an agency, which may also include costs associated with interagency service agreements between an agency and the Attorney General's office. These amounts are unchanged from FY 2026. *(Please see the FY 2015, FY 2018 and the FY 2022 Appropriations Reports for a more detailed history.)*

Table 1

FY 2027 Attorney General Legal Services Charges

Agency	Charge
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**

Barbering and Cosmetology Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	33.5	33.5	36.5
Personal Services	1,466,200	1,545,600	1,698,900
Employee Related Expenditures	584,300	730,300	684,600
Professional and Outside Services	81,700	123,700	123,700
Travel - In State	38,900	38,000	38,000
Travel - Out of State	5,900	9,500	9,500
Other Operating Expenditures	606,700	570,700	785,300
Equipment	79,000	9,500	9,500
OPERATING SUBTOTAL	**2,862,700**	**3,027,300**	**3,349,500** 1/
SPECIAL LINE ITEMS			
IT Development	200,000	200,000	0
AGENCY TOTAL	**3,062,700**	**3,227,300**	**3,349,500** 2/
FUND SOURCES			
Other Appropriated Funds			
Barbering and Cosmetology Fund	3,062,700	3,227,300	3,349,500
SUBTOTAL - Other Appropriated Funds	3,062,700	3,227,300	3,349,500
SUBTOTAL - Appropriated Funds	**3,062,700**	**3,227,300**	**3,349,500**
TOTAL - ALL SOURCES	3,062,700	3,227,300	3,349,500

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/ Of the amount appropriated in the lump sum appropriation in fiscal year 2026-2027, $235,000 shall be used to fill three FTE positions, including one licensing specialist, one customer service representative and one quality assurance specialist (General Appropriations Act footnote).

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $3,349,500 and 36.5 FTE Positions from the Barbering and Cosmetology Fund in FY 2027 for the operating budget. Adjustments are as follows:

Additional FTEs

The budget includes an increase of $235,000 and 3 FTE Positions from the Barbering and Cosmetology Fund in FY 2027 for 1 licensing specialist, 1 customer service representative, and 1 quality assurance specialist.

Statewide Adjustments

The budget includes an increase of $87,200 from the Barbering and Cosmetology Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

IT Development

The budget includes no funding in FY 2027 for IT Development. Adjustments are as follows:

Remove One-Time FY 2026 Funding

The budget includes a decrease of $(200,000) from the Barbering and Cosmetology Fund in FY 2027 to remove one-time funding for IT Development from Laws 2024, Chapter 250.

Laws 2024, Chapter 250 appropriated $200,000 from Barbering and Cosmetology Fund for IT Development in FY 2025 and FY 2026. These one-time appropriations were exempt from lapsing, and were not included in the FY 2025 and FY 2026 General Appropriations Acts.

Other Issues

Auditor General Report

In September 2025, the Auditor General published a performance audit and sunset review of the Barbering and Cosmetology Board. The report found that the Board did not evaluate the reasonableness of their licensing and registration fees, resulting in the Board charging fees in excess of its operating costs. The Auditor General recommended that the Board develop and implement written policies and procedures to annually analyze individual fees to determine their reasonableness.

Board of Behavioral Health Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	27.0	27.0	27.0
Personal Services	1,578,000	1,509,400	1,509,400
Employee Related Expenditures	638,900	735,700	842,300
Professional and Outside Services	134,300	211,700	191,300
Travel - In State	4,600	20,000	20,000
Travel - Out of State	3,400	15,000	15,000
Other Operating Expenditures	298,400	594,000	258,200
Equipment	92,400	39,400	39,400
AGENCY TOTAL	**2,750,000**	**3,125,200**	**2,875,600** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Behavioral Health Examiners Fund	2,750,000	3,125,200	2,875,600
SUBTOTAL - Other Appropriated Funds	2,750,000	3,125,200	2,875,600
SUBTOTAL - Appropriated Funds	**2,750,000**	**3,125,200**	**2,875,600**
TOTAL - ALL SOURCES	2,750,000	3,125,200	2,875,600

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $2,875,600 and 27 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time E-Licensing Transition Funding

The budget includes a decrease of $(20,400) from the Board of Behavioral Health Examiners Fund in FY 2027 to remove one-time costs associated with an e-licensing transition consultant.

Remove One-Time Office Space Reorganization

The budget includes a decrease of $(187,900) from the Board of Behavioral Health Examiners Fund in FY 2027 to remove one-time office space reorganization costs due to the addition of 7 FTE Positions in the FY 2025 budget.

Remove One-Time Supplemental Increase

The budget includes a decrease of $(150,000) from the Board of Behavioral Health Examiners Fund in FY 2027 for the removal of an FY 2026 supplemental increase. *(Please see the Other Issues section for further details.)*

Statewide Adjustments

The budget includes an increase of $108,700 from the Board of Behavioral Health Examiners Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

FY 2026 Supplemental

The FY 2027 budget includes an FY 2026 supplemental appropriation of $150,000 from the Board of Behavioral Health Examiners Fund for one-time operating cost. *(Please see the operating budget for further details.)*

State Board for Charter Schools

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	25.0	25.0	25.0
Personal Services	1,478,000	1,480,500	1,480,500
Employee Related Expenditures	562,400	469,400	535,200
Professional and Outside Services	279,600	82,100	82,100
Travel - In State	14,000	10,000	10,000
Travel - Out of State	3,200	5,500	5,500
Other Operating Expenditures	281,000	238,700	238,200
Equipment	105,700	524,900	524,900
OPERATING SUBTOTAL	**2,723,900**	**2,811,100**	**2,876,400** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(70,300)
AGENCY TOTAL	**2,723,900**	**2,811,100**	**2,806,100**
FUND SOURCES			
General Fund	2,723,900	2,811,100	2,806,100
SUBTOTAL - Appropriated Funds	**2,723,900**	**2,811,100**	**2,806,100**
TOTAL - ALL SOURCES	2,723,900	2,811,100	2,806,100

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, 5 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, an alternative charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees over 550 charter schools.

FOOTNOTES

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

Operating Budget

The budget includes $2,876,400 and 25 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $65,300 from the General Fund in FY 2027 for statewide adjustments *(Please see Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(70,300) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Department of Child Safety

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	3,283.1	3,283.1	3,283.1
Personal Services	75,311,400	80,533,000	80,533,000
Employee Related Expenditures	33,023,500	38,814,700	41,387,700
Professional and Outside Services	8,663,500	18,942,000	18,942,000
Travel - In State	1,012,900	1,615,100	1,615,100
Travel - Out of State	28,400	0	0
Other Operating Expenditures	27,547,700	38,452,600	38,308,600
Equipment	477,500	863,900	863,900
OPERATING SUBTOTAL	**146,064,900**	**179,221,300**	**181,650,300** 1/-6/
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	27,989,800	29,914,500	32,096,400 7/
Caseworkers	143,493,500	139,316,600	141,923,800 8/
Group Home Monitoring Training Program	0	100,000	0
Office of Child Welfare Investigations	10,728,800	11,314,600	12,264,800
Training Resources	4,952,500	9,150,000	9,150,000
Vehicle Replacement	0	2,610,000	0
Out-of-Home Placements			
Congregate Care	105,099,600	116,892,500	134,429,700
Extended Foster Care	20,696,900	24,787,200	26,860,400
Extended Foster Care Service Model Fund Deposit	7,293,700	9,100,000	10,742,000
Foster Home Placement	32,816,500	40,547,300	40,547,300
Foster Home Recruitment, Study and Supervision	28,899,900	32,753,600	32,753,600
Kinship Care	13,943,700	15,184,600	15,184,600 9/10/
Permanent Placements			
Permanent Guardianship Subsidy	16,939,100	18,686,800	18,686,800
Adoption Services	263,333,800	282,440,400	282,440,400
Support Services			
DCS Child Care Subsidy	58,675,400	61,675,400	61,675,400
Preventive Services	25,812,500	28,412,700	28,412,700 11/12/
In-Home Mitigation	38,012,600	44,414,300	44,414,300
Out-of-Home Support Services	80,841,400	107,284,600	107,284,600
Comprehensive Health Plan			
Comprehensive Health Plan Administration	22,549,900	25,145,200	25,092,200
Comprehensive Health Plan Premium Tax	3,581,300	3,257,700	3,528,400
Comprehensive Health Plan Services	133,962,900 13/	156,730,300	172,360,900
AGENCY TOTAL	**1,185,688,700**	**1,338,939,600**	**1,381,498,600** 3/14/15/
FUND SOURCES			
General Fund	457,510,800	488,771,000	522,010,700
Other Appropriated Funds			
Child Abuse Prevention Fund	1,459,300	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	625,700	1,067,400	1,094,500
Children and Family Services Training Program Fund	0	207,500	207,500
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	176,681,900	160,985,500	160,980,300
SUBTOTAL - Other Appropriated Funds	219,282,900	204,235,700	204,257,600
SUBTOTAL - Appropriated Funds	**676,793,700**	**693,006,700**	**726,268,300**

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Expenditure Authority Funds			
Child Safety Expenditure Authority	348,800,900	460,799,700	454,248,800
Comprehensive Health Plan Fund	160,094,100	185,133,200	200,981,500
SUBTOTAL - Expenditure Authority Funds	508,895,000	645,932,900	655,230,300
FUND SOURCES			
SUBTOTAL - Appropriated/Expenditure Authority Funds	**1,185,688,700**	**1,338,939,600**	**1,381,498,600**
Other Non-Appropriated Funds	0	91,000	91,000
TOTAL - ALL SOURCES	1,185,688,700	1,339,030,600	1,381,589,600

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/ 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 Appropriations Act footnote)

2/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriations Act footnote)

3/ 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 or between any two out-of-home placements line items are not subject to review. (General Appropriations Act footnote)

4/ 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 Appropriations Act footnote)

5/ For the purposes of this section:

1. "Backlog case":
   a) 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.
   b) 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.
2. "Long-term case" means any case in which the child has been in an out-of-home placement for at least eighteen months.
3. "Open report" means a report that is under investigation or awaiting closure by a supervisor.

On or before February 28, 2027 and August 31, 2027, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2026 through December 2026 and January 2027 through June 2027, 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 Appropriations Act footnote)

6/ On or before December 1, 2026, 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 Appropriations Act footnote)

7/ 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 Appropriations Act footnote)

8/ On or before September 1, 2026, the department of child safety shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on the actual operating expenses for the guardian case management system in fiscal year 2025-2026 and the proposed system operating expenses for the system in fiscal year 2026-2027. (General Appropriations Act Footnote)

9/ 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 Appropriations Act footnote)

10/ On or before March 31, 2027, 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 Appropriations Act footnote)

11/ The preventive services line item appropriation includes $264,400 from the state general fund to draw down $1,322,000 in additional federal monies associated with the community based child abuse prevention block grant. If grant monies are no longer available, the appropriation is reduced by the amounts of $264,400 from the general fund and $1,322,000 from child safety expenditure authority. (General Appropriations Act footnote)

12/ The department shall notify the director of the joint legislative budget committee and the governor's office of strategic planning and budgeting if the nurturing parenting and family connections programs are favorably reviewed by the federal government and qualify for federal reimbursement. (General Appropriations Act footnote)

13/ Of the amount appropriated in the comprehensive health plan services line item in fiscal year 2024-2025 by Laws 2024, chapter 209, section 25, as amended by Laws 2025, chapter 233, section 1, $43,787,500 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

14/ 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 established by section 8-550.01, Arizona Revised Statutes, the children and family services training program fund established pursuant to section 8-503.01, Arizona Revised Statutes, and the comprehensive health plan expenditure authority fund established pursuant to section 8-512.02, Arizona Revised Statutes. (General Appropriations Act footnote)

15/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $181,650,300 and 1,472.9 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$101,778,300
Child Safety Expenditure Authority	58,390,900
Federal TANF Block Grant	20,386,600
Child Welfare Licensing Fee Fund	1,094,500

Adjustments are as follows:

One-Time Guardian IT Costs
The budget includes a one-time increase of $15,972,300 in FY 2027 to continue to support operational costs of Guardian, DCS's child safety information management system. This amount consists of:

General Fund	9,823,000
Child Safety Expenditure Authority	6,149,300

Remove One-Time Guardian IT Costs
The budget includes a decrease of $(15,972,300) in FY 2027 to remove one-time operating funding for Guardian, DCS's child safety information management system. This amount consists of:

General Fund	(9,823,000)
Child Safety Expenditure Authority	(6,149,300)

Statewide Adjustments
The budget includes an increase of $2,429,000 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	4,877,800
Child Safety Expenditure Authority	(2,470,700)
Federal TANF Block Grant	(5,200)
Child Welfare Licensing Fee Fund	27,100

(Please see the Agency Detail and Allocations section.)

Additional Operating Resources

Attorney General Legal Services

The budget includes $32,096,400 and 276.2 FTE Positions in FY 2027 for Attorney General Legal Services. These amounts consist of:

General Fund	25,066,500
Child Safety Expenditure Authority	7,029,900

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $2,181,900 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	2,999,900
Child Safety Expenditure Authority	(818,000)

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 budget includes $141,923,800 and 1,406 FTE Positions in FY 2027 for caseworkers. These amounts consist of:

General Fund	70,985,900
Children and Family Services Training Program Fund	207,500
Federal TANF Block Grant	28,958,100
Child Safety Expenditure Authority	41,772,300

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $2,607,200 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	4,903,300
Child Safety Expenditure Authority	(2,296,100)

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 May 2026, DCS had 1,248 filled case specialist positions.

Group Home Monitoring Training Program

The budget includes no funding in FY 2027 for a Group Home Monitoring Training Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(100,000) from the General Fund in FY 2027 to remove one-time funding for DCS to develop and maintain a webpage for a group home monitoring training program.

An FY 2026 budget footnote requires all group home employees contracted with DCS to complete the training program annually. The same footnote specifies that the training program should be free of charge and include instruction on preventing human trafficking. Monies in this line item are non-lapsing.

Office of Child Welfare Investigations

The budget includes $12,264,800 and 127 FTE Positions in FY 2027 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	12,062,800
Child Safety Expenditure Authority	202,000

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $950,200 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $9,150,000 in FY 2027 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2026.

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 2026, the latest data available from the agency, DCS reports that 121 ASU/NAU social work students received scholarships, including 27 Bachelors of Social Work (BSW) students and 94 Masters of Social Work (MSW) students.

Vehicle Replacement

The budget includes no funding in FY 2027 for Vehicle Replacement. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(2,610,000) from the General Fund in FY 2027 to remove one-time funding for DCS to replace aging fleet vehicles.

An FY 2026 Transportation Budget Reconciliation Bill (BRB) provision required DCS to participate in the state fleet.

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.

Congregate Care

The budget includes $134,429,700 in FY 2027 for Congregate Group Care. This amount consists of:

General Fund	83,195,500
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	29,811,200

Adjustments are as follows:

One-Time Congregate Care Federal Funding Backfill
The budget includes an increase of $36,896,700 from the General Fund in FY 2027 to continue to backfill an expected loss in federal funding as a result of new placement requirements associated with the Family First Prevention Services Act on a one-time basis.

Remove Congregate Care Federal Funding Backfill
The budget includes a decrease of $(19,359,500) from the General Fund in FY 2027 to remove a one-time federal funding backfill as a result of new foster care placement requirements associated with the Family First Prevention Services Act. In total, the FY 2026 budget appropriated $23,210,500 from the General Fund for this issue, with an ongoing amount of $3,851,000.

Table 1

Out-of-Home Placements [1/]

	June 2024	June 2025	May 2026
Kinship Care [2/]	4,061	3,480	3,309
Foster Home	2,458	2,258	2,149
Congregate Care	1,538	1,516	1,552
Group Home	*908*	*896*	*934*
Emergency Shelter	*13*	*11*	*13*
Behavioral Health Placement	*617*	*609*	*605*
Independent Living	643	735	804
Other [3/]	516	403	345
Total	**9,216**	**8,392**	**8,159** [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 May 2026 and includes "preliminary data" reported by DCS.

One-Time Federal Match Rate Adjustment

The budget includes an increase of $90,300 from the General Fund and a corresponding decrease of $(90,300) from Child Safety Expenditure Authority in FY 2027 to offset an estimated FY 2027 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

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 Comprehensive Health Plan 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. According to the latest available data from DCS, in FY 2026, an estimated monthly average of 1,497 clients received congregate care placements at an average monthly cost of $6,620 per placement.

Extended Foster Care

The budget includes $26,860,400 in FY 2027 for Extended Foster Care. This amount consists of:

General Fund	16,378,500
Child Safety Expenditure Authority	10,481,900

Adjustments are as follows:

Extended Foster Care Caseload

The budget includes a one-time increase of $2,073,200 to support a projected increase in caseloads and placement costs. This amount consists of:

General Fund	1,018,100
Child Safety Expenditure Authority	1,055,100

One-Time Federal Match Rate Adjustment

The budget includes a one-time increase of $110,400 from the General Fund and a corresponding decrease of $(110,400) from Child Safety Expenditure Authority in FY 2027 to offset an estimated FY 2027 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

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. According to the latest available data from DCS, a monthly average of 1,049 individuals aged 18-21 remained voluntarily in DCS foster care at an average monthly cost of $1,824 in FY 2026.

Extended Foster Care Service Model Fund Deposit

The budget includes $10,742,000 in FY 2027 for the Extended Foster Care Service Model Fund Deposit. This amount consists of:

General Fund	8,196,100
Child Safety Expenditure Authority	2,545,900

Adjustments are as follows:

One-Time Fund Deposit

The budget includes a one-time increase of $10,742,000 in FY 2027 to continue a deposit into the non-appropriated Extended Foster Care Comprehensive Service Model Fund. This amount consists of:

General Fund	8,196,100
Child Safety Expenditure Authority	2,545,900

Remove One-Time Fund Deposit

The budget includes a decrease of $(9,100,000) in FY 2027 to remove a one-time deposit into the non-appropriated Extended Foster Care Comprehensive Service Model Fund. This amount consists of:

General Fund	(6,400,000)
Child Safety Expenditure Authority	(2,700,000)

Background – This line item funds an extended foster care comprehensive service model established pursuant to A.R.S. § 8-521.03 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.

The FY 2026 Human Services BRB established the program and fund as permanent law.

Foster Home Placement

The budget includes $40,547,300 in FY 2027 for Foster Home Placement. This amount consists of:

General Fund	12,613,900
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	20,960,300

Adjustments are as follows:

One-Time Federal Match Rate Adjustment

The budget includes a one-time increase of 170,600 from the General Fund and a corresponding decrease of $(170,600) from Child Safety Expenditure Authority in FY 2027 to offset an estimated FY 2027 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

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. According to the latest available data from DCS, in FY 2026, an estimated monthly average of 2,249 clients received licensed foster home placements at an average monthly cost of $1,406 per placement.

Foster Home Recruitment, Study and Supervision

The budget includes $32,753,600 in FY 2027 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 2026.

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.

The department also uses this line item to cover the costs of a new Kinship Support Services (KSS) program to provide home visits, licensure assistance, and other supportive services to kinship caregivers. In FY 2025, the Executive allocated $31,700,000 from the State and Local Fiscal Recovery Fund (SLFRF) for this program. Obligated SLFRF monies must be expended by December 31, 2026. As of March 2026, DCS has spent $15,250,000 of its SLFRF allocation for the KSS program.

Kinship Care

The budget includes $15,184,600 in FY 2027 for Kinship Care. This amount consists of:

General Fund	8,584,600
Federal TANF Block Grant	6,000,000

These amounts are unchanged from FY 2026.

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. In FY 2026, on average, 3,503 children resided in unlicensed kinship care monthly.

A budget 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 footnote requires DCS to report to the Joint Legislative Budget Committee by March 31, 2027, 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 2024	June 2025	May 2026
Adoption	32,584	31,055	30,126
Permanent Guardianship	3,511	3,728	3,672
Total	**36,095**	**34,783**	**33,798**

Permanent Guardianship Subsidy

The budget includes $18,686,800 in FY 2027 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	11,743,800
Federal TANF Block Grant	6,943,000

These amounts are unchanged from FY 2026.

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. According to the latest available data from DCS, in FY 2026, an estimated monthly average of 3,665 clients received permanent guardianship subsidies at an average monthly cost of $389.

Adoption Services

The budget includes $282,440,400 in FY 2027 for Adoption Services. This amount consists of:

General Fund	83,946,100
Federal TANF Block Grant	20,945,700
Child Safety Expenditure Authority	177,548,600

Adjustments are as follows:

One-Time Federal Match Rate Adjustment

The budget includes a one-time increase of $1,405,400 from the General Fund and a corresponding decrease of $(1,405,400) from Child Safety Expenditure Authority in FY 2027 to offset an estimated FY 2027 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

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. According to the latest available data from DCS, in FY 2026, an estimated monthly average of 30,408 clients received adoption subsidies at an average monthly cost of $658. 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. 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 2026 for in-home mitigation and out-of-home support services by category.

Table 3

Support Services

FY 2026 Estimated Expenditures by Service Category 1/

Services	Amount
Nurturing Parenting Program	10,602,400
Supervised Visitation	36,300,000
Transportation	18,673,300
Family Connections	22,000,000
Preventive Services	25,267,600
Allowances	10,543,000
Counseling and Psychological Services	2,932,200
Substance Use Disorder Treatment	7,526,800
Independent Living Support	5,796,700
Lab Services	2,978,400
Other 2/	14,688,900
Total	**$157,309,300**

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 April 2026 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

DCS Childcare Subsidy

The budget includes $61,675,400 in FY 2027 for the DCS Childcare Subsidy. This amount consists of:

General Fund	7,470,400
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	13,689,000

Adjustments are as follows:

One-Time Federal Match Rate Adjustment

The budget includes a one-time increase of $70,300 from the General Fund and a corresponding decrease of $(70,300) from Child Safety Expenditure Authority in FY 2027 to offset an estimated FY 2027 decrease in the Title

IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

Background – This line item funds childcare for children in the DCS system. DES continues to administer the state's childcare program, so this funding is passed through to DES. Children who qualify for the DCS childcare subsidy are not subject to a time limit, copay, or waiting list. DCS childcare is provided for children in both licensed and unlicensed foster care. According to the latest available data, in FY 2026, an estimated monthly average of 5,739 children received DCS childcare at an average monthly cost of $864. *(Please see the DES Childcare Subsidy line item for other childcare funding.)*

In-Home Mitigation

The budget includes $44,414,300 and 1 FTE Position in FY 2027 for In-Home Mitigation. These amounts consist of:

General Fund	13,283,500
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	23,670,500
Child Safety Expenditure Authority	6,001,000

These amounts are unchanged from FY 2026.

Background – This line item funds DCS's support services contract for children 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.

Out-of-Home Support Services

The budget includes $107,284,600 in FY 2027 for Out-of-Home Support Services. This amount consists of:

General Fund	46,638,200
Federal TANF Block Grant	25,080,300
Child Safety Expenditure Authority	35,566,100

Adjustments are as follows:

One-Time Federal Match Rate Adjustment

The budget includes a one-time increase of $20,100 from the General Fund and a corresponding decrease of $(20,100) from Child Safety Expenditure Authority in FY 2027 to offset an estimated FY 2027 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

Background – This line item funds services for children in out-of-home care and their families, including supervised visitation, health care services, allowances, transportation, substance abuse treatment, and independent living services.

Preventive Services

The budget includes $28,412,700 in FY 2027 for Preventive Services. This amount consists of:

General Fund	264,400
Child Safety Expenditure Authority	28,148,300

These amounts are unchanged from FY 2026.

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families, including the Healthy Families program. The General Fund amount represents the state match to draw down federal CBCAP grant funding, which supports community-based efforts to prevent child abuse and neglect.

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 budget includes a total decrease of $(5,798,900) from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of a (3.0)% enrollment decline for the remainder of FY 2026 followed by flat enrollment growth in FY 2027, 3.0% capitation growth in FY 2027, and prior year base adjustments as reflected in the AHCCCS budget.

Comprehensive Health Plan Administration

The budget includes $25,092,200 from the Comprehensive Health Plan Fund in FY 2027 for

Comprehensive Health Plan Administration. Adjustments are as follows:

Formula Adjustments
The budget includes a decrease of $(854,200) from the Comprehensive Health Plan Fund in FY 2027 for CHP formula adjustments.

Statewide Adjustments
The budget includes an increase of $801,200 from the Comprehensive Health Plan Fund in FY 2027 for statewide adjustments.

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 budget includes $3,528,400 from the Comprehensive Health Plan Fund in FY 2027 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

Formula Adjustments
The budget includes an increase of $270,700 from the Comprehensive Health Plan Fund in FY 2027 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 budget includes $172,360,900 from the Comprehensive Health Plan Fund in FY 2027 for Comprehensive Health Plan Services. Adjustments are as follows:

Formula Adjustments
The budget includes an increase of $15,630,600 from the Comprehensive Health Plan Fund in FY 2027 for CHP formula adjustments.

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

Long-Term Budget Impacts

As part of the FY 2027 budget's 3-year spending plan, DCS General Fund costs are projected to decrease by $(57,801,000) in FY 2028 below FY 2027. These estimates are based on:

- $(9,823,100) to remove one-time funding for Guardian operating costs.
- $(36,896,700) to remove a one-time federal funding backfill for congregate care.
- $(1,867,100) to remove a one-time federal match rate adjustment.
- $(1,018,100) to remove one-time funding for extended foster care caseload increases.
- $($8,196,100) to remove a one-time deposit for the Extended Foster Care Comprehensive Service Model program.

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.

The budget continues a footnote requiring DCS to provide a report on its implementation of the legislation, including quantification of any fiscal impacts, by December 1, 2026.

As of May 2026, DCS reports 386 children were placed in Qualified Residential Treatment Programs, or 1.8% higher than the prior year.

State Board of Chiropractic Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	6.0	6.0	6.0
Personal Services	306,100	349,500	349,500
Employee Related Expenditures	105,100	155,000	157,600
Professional and Outside Services	38,100	45,000	45,000
Travel - In State	1,600	5,000	5,000
Travel - Out of State	6,500	15,000	15,000
Other Operating Expenditures	103,700	76,100	77,000
Equipment	6,000	15,000	15,000
AGENCY TOTAL	**567,100**	**660,600**	**664,100** 1/2/
FUND SOURCES			
Other Appropriated Funds			
Board of Chiropractic Examiners Fund	567,100	660,600	664,100
SUBTOTAL - Other Appropriated Funds	567,100	660,600	664,100
SUBTOTAL - Appropriated Funds	**567,100**	**660,600**	**664,100**
TOTAL - ALL SOURCES	567,100	660,600	664,100

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

2/ On or before September 1, 2026, the state board of chiropractic examiners shall provide a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting that details the board's proposal to resolve the imbalance between ongoing revenues and ongoing expenditures.

Operating Budget

The budget includes $664,100 and 6 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $3,500 from the Board of Chiropractic Examiners Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Report on Ongoing Revenues and Expenditures

A FY 2027 budget footnote requires the State Board of Chiropractic Examiners on or before September 1, 2026 to submit a report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on the Board's proposal to align ongoing expenditures and ongoing revenues.

Citizens Clean Elections Commission

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	12,455,000	13,066,500	13,066,500
TOTAL - ALL SOURCES	12,455,000	13,066,500	13,066,500

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.

For additional background and a history of Clean Elections Fund transfers to the General Fund, please see the FY 2022 Appropriations Report.

Arizona Commerce Authority

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	100.0	100.0	100.0 1/
Personal Services	6,126,700	6,126,700	6,126,700
Employee Related Expenditures	1,390,100	1,390,100	1,390,100
Professional and Outside Services	393,600	393,600	393,600
Travel - In State	72,600	72,600	72,600
Travel - Out of State	73,200	73,200	73,200
Other Operating Expenditures	1,865,800	1,865,800	1,865,800
Equipment	78,000	78,000	78,000
OPERATING SUBTOTAL	**10,000,000**	**10,000,000**	**10,000,000** 2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(250,000)
Advanced Air Mobility	0	0	2,000,000
Applied Research Centers	0	500,000	0
Arizona Competes Fund Deposit	500,000	500,000	500,000 2/
Economic Development Marketing and Attraction	500,000	500,000	500,000
Office of Defense Innovation	0	300,000	0
Small Business Center Grants	500,000	0	0
State Rural Development Council	0	1,200,000	0
TRADE OFFICES			
Asia Trade Offices	750,000	750,000	750,000
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
Romania Trade Office	0	125,000	0
AGENCY TOTAL	**13,550,000**	**15,175,000**	**14,800,000** 3/4/
FUND SOURCES			
General Fund	13,550,000	15,175,000	12,800,000
Other Appropriated Funds			
Advanced Air Mobility Fund	0	0	2,000,000
SUBTOTAL - Other Appropriated Funds	0	0	2,000,000
SUBTOTAL - Appropriated Funds	**13,550,000**	**15,175,000**	**14,800,000**
Other Non-Appropriated Funds	6,569,100	7,981,400	7,981,400
Federal Funds	92,117,300	241,898,800	241,898,800
TOTAL - ALL SOURCES	112,236,400	265,055,200	264,680,200

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/ Laws 2024, Chapter 206 amended A.R.S. § 41-1502 to limit the ACA to 100 FTE positions funded from state monies. This FTE limitation became effective during FY 2025.

2/ 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 2026-2027 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 Appropriations Act footnote)

3/ On or before December 1, 2026, the authority shall submit a report to the joint legislative budget committee on the location, activities and annual expenses of each trade office operated by the authority during the prior fiscal year. (General Appropriations Act footnote)
4/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget Deposit

The budget includes $10,000,000 and 100 FTE Positions from the General Fund in FY 2027 for the operating budget. These amounts are unchanged from FY 2026.

These monies are deposited into the non-appropriated Arizona Commerce Authority Fund to be used for the ACA's operating expenses. Laws 2024, Chapter 206 amended A.R.S. § 41-1502 to limit the ACA to 100 FTE positions funded from state monies. This FTE limitation became effective during FY 2025. The budget includes this 100 FTE limit in the FY 2027 General Appropriations Act.

Operating Budget Lump Sum Reduction

Operating Budget Lump Sum Reduction
The budget includes a one-time decrease of $(250,000) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Advanced Air Mobility

The budget includes $2,000,000 from the Advanced Air Mobility Fund in FY 2027 for Advanced Air Mobility. Adjustments are as follows:

Transfer Advanced Air Mobility Program
The budget includes a one-time increase of $2,000,000 from the Advanced Air Mobility Fund in FY 2027 for a program to purchase advanced air mobility vehicles that can carry passengers or cargo and to construct vertiports. This program was previously located in the State Treasurer's office. *(See the Statutory Changes section.)*

Applied Research Centers

The budget includes no funding in FY 2027 for Applied Research Centers. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove one-time funding for a grant program for Arizona applied research centers specializing in medical technology. An FY 2026 General Appropriations Act footnote outlines requirements for both the Authority and grantees to follow, including the technology to be researched and reporting requirements.

Arizona Competes Fund Deposit

The budget includes $500,000 from the General Fund in FY 2027 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2026.

In addition to this deposit, each year, 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. As session law, the FY 2025 Amusements Budget Reconciliation Bill (BRB) reduces the $3.5 million deposit from lottery revenues to $1,750,000 from FY 2025 through FY 2027. As session law, the FY 2027 Commerce BRB extends this reduction through FY 2029, after which the annual deposit will revert to $3,500,000 in FY 2030.

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.

Economic Development Marketing and Attraction

The budget includes $500,000 from the General Fund in FY 2027 for the Economic Development Marketing and Attraction line item. This amount is unchanged from FY 2026.

Monies in this line item fund marketing campaigns designed to attract industries such as advanced manufacturing to Arizona.

Office of Defense Innovation

The budget includes no funding in FY 2027 for the Office of Defense Innovation. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(300,000) from the General Fund in FY 2027 for removal of funding to establish the Office of Defense Innovation.

The FY 2026 Commerce BRB establishes the Arizona Office of Defense Innovation and lists its duties. The office's purpose is to attract new defense industry firms into the state, expand the operations of existing Arizona firms, and collaborate with universities and research institutions in efforts such as developing new technologies and workforce development for the defense industry. *(See the Statutory Changes section.)*

State Rural Development Council

The budget includes no funding in FY 2027 for the State Rural Development Council. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(1,200,000) from the General Fund in FY 2027 for removal of a one-time grant to a federally designated rural development council that partners with nonprofit organizations, economic development organizations, tribal nations, rural municipalities, counties, and federal agencies across the state to help stimulate and develop Arizona's rural economy.

Trade Offices

Asia Trade Offices

The budget includes $750,000 from the General Fund in FY 2027 for the Asia Trade Offices line item. This amount is unchanged from FY 2026.

Currently, the ACA funds one trade office each in Japan, South Korea, and Taiwan.

Frankfurt, Germany Trade Office

The budget includes $500,000 from the General Fund in FY 2027 for the Frankfurt, Germany Trade Office. This amount is unchanged from FY 2026.

Israel Trade Office

The budget includes $300,000 from the General Fund in FY 2027 for the Israel Trade Office. This amount is unchanged from FY 2026.

Mexico Trade Offices

The budget includes $500,000 from the General Fund in FY 2027 to operate trade offices in Mexico. This amount is unchanged from FY 2026.

Currently, the ACA funds trade offices in Mexico City and Chihuahua.

Romania Trade Office

The budget includes no funding in FY 2027 for the Romania Trade Office. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(125,000) from the General Fund in FY 2027 for removal of one-time funding to set up and operate a new trade office in Romania.

Other Issues

Statutory Changes

The Commerce BRB makes the following statutory changes:

- As session law, extends the current $1.75 million yearly distribution from the State Lottery Fund to the Arizona Commerce Authority through FY 2029. In FY 2030, the distribution will increase to its pre-FY 2025 level of $3.5 million.
- As permanent law, moves the administration of the Advanced Air Mobility Fund from the Treasurer to the Arizona Commerce Authority (ACA) and amends the fund purpose to allow for the Office of Defense Innovation within ACA to enter into a contract with an entity to advance the state's defense, aerospace, dual use and national security innovation ecosystem. Requires a report on or before September 1, 2029 to the Governor, President of the Senate, and Speaker of the House with a summary on the activities and accomplishments of the Office of Defense Innovation. Removes requirement of JCCR review of expenditure plan prior to expending monies from the Advanced Air Mobility Fund.
- As permanent law, extends the Arizona Competes Fund through the end of Fiscal Year 2028.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Arizona Competes Fund	$10,000,000

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Equalization Aid			
Equalization Aid - Cochise	10,575,800	11,812,600	12,715,600
Equalization Aid - Graham	21,132,400	22,496,500	24,422,600
Equalization Aid - Navajo	12,016,200	12,885,200	13,698,200
Equalization Aid - Yuma/La Paz	896,400	1,786,400	2,019,800
Subtotal – Equalization Aid	44,620,800	48,980,700	52,856,200
Operating Aid			
Operating Aid - Cochise	4,000,800	3,818,600	3,708,100
Operating Aid - Coconino	1,392,500	1,426,500	1,404,400
Operating Aid - Gila	149,700	158,700	147,100
Operating Aid - Graham	1,758,900	1,808,100	1,872,900
Operating Aid - Mohave	961,500	1,056,600	1,226,800
Operating Aid - Navajo	1,375,600	1,430,400	1,564,900
Operating Aid - Pinal	1,032,900	1,082,900	1,261,800
Operating Aid - Santa Cruz	54,600	45,100	51,300
Operating Aid - Yavapai	371,300	555,900	683,900
Operating Aid - Yuma/La Paz	2,262,400	2,402,000	2,562,200
Subtotal – Operating Aid	13,360,200	13,784,800	14,483,400
STEM Aid			
STEM Aid - Cochise	833,400	1,021,100	976,000
STEM Aid - Coconino	300,700	314,300	305,200
STEM Aid - Gila	88,100	91,700	86,900
STEM Aid - Graham	446,300	465,900	492,300
STEM Aid - Maricopa	8,073,700	8,441,600	8,818,600
STEM Aid - Mohave	392,600	430,500	500,000
STEM Aid - Navajo	273,600	295,500	350,400
STEM Aid - Pima	1,768,900	1,855,600	1,973,000
STEM Aid - Pinal	634,800	654,800	727,900
STEM Aid - Santa Cruz	41,800	38,000	40,500
STEM Aid - Yavapai	636,600	710,200	762,500
STEM Aid - Yuma/La Paz	778,200	820,600	870,400
Subtotal – STEM Aid	14,268,700	15,139,800	15,903,700
Rural Aid			
Rural Aid - Cochise	2,999,100	2,703,600	2,451,300
Rural Aid - Coconino	892,800	901,800	838,100
Rural Aid - Gila	258,000	252,800	226,600
Rural Aid - Graham	1,239,300	1,244,500	1,241,300
Rural Aid - Mohave	1,149,000	1,202,500	1,313,400
Rural Aid - Navajo	815,000	852,600	944,700
Rural Aid - Pinal	1,794,100	1,807,400	1,884,700
Rural Aid - Santa Cruz	113,800	99,900	100,800
Rural Aid - Yavapai	1,833,600	1,955,300	1,988,600
Rural Aid - Yuma/La Paz	2,905,300	2,979,600	3,010,500
Subtotal – Rural Aid	14,000,000	14,000,000	14,000,000
Additional Rural Aid			
Rural County Allocation	6,109,000	6,989,000	7,736,600 [1/]
Rural County Reimbursement Subsidy	1,082,900	1,082,900	1,082,900 [2/]
Subtotal – Additional Rural Aid	7,191,900	8,071,900	8,819,500
Tribal Aid			
Tribal Community Colleges	1,474,700	1,474,700	1,474,700 [3/]
Dine College Remedial Education	1,000,000	1,000,000	1,000,000 [4/]
Subtotal – Tribal Aid	2,474,700	2,474,700	2,474,700
Other Aid			
Additional Gila Workforce Development Aid	200,000	200,000	200,000

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Eastern Arizona College Expenses	0	1,000,000	0
Maricopa Wrestling Scholarships	0	0 5/	0
Subtotal – Other Aid	200,000	1,200,000	200,000
AGENCY TOTAL	**96,116,300**	**103,651,900**	**108,737,500** 6/
FUND SOURCES			
General Fund	96,116,300	103,651,900	108,737,500
SUBTOTAL - Appropriated Funds	**96,116,300**	**103,651,900**	**108,737,500**
Other Non-Appropriated Funds	93,145,200	92,291,000	92,291,000
TOTAL - ALL SOURCES	189,261,500	195,942,900	201,028,500

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 2027, that amount is estimated to be $7,736,600. Because this appropriation is in permanent statute, it is not included in the General Appropriations 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 Appropriations 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 Appropriations Act.

4/ On or before October 15, 2027, 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 2026-2027 academic year. (General Appropriations Act footnote)

5/ In addition to any other appropriation made in fiscal year 2025-2026, the sum of $(250,000) is reduced from the appropriation made from the state general fund in fiscal year 2025-2026 to the Maricopa county community college district for wrestling scholarships. (General Appropriations Act footnote, section 111)

6/ General Appropriations Act funds are appropriated as District-by-District Special Line Items.

Equalization Aid

The budget includes $52,856,200 from the General Fund in FY 2027 for Equalization Aid. Adjustments are as follows:

Property Value Changes

The budget includes an increase of $3,875,500 from the General Fund in FY 2027 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 1*.

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

Table 1
FY 2027 Equalization Funding Changes

District	FY 2026	Year-over-Year Change	FY 2027
Cochise	$11,812,600	$903,000	12,715,600
Graham	22,496,500	1,926,100	24,422,600
Navajo	12,885,200	813,000	13,698,200
Yuma/La Paz	1,786,400	233,400	2,019,800
Total	**$48,980,700**	**$3,875,500**	**$52,856,200**

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 5.9% higher in TY 2025 than in the preceding year. Therefore, for the FY 2027 Equalization Aid formula calculation, the minimum assessed valuation increased 5.9% to approximately $2.09 billion. *(See Table 2 for the calculation of the growth rate.)*

Table 2

Equalization Growth Factor for Tax Years (TY) 2024-2025

District	TY 2024 Primary AV	TY 2025 Primary AV	TY 2024-2025 % Growth
Cochise*	$ 1,114,080,000	1,163,982,700	4.5 %
Graham*	334,238,400	309,454,800	(7.4)%
Navajo*	1,035,790,900	1,092,262,900	5.5 %
Yuma/La Paz*	1,845,925,300	1,944,700,100	5.4 %
Coconino	2,298,821,800	2,429,299,500	5.7 %
Mohave	2,569,180,300	2,720,367,700	5.9 %
Pinal	3,772,917,900	4,073,510,900	8.0 %
Yavapai	3,806,627,200	4,026,883,900	5.8 %
Total	**$16,777,581,800**	**$17,760,462,500**	**5.9 %**
Minimum AV	**$1,976,317,100**	**$2,092,129,300**	**5.9 %**

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2027 since they fall below the minimum assessed value threshold of $2.09 billion.

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 ($2.09 billion in FY 2027), 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 budget includes $14,483,400 from the General Fund in FY 2027 for Operating State Aid. Adjustments are as follows:

Enrollment Changes

The budget includes an increase of $698,600 from the General Fund in FY 2027 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a 1,441, or 5.7%, increase in Full Time Student Equivalent (FTSE) students in rural community colleges *(see Table 3)*. The 1,441 net FTSE increase consists of a 1,276 FTSE increase in non-dual enrollment students and a 165 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.

Table 3

Community College Enrollment

	FY 2024 FTSE	FY 2025 FTSE	Percentage Change
Rural Districts			
Cochise	4,899	4,694	(4.2)%
Coconino	1,634	1,605	(1.8)%
Gila	458	434	(5.2)%
Graham	2,255	2,377	5.4 %
Mohave	2,179	2,515	15.4 %
Navajo	1,545	1,809	17.1 %
Pinal	3,275	3,609	10.2 %
Santa Cruz	181	193	6.6 %
Yavapai	3,543	3,808	7.5 %
Yuma/La Paz	5,399	5,765	6.8 %
Subtotal	*25,368*	*26,809*	*5.7 %*
Urban Districts			
Maricopa	56,294	58,705	4.3 %
Pima	12,147	12,958	6.7 %
Total	**93,809**	**98,472**	**5.0 %**

Background – With the exception of Maricopa and Pima, the Operating State Aid line items provide each community college district with funds for continuing 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 2027, the last actual FTSE data was from FY 2025.)*

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 formulaic Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The budget includes $15,903,700 from the General Fund in FY 2027 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. Adjustments are as follows:

Enrollment Changes

The budget includes an increase of $763,900 from the General Fund in FY 2027 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 2025.

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 2027 budget 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 budget includes $14,000,000 from the General Fund in FY 2027 for Rural Aid. This amount is unchanged from FY 2026.

The budget year funding is allocated to the 10 rural community college districts based on each district's share of the last year's actual enrollment counts. The FY 2027 allocations are based on FY 2025 enrollment counts.

Additional Rural Aid

Rural County Allocation

The budget includes $7,736,600 from the General Fund in FY 2027 for Rural County Allocation. This amount is unchanged From FY 2026.

Technical Adjustment

The budget includes an increase of $747,600 from the General Fund in FY 2027 for a technical adjustment associated with changes in student enrollment.

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 by the community colleges 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 2026, the JLBC Staff reported that the General Fund would pay a total $7,736,600 in FY 2027, of which $2,966,100 would be withheld from the two unestablished counties ($2,391,400 for Apache and $574,700 for Greenlee). The net impact is further adjusted by the Rural County Reimbursement Subsidy line item below. After TPT revenue withholdings, the General Fund net cost is $4,770,500.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriations Act.

Rural County Reimbursement Subsidy

The budget includes $1,082,900 from the General Fund in FY 2027 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2026.

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. For the $1,082,900 subsidy, a budget footnote specifies that $699,300 is distributed to Apache and $383,600 to Greenlee.

After the reimbursement subsidy, FY 2027 net costs are $1,692,100 to Apache and $191,100 to Greenlee.

Tribal Aid

Tribal Community Colleges

The budget includes $1,474,700 from the General Fund in FY 2026 for Tribal Community Colleges. This amount is unchanged from FY 2026.

The FY 2026 budget assumed tribal community colleges would receive $1,441,100 from the General Fund in FY 2025 and FY 2026 based on FY 2024 actual TPT distributions. This assumption included a distribution of $923,700 to the Navajo Nation, comprised of $615,800 for Diné College and $307,900 for Navajo Technical College. The budget also assumed that $517,400 would be distributed to Tohono O'odham Community College.

Based on FY 2025 actual distributions, the budget adjusts the assumption upward to $1,474,700 in FY 2026 and FY 2027. This includes a distribution of $984,100 to the Navajo Nation, comprised of $656,100 for Diné College and $328,000 for Navajo Technical College. The budget also assumes $490,600 will be distributed to Tohono O'odham Community College.

As described below, each of these amounts will depend on actual FY 2027 TPT revenue collections and the FY 2027 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 2027 will depend on FY 2027 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriations 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 Remedial Education

The budget includes $1,000,000 from the General Fund in FY 2027 for Diné College Remedial Education. This amount is unchanged from FY 2026.

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 budget continues a General Appropriations 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 2026-2027 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2027.

Other Aid

Additional Gila Workforce Development Aid

The budget includes $200,000 from the General Fund in FY 2027 for Additional Gila Workforce Development Aid. This amount is unchanged from FY 2026.

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)*.

Eastern Arizona College Expenses

The budget includes no funding in FY 2027 for Eastern Arizona College (Graham County) expenses. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove one-time funding for expenses at Eastern Arizona College in Graham County.

Maricopa Wrestling Scholarships

The budget includes no funding in FY 2027 for Maricopa Wrestling Scholarships. This amount is unchanged from FY 2026.

The FY 2027 budget eliminates this FY 2026 appropriation of $(250,000) to the Maricopa Community College District for wrestling scholarships.

The FY 2027 budget appropriates $250,000 to the Arizona Department of Education for the purposes of issuing a grant to a school that serves 6th through 12th grade and has wrestling in its mission.

Other Issues

This section includes information on the following topics:

- FY 2026 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts
- Community Colleges Revenue Sources
- Total Community College Expenditures
- Community Colleges Expenditure Limitations

FY 2026 Ex-Appropriation

The FY 2027 budget ex-appropriates $(250,000) in FY 2026 (Section 111) from the General Fund to eliminate funding to Maricopa County Community College District for wrestling scholarships. *(Please see the Maricopa Wrestling Scholarships line item for further details.)*

Statutory Changes

The Higher Education Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to suspend the Operating State Aid funding at levels specified in the General Appropriations Act, which effectively means suspending the formula in FY 2027 for only Maricopa and Pima Counties.
- As session law, continue to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriations Act, which effectively means suspending the inflation adjustment in FY 2027 for all community college districts.

Long Term Budget Impacts

As part of the budget's 3-year spending plan, Community College General Fund costs are projected to increase by $2,044,700 in FY 2028 above FY 2027 and increase by $1,899,200 in FY 2029 above FY 2028. These estimates are based on:

- A decrease of $(2,447,600) for Operating State Aid and STEM and Workforce Programs State Aid in FY 2028 below FY 2027 and $(2,900,000) in FY 2029 below FY 2028 for projected declining enrollment.
- An increase of $4,492,300 for Equalization Aid in FY 2028 above FY 2027 and $4,799,200 in FY 2029 above FY 2028. These estimates assume total Net Assessed Value (NAV) growth of 6.4% in FY 2027 and FY 2028.

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 3.7% of their revenues (excluding bond proceeds) from state aid.

For FY 2026, base operating revenues from all sources are estimated to be $2,094,986,900. (See *Table 4* on the next page for a summary of FY 2025 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 51.5% 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 determines its primary and secondary property tax rates. (See *Table 5* for a summary of TY 2025 property tax rates.)

Table 5

Community College Tax Rates – TY 2025

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from TY 2024
Cochise	$2.44	$0.00	$2.44	(0.1)%
Coconino	0.67	0.00	0.67	(2.3)%
Gila	0.00	0.00	0.00	(100.0)%
Graham	2.78	0.00	2.78	13.1%
Maricopa	1.06	0.02	1.08	(2.0)%
Mohave	1.08	0.00	1.08	(3.3)%
Navajo	1.75	0.00	1.75	(1.1)%
Pima	1.22	0.00	1.22	(2.8)%
Pinal	1.65	0.12	1.76	(2.9)%
Santa Cruz	0.40	0.00	0.40	(1.1)%
Yavapai	1.45	0.00	1.45	(3.3)%
Yuma/La Paz	1.99	0.26	2.25	(3.5)%

Table 4

Total Estimated Community College Revenues – FY 2026 [1/]

District	State Aid [2/]	Tuition/Fees	Property Taxes	Grants	Other [3/]	FY 2026 Total [4/]	FY 2025 Total [5/]	% Change from FY 2025
Cochise	$18,334,800	$10,299,100	$28,424,500	$15,159,500	3,402,200	$75,620,100	82,138,200	(7.9)%
Coconino	2,328,300	7,159,700	16,303,000	9,324,300	1,706,800	36,822,100	38,015,700	(3.1)%
Gila [6/]	411,500	-	-	-	-	411,500	1,862,400	(77.9)%
Graham	25,549,100	8,927,000	8,505,200	14,451,500	5,370,700	62,803,500	67,236,200	(6.6)%
Maricopa	-	230,494,900	657,525,100	245,652,900	56,398,300	1,190,071,200	1,148,488,900	(3.6)%
Mohave	2,259,100	11,177,500	29,270,100	20,246,100	1,839,500	64,792,300	64,016,900	1.2%
Navajo	15,168,200	4,100,000	19,127,700	7,140,000	7,131,200	52,667,100	64,132,200	(17.9)%
Pima	-	45,819,000	143,780,400	79,509,000	12,274,600	281,383,000	271,907,000	3.5%
Pinal	2,890,300	8,636,000	71,738,600	20,474,600	6,163,000	109,902,500	108,751,200	1.1%
Santa Cruz [6/]	145,000	-	1,853,500	323,600	-	2,322,100	2,414,800	(3.8)%
Yavapai	2,511,200	15,042,100	58,240,800	16,758,100	11,028,000	103,580,200	124,104,400	(16.5)%
Yuma/La Paz	7,168,000	17,253,600	43,767,400	39,187,300	7,235,000	114,611,300	117,467,000	(2.4)%
Total	**$76,765,500**	**$358,908,900**	**$1,078,536,300**	**$468,226,900**	**$112,549,300**	**$2,094,986,900**	**$2,090,534,900**	**0.2%**

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 $2,388,850,200 for FY 2026.
5/ Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are $2,158,418,000 for FY 2025.
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.

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 17.1% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2026 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is $2,918 if a full-time student attends for 30 hours a year. The FY 2026 amount represents an increase of 0.6% from FY 2025. *(See Table 6 for FY 2026 resident tuition and fee rates.)*

Table 6

Community College Resident Tuition and Fees – FY 2026

District	Average Cost Per Credit Hour	Annual Cost [1/]	% Change from FY 2025
Cochise	96	2,880	1.1%
Coconino	149	4,470	5.2%
Gila	98	2,940	0.0%
Graham	98	2,940	0.0%
Maricopa	97	2,910	0.0%
Mohave	95	2,850	4.4%
Navajo	94	2,820	3.3%
Pima	101	3,030	0.5%
Pinal	75	2,250	0.0%
Santa Cruz	50	1,500	(0.5)%
Yavapai	90	2,700	4.2%
Yuma/La Paz	100	3,000	3.1%
Weighted Average	**$97**	**$2,918**	**0.6%**

1/ Annual cost is for 30 hours a year, or 15 hours per semester.

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 27.7% of community college revenues.

Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Total Community College Expenditures

Table 7 shows total budgeted FY 2026 community college expenditures. In FY 2026, total budgeted expenditures are $2,379,890,700. As mentioned previously, base operating revenues for FY 2026 are $2,094,986,900, however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are $2,388,850,200. Of the total $2,379,890,700 in budgeted expenditures, $1,903,157,200, or 80.0%, of these expenditures are from the community colleges' General and Restricted Funds.

Table 7

Community Colleges - FY 2026 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
Instruction	560,189,700	23.5%
Public Service	26,024,400	1.1%
Academic Support	187,690,500	7.9%
Student Services	218,244,800	9.2%
Institutional Support	438,322,100	18.4%
Operation & Maintenance	145,724,600	6.1%
Scholarships & Grants	255,699,800	10.7%
Auxiliary Enterprises	25,000	0.0%
Contingency	71,236,400	3.0%
Subtotal [1/]	**$1,903,157,300**	**80.0%**
Auxiliary Enterprises Fund	98,437,900	4.1%
Plant Fund	315,894,600	13.3%
Debt Service	62,401,000	2.6%
Total [1/]	**$2,379,890,800**	**100%**

1/ May not add to subtotal and total due to rounding.

This includes $560,189,700, or 23.5%, for instruction and $438,322,100, or 18.4%, for institutional support.

Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking lots, bookstores, and food service, are $98,437,900 or 4.1% of the total. Plant Fund expenditures, which generally include capital costs, are $315,894,600, or 13.3% of the total. The remaining $62,401,000, or 2.6%, 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

Community College Expenditure Limits – FY 2026

District	Expenditure Limit	Estimated Expenditures
Cochise	$70,987,479	$59,568,583
Coconino	$16,823,100	$16,823,100
Gila*	$4,560,527	$0
Graham	$65,511,398	$65,511,398
Maricopa	$948,603,685	$948,603,685
Mohave	$28,552,272	$28,558,052
Navajo	$15,982,010	$15,982,010
Pima	$145,506,429	$145,506,428
Pinal	$48,226,773	$48,226,772
Santa Cruz*	$3,267,555	$3,193,248
Yavapai	$60,012,291	$60,012,291
Yuma/La Paz	$73,737,948	$58,599,000

* Indicates provisional community college district

Table 8 includes the FY 2026 expenditure limits and the estimated expenditures reported by the districts. Of the 12 districts, 7 currently estimate that they will be at the limit in FY 2025. Mohave Community College district is reporting estimated expenditures that exceed the expenditure limit by $5,800.

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:

- 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.

Constable Ethics Standards and Training Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	341,700	646,200	646,200
TOTAL - ALL SOURCES	341,700	646,200	646,200

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.

Registrar of Contractors

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	105.6	105.6	103.6
Personal Services	6,345,400	6,531,400	6,531,400
Employee Related Expenditures	2,663,800	2,612,600	2,952,400
Professional and Outside Services	259,300	297,000	297,000
Travel - In State	237,900	334,300	334,300
Travel - Out of State	3,600	15,000	15,000
Other Operating Expenditures	1,244,100	3,440,300	3,057,800
Equipment	12,100	80,000	80,000
OPERATING SUBTOTAL	**10,766,200**	**13,310,600**	**13,267,900** 1/
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	337,000	1,017,600	1,017,600
AGENCY TOTAL	**11,103,200**	**14,328,200**	**14,285,500**
FUND SOURCES			
Other Appropriated Funds			
Registrar of Contractors Fund	11,103,200	14,328,200	14,285,500
SUBTOTAL - Other Appropriated Funds	11,103,200	14,328,200	14,285,500
SUBTOTAL - Appropriated Funds	**11,103,200**	**14,328,200**	**14,285,500**
Other Non-Appropriated Funds	8,285,700	8,807,000	8,807,000
TOTAL - ALL SOURCES	19,388,900	23,135,200	23,092,500

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

FOOTNOTES

1/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $13,267,900 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of $(42,700) from the Registrar of Contractors Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Office of Administrative Hearings Costs

The budget includes $1,017,600 from the Registrar of Contractors Fund in FY 2027 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2026.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

Other Issues

Statutory Changes

The Commerce BRB makes the following statutory change:

- As permanent law, amends A.R.S. 32-1334 to increase the Residential Contractors' Recovery Fund administrative expenditure cap from 14% to 20% of prior year deposits.

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for the Registrar of Contractors by (2) Positions. While the agency

table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Corporation Commission

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	301.9	302.9	303.0
Personal Services	20,029,600	22,420,600	22,420,600
Employee Related Expenditures	7,540,700	9,234,200	10,215,800
Professional and Outside Services	740,200	733,400	733,400
Travel - In State	188,500	759,500	759,500
Travel - Out of State	151,200	271,000	271,000
Other Operating Expenditures	3,930,000	4,437,500	3,920,200
Equipment	323,600	251,600	251,600
OPERATING SUBTOTAL	**32,903,800**	**38,107,800**	**38,572,100**
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	219,300	417,800	430,400
Utilities Audits, Studies, Investigations & Hearings	2,500	1,000,000	1,000,000 1/
AGENCY TOTAL	**33,125,600**	**39,525,600**	**40,002,500** 2/
FUND SOURCES			
General Fund	731,300	792,700	0
Other Appropriated Funds			
Arizona Arts Trust Fund	59,200	57,200	54,500
Investment Management Regulatory and Enforcement Fund	1,135,000	1,370,400	1,407,200
Public Access Fund	7,561,800	8,235,100	8,572,100
Securities Regulatory and Enforcement Fund	7,107,800	7,490,400	8,584,100
Utility Regulation Revolving Fund	16,530,500	21,579,800	21,384,600
SUBTOTAL - Other Appropriated Funds	32,394,300	38,732,900	40,002,500
SUBTOTAL - Appropriated Funds	**33,125,600**	**39,525,600**	**40,002,500**
Other Non-Appropriated Funds	93,400	0	0
Federal Funds	696,600	3,333,900	3,333,900
TOTAL - ALL SOURCES	33,915,600	42,859,500	43,336,400

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/ 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 Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $38,572,100 and 303.0 FTE Positions in FY 2027 for the operating budget.

These amounts consist of:

	FY 2027
Arizona Arts Trust Fund	$54,500
Investment Management Regulatory and Enforcement Fund	1,407,200
Public Access Fund	8,141,700
Securities Regulatory and Enforcement Fund	8,584,100
Utility Regulation Revolving Fund	20,384,600

Adjustments are as follows:

Ongoing Operating Budget Fund Shift
The budget includes a decrease of $(792,700) from the General Fund in FY 2027 and a corresponding increase of $792,700 from the Securities Regulatory and Enforcement Fund for an ongoing fund shift.

Technical FTE Increase
The budget includes an increase of 0.5 FTE Positions from the Utility Regulation Revolving Fund in FY 2027 for a technical adjustment.

Statewide Adjustments
The budget includes an increase of $464,300 in FY 2027 for statewide adjustments. The amount consists of:

Arizona Arts Trust Fund	(2,700)
Investment Management Regulatory and Enforcement Fund	36,800
Public Access Fund	324,400
Securities Regulatory and Enforcement Fund	301,000
Utility Regulation Revolving Fund	(195,200)

(Please see the Agency Detail and Allocations section.)

Corporation Filings, Same-Day Service

The Budget includes $430,400 and 2 FTE Positions from the Public Access Fund in FY 2027 for Corporation Filings, Same-Day Service. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $12,600 from the Public Access Fund in FY 2027 for statewide adjustments.

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 Budget includes $1,000,000 from the Utility Regulation Revolving Fund in FY 2027 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2026.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

Other Issues

Statutory Changes

The Commerce Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, adds safety to the allowable uses of the Securities Regulatory and Enforcement Fund.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Securities Regulatory and Enforcement Fund	14,700,000
Utility Regulation Revolving Fund	3,400,000

E-Corp System

The FY 2027 budget includes footnotes that expand the uses of FY 2024 appropriation of $7,000,000 for the commissions e-licensing system to include post launch expenses of the system, including vendor contracts, licensing, maintenance and technical support and make the appropriation non-lapsing. *(Please see the Department of Administration - Automation Projects Fund narrative for additional details regarding this project.)*

Arizona Department of Corrections

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	9,592.0	9,592.0	9,592.0
Personal Services	447,000,300	420,707,600	487,201,600
Employee Related Expenditures	173,243,000	253,230,400	314,647,400
Professional and Outside Services	13,552,900	14,265,300	16,173,000
Travel - In State	419,300	196,100	207,300
Travel - Out of State	163,200	59,300	59,300
Other Operating Expenditures	142,351,400	175,228,900	178,460,300
Equipment	2,359,100	1,535,300	0
OPERATING SUBTOTAL	**779,089,200**	**865,222,900** 1/2/	**996,748,900** 3/4/5/6/
SPECIAL LINE ITEMS			
Overtime and Compensatory Time	82,680,600	92,320,300	0
Private Prison Contracted Services	235,503,200	270,723,900	273,126,400 7/8/9/
Jensen v. Thornell Compliance	355,630,100	371,499,400	451,390,400 10/11/12/
Community Corrections	23,220,200	24,534,400	0
Non-Contract Medication	11,345,300	15,000,000	0
Injunction-Related IT Upgrades	2,139,900	2,400,000	0
Named Claimants	0	3,100	0
AGENCY TOTAL	**1,489,608,500**	**1,641,704,000**	**1,721,265,700** 13/-21/
FUND SOURCES			
General Fund	1,424,340,300	1,578,252,500	1,678,981,100
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	306,300	555,800	592,600
Corrections Fund	29,179,400	35,787,600	21,218,600
Inmate Store Proceeds Fund	662,300	4,299,400	0
Penitentiary Land Fund	3,465,500	3,472,000	3,482,900
Prison Construction and Operations Fund	12,500,100	12,500,100	11,455,200
State Charitable, Penal and Reformatory Institutions Land Fund	3,733,100	3,733,100	1,670,800
State Education Fund for Correctional Education	378,800	703,200	740,400
Transition Program Fund	15,042,700	2,400,300	3,124,100
SUBTOTAL - Other Appropriated Funds	65,268,200	63,451,500	42,284,600
SUBTOTAL - Appropriated Funds	**1,489,608,500**	**1,641,704,000**	**1,721,265,700**
Other Non-Appropriated Funds	116,602,300	127,914,700	127,914,700
Federal Funds	6,922,500	7,246,900	4,078,100
TOTAL - ALL SOURCES	1,613,133,300	1,776,865,600	1,853,258,500

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/ Of the amount appropriated to the department from the operating lump sum in fiscal year 2025-2026, $2,000,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. This amount may be used to upgrade the Arizona correctional information system. (General Appropriations Act footnote)

2/ Of the amount appropriated to the department from the operating lump sum in fiscal year 2025-2026 by Laws 2025, chapter 233, section 23, $10,900,000 may be used in fiscal year 2026-2027 for compensatory or holiday liability accruals incurred in fiscal year 2025-2026. (General Appropriations Act footnote)

3/ The FY 2025 budget transferred $75,000,000 in FY 2024 and $40,000,000 annually beginning in FY 2025 from the Attorney General's opioid settlement monies to ADC's non-appropriated Opioid Remediation Fund. As ADC non-appropriated monies, these funds are not included in the Appropriated Funds displayed in this table.

4/ Of the amount appropriated in the operating lump sum in fiscal year 2026-2027, $300,000 is to be used for a onetime increase for a braille transcription program. The program may prioritize inmates closest to reentry. (General Appropriations Act footnote)

5/ The department's lump sum appropriation includes funding to convert the onetime stipend for corrections officers equal to four percent of the correctional officer's annual salary as appropriated in fiscal year 2025-2026 into a four percent annual salary increase in fiscal year 2026-2027. (General Appropriations Act footnote)

6/ Notwithstanding any other law, projects related to the purchase and deployment of body-worn cameras and the associated equipment to support body-worn camera deployment at the department are exempt from the review and approval by the information technology authorization committee required by section 18-121, Arizona Revised Statutes. (General Appropriations Act footnote)

7/ The department shall use the amount appropriated in the private prison contracted services line item to pay private prison contractors for housing and providing medical care to Arizona inmates. Before spending these monies for any other purpose, the department shall submit an expenditure plan for review by the joint legislative budget committee. (General Appropriations Act footnote)

8/ Private prison vendors that contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriations Act footnote)

9/ The amount appropriated in the private prison contracted services line item includes $3,767,200 for the purpose of awarding a correctional officer salary increase. The state department of corrections shall increase the contracted rates in fiscal year 2026-2027 to provide an amount sufficient for a four percent salary increase to each correctional officer employed in a private prison that contracts with this state. (General Appropriations Act footnote)

10/ Before implementing any changes in contracted rates for Jensen v. Thornell compliance, the state department of corrections shall submit its expenditure plan for review by the joint legislative budget committee. (General Appropriations Act footnote)

11/ On or before January 31, 2027, 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 Appropriations Act footnote)

12/ Of the amount appropriated in the Jensen v. Thornell compliance line item, the department is authorized to distribute not more than $45,097,700 to a contracted health care provider contingent on the execution of a signed amendment to the current contracted health care provider contract that includes the following:

1. Increases the health care staffing level in accordance with the department's directives.
2. Adopts quarterly reporting requirements from the health care provider to the department, the governor's office of strategic planning and budgeting staff and the joint legislative budget committee staff that includes the prior quarter staffing levels by position type, number of FTE positions, current progress towards outlined staffing goals and justification of why the staffing levels outlined in paragraph 1 of this section are or are not being met.
3. Adopts a quarterly distribution schedule based on the health care provider meeting and maintaining staffing levels outlined in paragraph 1 of this section.
4. Adds automatic sanctioning or fines associated with failure to fill staffing vacancies consistent with the staffing levels outlined in paragraph 1 of this section. (General Appropriations Act footnote)

13/ Before placing any inmates in out-of-state provisional beds, the state department of corrections 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 Appropriations Act footnote)

14/ 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 Appropriations Act footnote)

15/ On or before November 1, 2026, 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, 2025 and June 30, 2026 and the projected capacity for June 30, 2027, 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. If the department develops a plan after the department's November 1, 2026 report to open or close one hundred 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 Appropriations Act footnote)

16/ On or before August 1, 2026, 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 2026-2027. (General Appropriations Act footnote)

17/ On or before December 30, 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 Appropriations Act footnote)

18/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

19/ 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 Appropriations Act footnote)

20/ 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 Appropriations Act footnote)

21/ Before spending any state education fund for correctional education monies in excess of $740,400, the state department of corrections shall report the intended use of the monies to the director of the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes $996,748,900 and 9,592 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$972,263,700
Alcohol Abuse Treatment Fund	592,600
Corrections Fund	8,515,700
Penitentiary Land Fund	703,700
Prison Construction and Operations Fund	9,643,900
State Charitable, Penal and Reformatory Institutions Land Fund	1,164,800
State Education Fund for Correctional Education	740,400
Transition Program Fund	3,124,100

Adjustments are as follows:

Additional FTE Positions

The budget includes an increase of 23 FTE Positions from the General Fund in FY 2027 for additional staffing capacity in the department's operating budget.

Correctional Officer 4% Salary Increase

The budget includes an increase of $20,267,100 from the General Fund in FY 2027 for an ongoing 4% salary increase for all department correctional officers that would replace a one-time 4% FY 2026 stipend.

Remove One-Time Correctional Officer Stipend

The budget includes a decrease of $(17,075,300) from the General Fund in FY 2027 to remove funding for a one-time stipend for correctional officers equal to 4% of their annual salary.

Health Care Injunction Funding

The budget includes an increase of $9,488,500 from the General Fund in FY 2027 for a health care injunction funding. This funding is intended to cover cleaning and sanitation costs as required by the courts under the Jensen v. Thornell inmate health care litigation. This funding is in addition to monies in the Jensen v. Thornell line item.

Line Item Consolidation

The budget includes an increase of $116,854,700 and 184 FTE Positions in FY 2027 for a line item consolidation. These amounts consist of:

General Fund	114,148,900
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

The funding from the Overtime and Compensatory Time line item and the Community Corrections line item are shifted to the operating budget.

New Operating Funding
The budget includes an increase of $8,250,300 in FY 2027 for new operating funding. This amount consists of:

Corrections Fund	2,905,400
Prison Construction and Operations Fund	5,344,900

This funding is intended to cover various operating costs, including utilities, clothing, wastewater treatment, rent, staff drug testing, IT bandwidth, and uniforms.

One-Time Body Worn Camera Program Funding
The budget includes a one-time increase of $3,533,600 from the General Fund in FY 2027 to provide body cameras for correctional officers in maximum custody. The department initiated a body camera pilot program for these correctional officers in the spring of 2025 and this funding continues the program for another year.

One-Time Braille Transcription Program Funding
The budget includes a one-time increase of $300,000 from the Corrections Fund in FY 2027 to expand the Braille Transcription Program. A footnote in the budget states that the department may prioritize inmates closest to reentry for the program.

Remove Cloud-based Data Warehouse Funding
The budget includes a decrease of $(165,900) from the Corrections Fund in FY 2027 to remove one-time funding to implement a cloud-based data storage warehouse.

Remove Inmate Store Proceeds Fund
The budget includes a decrease of $(2,764,100) from the Inmate Store Proceeds Fund in FY 2027 to remove funding for the Inmate Store Proceeds Fund.

Remove One-Time ACIS Upgrades
The budget includes a decrease of $(2,000,000) from the Corrections Fund in FY 2027 to remove one-time funding for upgrades to the Arizona Correctional Information System (ACIS).

Remove One-Time FY 2026 Line Item Shift
The budget includes a decrease of $(11,882,000) from the General Fund in FY 2027 for the removal of a one-time FY 2026 line item shift. *(Please see the FY 2026 One-Time GF Line Item Shift section in Other Issues for further details.)*

Remove One-Time Kitchen Equipment Replacement
The budget includes a decrease of $(1,535,300) from the Inmate Store Proceeds Fund in FY 2027 to remove one-time funding to replace kitchen equipment.

Remove One-Time Operating Funding
The budget includes a decrease of $(9,488,500) and (23) FTE Positions from the General Fund in FY 2027 to remove one-time funding for the department operating budget.

Remove One-Time Supplemental Increase
The budget includes a decrease of $(4,100,000) from the General Fund in FY 2027 for the removal of an FY 2026 supplemental increase. *(Please see the Other Issues section for further details.)*

Statewide Adjustments
The budget includes an increase of $21,842,900 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	19,235,000
Alcohol Abuse Treatment Fund	36,800
Corrections Fund	100
Penitentiary Land Fund	10,900
Prison Construction and Operations Fund	1,798,900
State Charitable, Penal and Reformatory Institutions Land Fund	200
State Education Fund for Correctional Education	37,200
Transition Program Fund	723,800

(Please see the Agency Detail and Allocations section.)

Overtime and Compensatory Time

The budget includes no funding in FY 2027 for Overtime and Compensatory Time. Adjustments are as follows:

Line Item Consolidation
The budget includes a decrease of $(92,320,300) from the General Fund in FY 2027 for a line item consolidation. The funding from the Overtime and Compensatory Time line item is shifted to the operating budget.

Background – Beginning with the FY 2025 budget, this line item funded overtime and compensatory time primarily for correctional officers to make up for vacant positions.

Community Corrections

The budget includes no funding in FY 2027 for Community Corrections. Adjustments are as follows:

Line Item Consolidation

The budget includes a decrease of $(24,534,400) and (184) FTE Positions in FY 2027 for a line item consolidation. These amounts consist of:

General Fund	(21,828,600)
Alcohol Abuse Treatment Fund	(305,500)
Transition Program Fund	(2,400,300)

The funding from the Community Corrections line item is shifted to the operating budget.

Background – Monies in this line item were used to oversee offenders in several different community corrections programs as described below.

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 paid 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 2025 expenditures from the line item.

Table 1
FY 2025 Community Corrections Program Expenditures

	Approp.	Non-Approp.	Total
Comm. Supervision	$15,580,600	$3,355,300	$18,935,900
Transition Program	2,693,500	0	2,693,500
Maricopa Reentry	856,400	368,300	1,224,700
Pima Reentry	1,670,100	0	1,670,100
Mental Health Transition Program	1,274,600	0	1,274,600
Other/Overhead	1,130,400	0	1,130,400
Total	**$23,205,600**	**$3,723,600**	**$26,929,200**

Private Prison Contracted Services

The budget includes $273,126,400 in FY 2027 for Private Prison Contracted Services. This amount consists of:

General Fund	258,361,000
Corrections Fund	12,702,900
Penitentiary Land Fund	2,062,500

Adjustments are as follows:

Correctional Officer 4% Salary Increase

The budget includes an increase of $3,767,200 from the General Fund in FY 2027 for an ongoing 4% salary increase for all private prison correctional officers that would replace a one-time 4% FY 2026 stipend. The budget includes a footnote requiring the department to increase the contracted rates for contracted private prisons to provide funding sufficient for the 4% salary increase.

Remove One-Time Correctional Officer Stipend

The budget includes a decrease of $(3,767,200) from the General Fund in FY 2027 to remove a one-time stipend for correctional officers equal to 4% of their annual salary.

Corrections Fund Capital Shift

The budget includes a decrease of $(10,000,000) from the Corrections Fund and a corresponding increase of $10,000,000 from the General Fund in FY 2027. This shift will free up Corrections Fund monies to be used for the DOC Building Renewal Fund. *(Please see the Statutory Changes section in Other Issues for further details.)*

Other Fund Shift

The budget includes a decrease of $(5,608,600) from the Corrections Fund and a corresponding increase of $5,608,600 from the General Fund in FY 2027 for a second fund shift.

Remove One-Time FY 2026 Line Item Shift

The budget includes an increase of $2,402,500 from the General Fund in FY 2027 for the removal of a one-time FY

2026 line item shift. *(Please see the FY 2026 One-Time GF Line Item Shift section in Other Issues for further details.)*

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 10,668 total contracted beds. The amount appropriated assumes a certain number of vacancies that typically occur during the course of the year. 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.

Of the current funding level, the FY 2025 budget's 3-year spending plan labeled $55,283,500 ($54,283,500 from the General Fund and $1,000,000 from the Corrections Fund) as one-time and included that amount through FY 2027. The FY 2027 budget's 3-year spending plan labels the $54,283,500 from the General Fund as ongoing starting in FY 2028.

Jensen v. Thornell Compliance

The budget includes $451,390,400 in FY 2027 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	448,356,400
Penitentiary Land Fund	716,700
Prison Construction and Operations Fund	1,811,300
State Charitable, Penal and Reformatory Institutions Land Fund	506,000

Adjustments are as follows:

Health Care Injunction Funding

The budget includes an increase of $46,311,500 from the General Fund in FY 2027 for a health care injunction funding. This funding is intended to hire additional health care positions. The budget includes a footnote stating the monies will only be available to the contracted vendor upon a signed amendment to the current contract that includes hiring goals, reporting requirements, quarterly distribution schedules, and sanctioning language.

Line Item Consolidation

The budget includes an increase of $24,100,000 from the General Fund in FY 2027 for a line item consolidation. The funding from the Non-Contract Medication line item and the Injunction-Related IT Upgrades line item are shifted to the Jensen v. Thornell Compliance line item.

Other Fund Shift

The budget includes a decrease of $(8,188,700) from the Prison Construction and Operations Fund, $(2,062,500) from the State Charitable, Penal and Reformatory Institutions Land Fund, and a corresponding increase of $10,251,200 from the General Fund in FY 2027 for a fund shift.

Remove One-Time FY 2026 Line Item Shift

The budget includes an increase of $9,479,500 from the General Fund in FY 2027 for the removal of a one-time FY 2026 line item shift. *(Please see the FY 2026 One-Time GF Line Item Shift section in Other Issues for further details.)*

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 Issues section in the FY 2025 Baseline ADC section for additional information.)*

Non-Contract Medication

The budget includes no funding in FY 2027 for Non-Contract Medication. Adjustments are as follows:

Non-Contract Medication Backfill

The budget includes an increase of $6,700,000 from the General Fund in FY 2027 to backfill non-contract medication costs. The funding is intended to backfill medication costs that are no longer covered by the Opioid Remediation Fund.

Line Item Consolidation

The budget includes a decrease of $(21,700,000) from the General Fund in FY 2027 for a line item consolidation. The funding from the Non-Contract Medication line item is shifted to the Jensen v. Thornell Compliance line item.

A prior General Appropriation Act footnote required the department to use the amount appropriated in the non-contract medication line item to purchase medications to treat hepatitis C and for medication-assisted treatment for substance use disorder. These costs are not part of the contract with the state's private health care provider (as funded in the Inmate Health Care Contracted Services line item). The FY 2027 budget removes the footnote requirement and shifts the monies to the Jensen v. Thornell Compliance line item.

Injunction-Related IT Upgrades

The budget includes no funding in FY 2027 for Injunction-Related IT Upgrades. Adjustments are as follows:

Line Item Consolidation

The budget includes a decrease of $(2,400,000) from the General Fund in FY 2027 for a line item consolidation. The funding from the Injunction-Related IT Upgrades line item is shifted to the Jensen v. Thornell Compliance line item.

A prior General Appropriation Act footnote required the department to use these monies to address information technology improvements as required by the court in the Jensen v. Thornell inmate health care litigation. The FY 2027 budget removes the footnote requirement and shifts the monies to the Jensen v. Thornell Compliance line item.

Named Claimants

The budget includes no funding in FY 2027 for Named Claimants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(3,100) from the General Fund in FY 2027 for the elimination of one-time funding for prior year unpaid claims.

(Please see the Named Claimants section in ADOA Other Issues.)

Other Issues

This section includes information on the following topics:

- FY 2026 One-Time GF Line Item Shift
- FY 2026 Supplementals
- Statutory Changes
- Long-Term Budget Impacts
- CORP Employer Contribution Increase
- Opioid Settlement Transfer
- Transition Program
- Bed Capacity Issues
  - Inmate Growth Rate
  - Bed Capacity
  - Bed Surplus/Shortfall

FY 2026 One-Time GF Line Item Shift

Section 1 of the FY 2027 General Appropriations Act includes a one-time General Fund appropriation shift in the department in FY 2026 between the operating budget and 2 line item appropriations as a result of unrealized personal services and employee related expenditure savings in the operating budget. The shifts resulted in no net increase to the department's appropriation. Compared to the original FY 2026 budget, the FY 2027 budget shifts by line item are as follows:

Operating Budget	11,882,000
Private Prison Per Diem	(2,402,500)
Inmate Health Care Contracted Services	(9,479,500)

FY 2026 Supplemental

The FY 2027 budget includes the following FY 2026 supplemental appropriations:

- $3,145.02 from the General Fund for a one-time named claimants appropriation. *(Please see the Named Claimants line item for further details.)*
- $4,100,000 from the General Fund for one-time operating expenses. *(Please see the operating budget for further details.)*

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, amend A.R.S. § 31-281 and A.R.S. § 31-285 to combine the reporting requirements on the transition program. ADC currently reports separately on both the cost reductions associated with the transition program as well as details on the program participation.
- As permanent law, amend A.R.S. § 41-1641 by increasing the amount transferred from the Corrections Fund to the DOC Building Renewal Fund from $2.5 million to $12.5 million.

Long-Term Budget Impacts

As part of the FY 2027 budget's 3-year spending plan, the Department of Correction's General Fund costs are projected to decrease by $(3,533,600) in FY 2028 below FY 2027 and remain unchanged in FY 2029 relative to FY 2028. These estimates are based on the removal of one-time funding for body camera equipment in FY 2028.

CORP Employer Contribution Increase

For most Corrections Officer Retirement Plan (CORP) employees hired after 7/1/2018 (Tier 3 employees), the retirement plan includes an annual employer contribution

that consists of: 1) a fixed 5% deposited into the employee's defined contribution retirement account; 2) actuarial rates associated with disability and post-retirement health coverage; and 3) an actuarial rate associated with paying down the unfunded liabilities of CORP employees hired before 7/1/2018.

The FY 2026 Criminal Justice Budget Reconciliation Bill (BRB) increased the fixed employer contribution rate for Tier 3 employees from 5.0% to 5.5% beginning in FY 2027. The BRB states that the Legislature intends to fully cover the cost of this increase for both state agencies and local governments beginning in FY 2027. The budget funds this retirement rate increase by including retirement funding in statewide adjustments in the department's operating budget.

Opioid Settlement Transfer

The FY 2025 budget included an FY 2024 supplemental that reduced the ADC operating General Fund appropriation by $(75,000,000). The budget replaced that funding with a transfer of $75,000,000 in opioid settlement funding from the Attorney General in FY 2024, resulting in no net change in overall funding to ADC.

The FY 2025 budget reduced the transfer of opioid settlement monies from the Attorney General to ADC from $75,000,000 to $40,000,000 beginning in FY 2025 and retains this funding on an ongoing basis.

The opioid settlement transfers are not displayed within the appropriated ADC budget as the transferred monies will be deposited in the non-appropriated ADC Opioid Remediation Fund established pursuant to A.R.S. § 35-142.

The budget continues an Attorney General footnote specifying that ADC shall use the opioid settlement funding only for past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the one Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation. *(Please see the Attorney General section for additional information.)*

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 these monies are transferred. ADC has transferred money from the State DOC Revolving Fund to meet this requirement.

In FY 2025, the program saved a total of 388,870 bed days. The vendor is required to seek Medicaid payment for services like substance abuse treatment prior to billing ADC.

Bed Capacity Issues

Inmate Growth Rate

On May 31, 2026, the total inmate population was 34,761. This was a decrease of (790) inmates from the June 30, 2025 population of 35,551. *Table 2* shows the year-end populations from FY 2021 to FY 2026.

Table 2

Year-End Population, FY 2021 - FY 2026

Year	Population
FY 2021	35,954
FY 2022	33,371
FY 2023	34,377
FY 2024	35,138
FY 2025	35,551
FY 2026 (as of May 31, 2026)	34,761

The decline in the ADC population from FY 2021 to FY 2022 was likely related to the pandemic.

Bed Capacity

The department is required to report annually on bed capacity by November 1. 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 38,349 public and private beds on June 30, 2025, a decrease of (244) beds since June 30, 2024.

- 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.

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 1,694 as of June 30, 2025, a decrease of (98) from June 30, 2024.

Bed Surplus/Shortfall

At the end of FY 2025, the department had a total rated bed surplus of 2,798. After adjusting for the 5,240 temporary beds in the overall ADC system, the rated bed surplus became an 8,038-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.*)

Table 3

Fiscal Year-End Operating Capacity

State	FY 2025 Actual Rated	FY 2025 Actual Temp.	FY 2025 Actual Operating Capacity	FY 2026 Estimated Rated	FY 2026 Estimated Temp.	FY 2026 Estimated Operating Capacity	FY 2027 Estimate Rated	FY 2027 Estimate Temp.	FY 2027 Estimate Operating Capacity
Douglas	1,805	140	1,945	1,805	140	1,945	1,805	140	1,945
Eyman	4,493	2,139	6,632	4,493	2,139	6,632	4,493	2,139	6,632
Perryville	4,214	129	4,343	4,214	129	4,343	4,214	129	4,343
Phoenix	552	213	765	552	213	765	552	213	765
Lewis	4,960	879	5,839	4,960	879	5,839	4,960	879	5,839
Safford	1,703	160	1,863	1,703	160	1,863	1,703	160	1,863
Tucson	4,540	678	5,218	4,540	678	5,122	4,540	678	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	28,243	4,678	32,921	28,243	4,678	32,921	28,243	4,678	32,921
Private (Per Diem) [1/]									
Kingman ($62.69)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West ($89.95)	400	-	400	400	-	400	400	-	400
Florence West ($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	10,106	562	10,668	10,106	562	10,668	10,106	562	10,668
Total - All Beds [2/]	38,349	5,240	43,589	38,349	5,240	43,589	38,349	5,240	43,589
State Prison Population									
Male	22,374		22,374	22,600		22,600	22,710		22,710
Female	3,369		3,369	3,400		3,400	3,420		3,420
Subtotal	25,743		25,743	26,000		26,000	26,130		26,130
Private Prison Population									
Male	9,808		9,808	9,900		9,900	9,950		9,950
Total Population [3/4/]	35,551		35,551	35,900		35,900	36,080		36,080
Bed Surplus/(Shortfall)	2,798		8,038	2,449		7,689	2,269		7,509
Male	1,884		7,053	1,504		6,673	1,304		6,473
Female	914		985	945		1,016	965		1,036
Bed Surplus/(Shortfall) (% of Beds)	7%		18%	6%		18%	6%		17%

1/ 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. Kingman, Florence West and Phoenix West are management only.

2/ Excludes special use beds totaling 1,694 as of June 30, 2025.

3/ The chart excludes prisoners awaiting transfer from county jail.

4/ The chart reflects the actual inmate population at the end of FY 2025 and assumes a 1.0% population growth in FY 2026 over FY 2025 and 0.5% growth in FY 2027 over FY 2026.

Arizona Criminal Justice Commission

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	11.0	11.0	11.0
Personal Services	385,100	583,300	583,300
Employee Related Expenditures	139,900	229,400	264,600
Professional and Outside Services	370,200	330,000	330,000
Travel - In State	8,300	15,000	15,000
Travel - Out of State	8,300	34,000	34,000
Other Operating Expenditures	204,700	281,200	263,900
Equipment	600	0	0
OPERATING SUBTOTAL	**1,117,100**	**1,472,900**	**1,490,800** 1/
SPECIAL LINE ITEMS			
Law Enforcement Crime Victim Notification Fund Deposit	0	2,594,800	2,594,800
Major Incident Regional Law Enforcement Task Force	600,000	600,000	600,000 2/
State Aid to County Attorneys	706,000	973,700	973,800
State Aid to Indigent Defense	700,000	700,000	700,100
State Aid for Juvenile Dependency Proceedings Fund Deposit	2,000,000	2,000,000	2,000,000
Victim Compensation and Assistance	2,517,700	6,219,700	8,464,800
AGENCY TOTAL	**7,640,800**	**14,561,100**	**16,824,300**
FUND SOURCES			
General Fund	4,598,800	4,600,000	6,852,300
Other Appropriated Funds			
Criminal Justice Enhancement Fund	580,900	802,100	788,400
Drug and Gang Prevention Resource Center Fund	536,200	646,600	646,600
Peace Officer Training Equipment Fund	0	0	32,500
State Aid to County Attorneys Fund	706,000	973,700	973,800 3/
State Aid to Indigent Defense Fund	700,000	700,000	700,100
Victim Compensation and Assistance Fund	518,900	6,838,700	6,830,600 4/
SUBTOTAL - Other Appropriated Funds	3,042,000	9,961,100	9,972,000
SUBTOTAL - Appropriated Funds	**7,640,800**	**14,561,100**	**16,824,300**
Other Non-Appropriated Funds	3,306,000	3,425,900	3,425,900
Federal Funds	18,254,000	22,883,400	22,883,400
TOTAL - ALL SOURCES	29,200,800	40,870,400	43,133,600

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

2/ The amount appropriated for the major incident regional law enforcement task force in fiscal year 2026-2027 shall be distributed evenly to the sheriff's offices of the original five major incident division task forces located in Cochise county, Coconino county, Navajo county, Pinal county and Yuma county. (General Appropriations Act footnote)

3/ All monies received by the Arizona criminal justice commission in excess of $973,800 in fiscal year 2026-2027 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 $973,800 in fiscal year 2026-2027, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

4/ All victim compensation and assistance fund monies received by the Arizona criminal justice commission in excess of $6,830,600 in fiscal year 2026-2027 are appropriated to the crime victims program. Before spending any victim compensation and assistance fund monies in excess of $6,830,600 in fiscal year 2026-2027, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes $1,490,800 and 11 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
Criminal Justice Enhancement Fund (CJEF)	$788,400
Drug and Gang Prevention Resource Center Fund	646,600
Peace Officer Training Equipment Fund (POTEF)	32,500
Victim Compensation and Assistance Fund	23,300

Adjustments are as follows:

Grant Administration Funding

The budget includes an increase of $32,500 from the Peace Officer Training Equipment Fund (POTEF) in FY 2027 for costs of administering the fund. This program provides funding for law enforcement equipment. The FY 2027 Criminal Justice Budget Reconciliation Bill (BRB) renames the POTEF as the Law Enforcement Equipment Fund and transfers fund administration from the State Treasurer to ACJC effective on September 12, 2026. These monies will appear as a proposed Law Enforcement Equipment Fund appropriation in the FY 2028 Baseline. *(For additional information, please see the Other Issues section).*

Statewide Adjustments

The budget includes an increase of $(14,600) in FY 2027 for statewide adjustments. This amount consists of:

Criminal Justice Enhancement Fund (CJEF)	$(13,700)
Victim Compensation and Assistance Fund	(900)

(Please see Agency Detail and Allocations section.)

Law Enforcement Crime Victim Notification Fund Deposit

The budget includes $2,594,800 in FY 2027 for the Law Enforcement Crime Victim Notification Fund Deposit line item. Adjustments are as follows:

Remove One-Time FY 2026 Deposit

The budget includes a decrease of $(2,594,800) from the Victim Compensation and Assistance Fund in FY 2027 to remove a one-time FY 2026 deposit to the Law Enforcement Crime Victim Notification Fund.

One-Time FY 2027 Deposit

The budget includes an increase of $2,594,800 from the Victim Compensation and Assistance Fund in FY 2027 to continue a one-time deposit to the Law Enforcement Crime Victim Notification Fund.

Statute requires ACJC to use monies in the Law Enforcement Crime Victim Notification 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. (*For information on prior appropriations, please see the ACJC narrative in the FY 2026 Appropriations Report.)*

Major Incident Regional Law Enforcement Task Force

The budget includes $600,000 from the General Fund in FY 2027 for the Major Incident Regional Law Enforcement Task Force. This amount is unchanged from FY 2026.

A budget footnote specifies the FY 2027 appropriation is for equal distributions to the 5 original major incident division task forces located in Cochise County, Coconino County, Navajo County, Pinal County, and Yuma County. Each county will receive $120,000.

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, 2028. (*Please see the Department of Public Safety narrative for information on their Major Incident Division.)*

State Aid to County Attorneys

The budget includes $973,800 from the State Aid to County Attorneys Fund in FY 2027 for State Aid to County Attorneys. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $100 from the State Aid to County Attorneys Fund in FY 2027 for statewide adjustments.

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 budget includes $700,100 from the State Aid to Indigent Defense Fund in FY 2027 for State Aid to Indigent Defense. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $100 from the State Aid to Indigent Defense Fund in FY 2027 for statewide adjustments.

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 budget includes $2,000,000 from the General Fund in FY 2027 for State Aid for Juvenile Dependency Proceedings Fund Deposit. This amount is unchanged from FY 2026.

The State Aid for Juvenile Dependency Proceedings Fund administered by ACJC consists 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 based on each county's proportional share of juvenile dependency case filings in the most recent fiscal year for which case filing figures are available. Distributions to a county may not exceed $250,000. If a county distribution is projected to exceed the $250,000, the formula requires ACJC to distribute monies in excess of $250,000 to the remaining counties based on the proportional share of juvenile dependency case filings statewide for each county less the juvenile dependency case filings from the counties that have reached the maximum distribution in the fiscal year.

Prior to FY 2026, the distribution was based on 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.

Victim Compensation and Assistance

The budget includes $8,464,800 in FY 2027 for Victim Compensation and Assistance. This amount consists of:

General Fund	4,252,300
Victim Compensation and Assistance Fund	4,212,500

Adjustments are as follows:

Crime Victims Grant Funding

The budget includes an increase of $2,250,000 from the General Fund in FY 2027 for additional support for the victim compensation and assistance grant programs due to reductions in federal Victims of Crime Act (VOCA) monies.

Statewide Adjustments

The budget includes a decrease of $(4,900) in FY 2027 for statewide adjustments. This amount consists of:

General Fund	2,300
Victim Compensation and Assistance Fund	(7,200)

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

This section includes information on the following topics:

- Statutory Changes
- Peace Officer Training Equipment Fund
- Rural County Diversion Programs
- Criminal Justice Enhancement Fund

Statutory Changes

The FY 2027 Criminal Justice BRB makes the following changes:

- As permanent law, renames the Peace Officer Training Equipment Fund (POTEF) to the Law Enforcement Equipment Fund, changes the administration of the appropriated fund from the State Treasurer to the ACJC, and allows ACJC to use the fund for administrative costs. These provisions will take effect upon the effective date of the act, September 12, 2026. *(See below)*

2027 Peace Officer Training Equipment Fund Projects

The FY 2027 budget appropriates $7,274,400 from POTEF to the State Treasurer for 48 grant distributions to state and local governments. (*Please see the State Treasurer narrative.)*

Of the $7,274,400, $1,000,000 is appropriated from POTEF to the Treasurer to distribute to ACJC for the purpose of providing grants to acquire or implement technology that enhances recruitment and retention activities. State agencies with law enforcement functions, local law enforcement agencies and tribal police agencies are eligible for grants. This appropriation is exempt from lapsing.

Rural County Diversion Programs

The FY 2023 budget appropriated $10,000,000 from the General Fund for county attorney offices in counties with populations less than 900,000 according to the 2020 Decennial United States Census to establish and operate alternative prosecution and diversion programs based on evidence-based practices. The appropriation is exempt from 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.

ACJC retained $150,000 for administrative costs and awarded $9,850,000 in grants.

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.

Table 1 shows the FY 2025 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 2025 Transfers [2]	Statutory % of CJEF	Approp.
Attorney General			
AZ Prosecuting Attorneys Advisory Council (3)	$ 1,316,900	5.18	no
County Attorneys (6)	3,147,400	12.37	no
Arizona Criminal Justice Commission			
Operation Costs (9)	894,900	3.52	yes
Department of Public Safety			
Forensics Fund (1,10)	6,394,000	25.13	yes
State/Local Grants (5)	2,544,900	10.00	[3]
Department of Juvenile Corrections (2)	907,600	3.57	yes
State Treasurer			
County Sheriffs (8)	3,847,400	15.12	no
Supreme Court			
Case Processing (7)	2,183,900	8.58	yes
Juvenile Crime (4)	3,147,400	12.37	yes
Community Punishment Program (11)	1,057,600	4.16	yes
Total Funds Distributed [3]	$ 25,442,200		

1/ The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.

2/ The FY 2025 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.

Arizona State Schools for the Deaf and the Blind

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
PROGRAM BUDGET			
Administration/Statewide	8,575,500	8,126,200	8,229,500
Phoenix Day School for the Deaf	11,227,600	10,718,200	10,018,100
Preschool/Outreach Programs	7,874,600	7,458,800	7,195,900
Regional Cooperatives	21,736,500	19,103,000	16,252,100
Tucson Campus	12,550,600	13,498,400	12,767,000
AGENCY TOTAL	**61,964,800**	**58,904,600**	**54,462,600**
OPERATING BUDGET			
Full Time Equivalent Positions	562.2	562.2	562.2
Personal Services	21,030,400	20,068,200	20,068,200
Employee Related Expenditures	8,436,500	9,117,300	9,095,600
Professional and Outside Services	4,442,000	3,079,600	3,079,600
Travel - In State	316,100	1,742,900	1,742,900
Travel - Out of State	12,400	2,500	2,500
Other Operating Expenditures	5,506,700	5,102,000	3,582,600
Equipment	484,200	220,100	220,100
OPERATING SUBTOTAL	**40,228,300**	**39,332,600**	**37,791,500** [1/]
SPECIAL LINE ITEMS			
Supplemental Early Childhood Services	0	100,000	50,000 [2/]
School Bus/Agency Vehicle Replacement	0	369,000	369,000
Cooperative Services	21,736,500	19,103,000	16,252,100 [3/]
AGENCY TOTAL	**61,964,800**	**58,904,600**	**54,462,600** [4/ 5/]
FUND SOURCES			
General Fund	25,375,400	25,645,100	25,863,200
Other Appropriated Funds			
Cooperative Services Fund	21,736,500	19,103,000	16,252,100
Health Services Lottery Monies Fund	0	0	50,000
Schools for the Deaf and the Blind Fund	14,684,900	14,156,500	12,297,300
Telecommunication Fund for the Deaf	168,000	0	0
SUBTOTAL - Other Appropriated Funds	36,589,400	33,259,500	28,599,400
SUBTOTAL - Appropriated Funds	**61,964,800**	**58,904,600**	**54,462,600**
Other Non-Appropriated Funds	3,795,300	5,544,200	5,544,200
Federal Funds	4,181,300	5,293,900	5,293,900
TOTAL - ALL SOURCES	69,941,400	69,742,700	65,300,700

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. Starting in FY 2027, the Tucson residential program will be closed and be replaced by a new day program in Oro Valley. ASDB also serves infants and toddlers throughout the state. As of May 2026, ASDB served approximately 1,886 children: 301 students in the K-12 programs (115 in Tucson and 186 in Phoenix), 129 children in preschools, 509 infant/toddlers in regional areas, and 947 children through the 3 existing regional cooperatives.

FOOTNOTES

1/ Before spending any schools for the deaf and the blind fund monies in excess of $12,297,300 in fiscal year 2026-2027, 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 Appropriations Act footnote, adjusted for statewide allocations)

2/ The monies appropriated in the supplemental early childhood services line item in fiscal year 2026-2027 must be spent to continue the current contracts with multiple providers that are providing supplemental early childhood listening and spoken language services, including parent coaching services, to eligible infants and toddlers from birth to three years of age and their families. Contractors shall ensure that the services are provided by or overseen by a certified auditory verbal educator or therapist in a natural environment, a clinical setting, an educational setting or a virtual setting. (General Appropriations Act footnote)

3/ Before spending any cooperative services fund monies in excess of $16,252,100 in fiscal year 2026-2027, 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 Appropriations Act footnote, adjusted for statewide allocations)

4/ On or before September 1, 2026, the Arizona state schools for the deaf and the blind shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting that details the schools' budgetary and operational changes since fiscal year 2025-2026. The report must include any budgetary or operational changes regarding the Arizona state schools for the deaf and blind's closure of the Tucson campus, the termination of the schools' residential program, the relocation of campus-based Arizona state schools for the deaf programs, the termination of campus-based Arizona state school for the blind programs, the reduction of Arizona state schools for the deaf and the blind staff and any plans for the disposition of land owned by the schools at the Tucson campus. (General Appropriations Act footnote)

5/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program. The amount for the Administration/Statewide program is the Operating Lump Sum, with the other programs appropriated as Special Line Items in addition to the School Bus/Agency Vehicle Replacement.

Operating Budget

The budget includes $37,791,500 and 562.2 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$25,494,200
Schools for the Deaf and the Blind Fund	12,297,300

Adjustments are as follows:

Base Adjustment

The budget includes a decrease of $(1,442,100) from the ASDB Fund in FY 2027 for a base adjustment reflecting lower-than-anticipated revenues compared with the FY 2026 enacted budget. The FY 2026 enacted budget assumed the ASDB fund would receive total revenues of $14,156,500 from special education vouchers and state land trust endowment earnings. The FY 2027 budget assumes that actual revenues into the ASDB Fund in FY 2026 will be $12,714,400, or $(1,442,100) less than the appropriated amount. This estimate assumes that caseloads in ASDB's site-based programs would remain at the October 2025 level of 382. This adjustment is partly attributable to the decrease in land trust endowment revenues, as the distribution rate reverted to 2.5% from 6.9% in accordance with the requirements of Proposition 123.

Enrollment

The budget includes no net funding change from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2027 for enrollment. The budget assumes that enrollment in ASDB site-based programs remains unchanged from FY 2026 and therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2027.

Inflation

The budget includes an increase of $244,900 from the ASDB Fund in FY 2027 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 budget increases the BSA base level by 2.0% for inflation in FY 2027, which will increase special education voucher funding into the ASDB Fund by an estimated $244,900 in FY 2027.

Endowment Earnings Decrease

The budget includes a decrease of $(3,800) from the ASDB Fund in FY 2027 for decreased land trust endowment revenues.

When combined with the 2026 base adjustment of $(1,442,100), the total ASDB Fund adjustment is $(1,201,000). As a result, the budget decreases the ASDB Fund appropriation in FY 2027 by $(1,201,000) to match forecasted revenues.

Statewide Adjustments

The budget includes a decrease of $(340,100) in FY 2027 for statewide adjustments. This amount consists of:

General Fund	$318,100
Schools for the Deaf and the Blind Fund	$(658,200)

(Please see Agency Detail and Allocations section.)

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. This line item includes funding for contracted specialized education services for preschool children who are blind.

School Bus/Agency Vehicle Replacement

The budget includes $369,000 from the General Fund in FY 2027 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2026.

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).*

Supplemental Early Childhood Therapies

The budget includes $50,000 from the Health Services Lottery Monies Fund in FY 2027 for supplemental early childhood therapies. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(100,000) from the General Fund in FY 2027 to remove one-time funding for supplemental early childhood therapies.

One-Time Funding

The budget includes an increase of $50,000 from Health Services Lottery Monies Fund in FY 2027 for one-time funding for supplemental early childhood therapies.

The budget includes a footnote requiring ASDB to use monies in the Supplemental Early Childhood Services line item in FY 2027 to continue current contracts for supplemental early childhood services to eligible infants and toddlers and their families. Additionally, the FY 2027 Human Services Budget Reconciliation Bill (BRB) requires ASDB, on or before November 1, 2026, to transfer existing contracts for supplemental early childhood listening and spoken language services to the Department of Economic Security (DES). Additionally, the BRB requires the agency to transfer the remaining balance of the FY 2027 appropriation for supplemental early childhood listening and spoken language services to DES and adds succession language transferring authority, powers, responsibilities, duties, and contracts related to the speech and audition services from ASDB to DES.

Cooperative Services

The budget includes $16,252,100 from the Cooperative Services Fund in FY 2027 for Cooperative Services. Adjustments are as follows:

Base Adjustment

The budget includes a decrease of $(3,476,600) from the Cooperative Services Fund in FY 2027 for a base adjustment reflecting lower-than-anticipated revenues in comparison with the FY 2026 enacted budget. The FY 2026 enacted budget assumed the Cooperative Services Fund would receive total revenues of $19,103,000 in FY 2026 from special education vouchers, membership fees, and tuition. The FY 2027 budget assumes that actual revenues into the Cooperative Services Fund in FY 2026 will be $15,626,400, or $(3,476,600) less than the appropriated amount. This base adjustment is mainly attributable to changes implemented by ASDB regarding the reimbursement of unexpended Special Education Voucher funding to participating school districts for students in ASDB regional cooperatives. Our estimate assumes that total enrollment in the ASDB regional cooperatives would remain unchanged from the October 2025 level of 752 in FY 2026.

Enrollment

The budget includes no net funding change from the Cooperative Services Fund in FY 2027 for enrollment. The budget assumes that enrollment of voucher students in regional cooperatives remains at the October 2025 level of 752, and therefore includes no funding increase or decrease for enrollment changes for ASDB's Cooperative Services Fund for FY 2027.

Revenue Decrease

The budget includes a decrease of $(280,100) from the Cooperative Services Fund in FY 2027 for estimated revenue adjustments, including:

- An increase of $389,700 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 budget increases the BSA base level by 2.0% for inflation in FY 2027, which will increase special education voucher funding into the Cooperative Services Fund by an estimated $389,700 in FY 2027.
- A decrease of $(669,800) in revenues from district membership fees, tuition receipts and Special Education Voucher reimbursement based on ASDB estimates of those revenue categories.

The base level and other revenue adjustments total to $(280,100), and when combined with the base adjustment of $(3,476,600), the total Cooperative Service Fund adjustment is $(3,756,700). As a result, the budget decreases the Cooperative Services Fund appropriation in FY 2027 by $(3,756,700) to match forecasted revenues.

Statewide Adjustments

The budget includes an increase of $905,800 from the Cooperative Services Fund in FY 2027 for statewide adjustments.

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. Enrollment in ASDB's regional cooperatives as of May 2026 was 947.

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 Appropriations Act footnote stipulates that ASDB submit a report to JLBC detailing the intended use of the monies.

Other Issues

ASDB Tucson Campus Closure

At its February 5, 2026 meeting, the ASDB board approved the relocation of the Tucson residential campus to the Copper Creek Elementary School campus in Oro Valley. Beginning in the 2026-2027 school year, ASDB will no longer offer a residential program for students, so all education services will be provided through day school models.

These facility changes did not require legislative approval, but the budget addresses the revisions with 3 different provisions. A General Appropriations Act footnote requires ASDB to report by September 1, 2026 on any budgetary and operational changes since FY 2026, including any changes arising from the closure of the Tucson campus and the relocation of programming to Oro Valley.

In addition, two provisions in the K-12 Education BRB address the potential sale of the existing Tucson facility and the corresponding proceeds (*please see the Statutory Changes section below*).

Statutory Changes

The K-12 Education BRB makes the following changes:

- As permanent law, requires that, prior to the sale of buildings or grounds, ASDB shall order two independent appraisals of the property and submit a proposal to sell the school buildings or grounds to the Joint Committee on Capital Review for review. Requires the sale of ASDB property to adhere to the requirements of A.R.S. 37-803, which governs the disposal of real property for state agencies.
- As permanent law, establishes the appropriated Property Proceeds Fund consisting of proceeds from the sale or lease of school buildings or grounds owned by ASDB. Excludes from deposit into the fund the proceeds from leases of property to other schools and leases of property for less than one year. Authorizes the State Treasurer to invest and divest monies in the fund on notice of ASDB and credit any monies earned to the fund. Specifies that in any fiscal year in which the legislature appropriates monies from the fund, ASDB shall prepare and submit an expenditure plan to the Joint Legislative Budget Committee for review.

The Human Services BRB makes the following changes:

- As session law, requires ASDB, on or before November 1, 2026, to transfer existing contracts for supplemental early childhood listening and spoken language services to DES. Further requires the agency to transfer the remaining balance of the FY 2027 appropriation for supplemental early childhood listening and spoken language services to DES. Adds succession language transferring authority, powers, responsibilities, duties, and contracts related to the speech and audition services from ASDB to DES. *(Please see DES narrative for further details).*

Commission for the Deaf and the Hard of Hearing

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	21.0	21.0	21.0
Personal Services	1,609,800	2,100,000	2,100,000
Employee Related Expenditures	613,500	806,500	886,500
Professional and Outside Services	187,200	255,000	255,000
Travel - In State	6,900	8,000	8,000
Travel - Out of State	10,500	12,000	12,000
Other Operating Expenditures	1,113,200	1,219,300	1,219,100
Equipment	84,900	295,000	295,000
OPERATING SUBTOTAL	**3,626,000**	**4,695,800**	**4,775,600**
SPECIAL LINE ITEMS			
Support Services for the Deaf-Blind	184,200	350,000	350,000
Website Security Upgrades	156,000 1/	0	0
AGENCY TOTAL	**3,966,200**	**5,045,800**	**5,125,600** 2/
FUND SOURCES			
Other Appropriated Funds			
Telecommunication Fund for the Deaf	3,966,200	5,045,800	5,125,600
SUBTOTAL - Other Appropriated Funds	3,966,200	5,045,800	5,125,600
SUBTOTAL - Appropriated Funds	**3,966,200**	**5,045,800**	**5,125,600**
TOTAL - ALL SOURCES	3,966,200	5,045,800	5,125,600

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/ The $200,000 appropriated to the commission for the deaf and the hard of hearing by Laws 2024, chapter 209, section 34 in fiscal year 2024-2025 for the website security upgrades is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2026. (FY 2026 General Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $4,775,600 and 21 FTE Positions from the Telecommunication Fund for the Deaf in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $79,800 from the Telecommunication Fund for the Deaf in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Support Services for the Deaf-Blind

The budget includes $350,000 from the Telecommunication Fund for the Deaf in FY 2027 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2026.

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.

Website Security Upgrades

The budget includes no funding in FY 2027 for Website Security Upgrades. This amount is unchanged from FY 2026.

A footnote states that monies appropriated to the Website Security Upgrades line item in FY 2025 are non-lapsing through FY 2026.

Monies in this line item were used by the Commission to upgrade their website in order to comply with state internet security policies and protocols.

State Board of Dental Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	13.0	13.0	13.0
Personal Services	898,800	898,800	898,800
Employee Related Expenditures	355,100	400,100	436,800
Professional and Outside Services	402,700	512,400	512,400
Travel - In State	5,000	3,200	3,200
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	194,600	254,800	260,500
Equipment	69,700	76,100	76,100
OPERATING SUBTOTAL	**1,925,900**	**2,150,900**	**2,193,300**
SPECIAL LINE ITEMS			
Annual Leave Payout	0 1/	0	0
AGENCY TOTAL	**1,925,900**	**2,150,900**	**2,193,300** 2/
FUND SOURCES			
Other Appropriated Funds			
Dental Board Fund	1,925,900	2,150,900	2,193,300
SUBTOTAL - Other Appropriated Funds	1,925,900	2,150,900	2,193,300
SUBTOTAL - Appropriated Funds	**1,925,900**	**2,150,900**	**2,193,300**
TOTAL - ALL SOURCES	1,925,900	2,150,900	2,193,300

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

1/ The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2025 General Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $2,193,300 and 13 FTE Positions from the Dental Board Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $42,400 from the Dental Board Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Annual Leave Payout

The budget includes no funding in FY 2027 for an Annual Leave Payout. This amount is unchanged from FY 2026.

The FY 2025 budget included $9,300 from the Dental Board Fund for a one-time annual leave payout. This appropriation is non-lapsing. As of this writing, the appropriation has not yet been spent.

Arizona Early Childhood Development and Health Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
FUND SOURCES			
Other Non-Appropriated Funds	131,317,900	137,699,100	137,699,100
Federal Funds	8,500,200	2,700,300	0
TOTAL - ALL SOURCES	139,818,100	140,399,400	137,699,100

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 2025, ECDHB spent $63,800,800 on **Child Care Scholarships**, as displayed in *Table 1*, serving an average of 3,500 children monthly, down from 6,020 in FY 2024.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB.

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 88.0 filled FTE Positions from the $15,015,700 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 2025 ECDHB Fund Expenditures by Category
($ in Millions)

Expenditure Category	Amount	Percent
Child Care Scholarships	$63.8	46%
Family Support	32.2	23%
Health	14.0	10%
Administration	11.5	8%
Professional Development	4.0	3%
Community Awareness	3.5	3%
Research & Evaluation	3.0	2%
Federal Funds	7.0	5%
Total	**$139.0**	**100%**

Office of Economic Opportunity

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	5.0	5.0	5.0
Personal Services	359,100	358,800	358,800
Employee Related Expenditures	125,400	150,700	159,500
Travel - In State	1,600	1,200	1,200
Travel - Out of State	1,600	1,200	1,200
Other Operating Expenditures	18,900	20,000	14,400
Equipment	500	0	0
OPERATING SUBTOTAL	**507,100**	**531,900**	**535,100** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(13,300)
Adult Workforce Diploma Program Fund Deposit	0	2,000,000	0
Dual Enrollment Student Development Program	0	1,500,000	0
AGENCY TOTAL	**507,100**	**4,031,900**	**521,800**
FUND SOURCES			
General Fund	507,100	4,031,900	521,800
SUBTOTAL - Appropriated Funds	**507,100**	**4,031,900**	**521,800**
Other Non-Appropriated Funds	9,674,500	8,526,200	8,526,200
Federal Funds	9,501,300	11,025,400	11,025,400
TOTAL - ALL SOURCES	19,682,900	23,583,500	20,073,400

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. As part of its workforce development initiatives, OEO administers the Adult Workforce Diploma Program and the Dual Enrollment Student Development Program. 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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $535,100 and 5 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $3,200 from the General Fund in FY 2027 for statewide adjustments *(Please see Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(13,300) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Adult Workforce Diploma Program Fund Deposit

The budget includes no funding from the General Fund in FY 2027 for an Adult Workforce Diploma Program Fund Deposit. Adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 to remove a one-time deposit into the Adult Workforce Diploma Program Fund.

The Adult Workforce Diploma Program and monies in the Adult Workforce Diploma Program Fund are for making payments to approved providers in the Adult Workforce Diploma Program of $1,000 per recipient that earns a high school diploma and lower awards for other specified program milestones. Program providers may offer services online, through a campus-based program, or through a blended format. OEO may retain up to 5% of the monies in the fund to administer the Adult Workforce Diploma Program.

The Adult Workforce Diploma Program and Adult Workforce Diploma Program Fund were established by Laws 2022, Chapter 317 and originally administered by the Department of Education (ADE). The FY 2026 K-12 Education Budget Reconciliation Bill (BRB) transferred the program to OEO and created a new fund. A General Appropriations Act footnote required all monies remaining in the original fund to be transferred to the new Adult Workforce Diploma Program Fund at the end of FY 2025.

Other adult education programs are administered by ADE, including the Continuing High School and Workforce Training Program and the Community College Adult Education Workforce Development Program. *(Please see the ADE section for more details.)*

Dual Enrollment Student Development Program

The budget includes no funding from the General Fund in FY 2027 for the Dual Enrollment Student Development Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(1,500,000) from the General Fund in FY 2027 to remove one-time funding for the Dual Enrollment Student Development Program.

An FY 2026 General Appropriations Act footnote requires the one-time funding to be distributed by the Office of Economic Opportunity to community college dual enrollment programs, with a priority to serve students who qualify for free and reduced-price lunch. The Office of Economic Opportunity may retain up to 3% of the appropriated amount for administration. The Dual Enrollment Student Development program was originally established in ADE and received one-time funding in the FY 2024 budget.

Other Issues

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.

Statutory Changes

The Commerce Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, amend A.R.S. § 41-2257 to increase the population threshold for a city or town to 150,000 persons and increase the population threshold for a county to 500,000 persons for the purpose of receiving financial assistance from GADA.

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4,611.8	4,727.8	5,047.8
Personal Services	127,860,200	150,254,200	160,426,300
Employee Related Expenditures	58,999,700	68,236,600	77,477,800
Professional and Outside Services	80,234,200	96,969,500	96,990,800
Travel - In State	248,400	307,100	324,000
Travel - Out of State	111,800	96,100	96,200
Other Operating Expenditures	45,961,100	51,095,100	48,248,300
Equipment	2,062,800	2,152,400	2,242,200
OPERATING SUBTOTAL	**315,478,200**	**369,111,000**	**385,805,600** 1/2/
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	10,309,300	13,099,900	13,513,400
Aging and Adult Services			
Adult Services	12,731,900	12,731,900	15,731,900 3/4/
Area Agencies on Aging Housing Assistance	0	5,000,000	0
Civil Legal Aid	0	3,000,000	3,000,000 5/6/
Cochise County Food Distribution	1,000,000	0	0
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	19,022,600 7/	3,522,600
Coordinated Hunger Services	2,254,600	2,254,600	2,254,600
Domestic Violence Prevention	13,003,700	14,004,000	14,004,000 8/9/
Homeless Veterans' Services	0	1,500,000 10/	0
Homeless Veterans Strategic Plan	0	500,000 11/	0
Long-Term Care Ombudsman	1,000,000	1,000,000	1,000,000
Low-Income Food Services for Tribal Reservations	250,000	0	0
Navajo Nation Women's Services	500,000	0	0
Pascua Yaqui Tribe Social Services Programs	1,000,000	0	0
Pinal County Nutrition, Housing, and Rental Assistance	500,000	0	0
Produce Incentive Program	0	2,000,000	2,000,000 12/
Benefits and Medical Eligibility			
H.R. 1 Implementation - SNAP	0	0	10,800,000 13/
Navajo Nation Youth Programs	500,000	0	0
Summer Food Benefits Administration	1,879,600	1,961,800 14/	1,767,300 15/
TANF Cash Benefits	17,736,400	22,736,400	22,736,400
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
Child Support - Clerk of the Court and Family Law Services	8,539,700	8,539,700	8,539,700
Developmental Disabilities 16/-18/			
Federal Match Funding			
DDD Premium Tax Payment	69,871,600	77,751,400	102,012,200
Case Management - Medicaid	103,686,100	143,682,600	134,970,400 2/
Home and Community Based Services - Medicaid	2,838,271,700	3,573,691,000	3,576,977,500
Institutional Services - Medicaid	50,507,800	54,984,500	54,157,200 19/
Physical and Behavioral Health Services - Medicaid	641,099,100	852,480,000	1,099,120,100
Medicare Clawback Payments	7,132,700	7,940,400	8,888,400
Targeted Case Management - Medicaid	19,554,900	22,823,200	25,755,000
State Match Transfer from AHCCCS	0 20/	1,555,157,300	1,841,698,500
State Only Funding			
Arizona Early Intervention Program	16,119,000	16,119,000	16,119,000
Listening and Spoken Language - Arizona Early Intervention Program	0	0	150,000 21/

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Case Management - State-Only	8,788,200	6,446,100	6,548,100 2/
DD Job Training and Life Skills Services	1,000,000	0	0
DD Reconciliation Payment	0	32,300,000	0
Group Home Monitoring Program	1,200,000	1,200,000	0
High-Need Client Supplement	21,520,000	23,220,000	26,320,000 22/
Home and Community Based Services - State-Only	16,742,800	14,089,000	14,089,000
State-Funded Long Term Care Services	44,389,800	45,230,700	46,084,300
Employment and Rehabilitation Services			
Child Care Subsidy	320,580,200	297,787,900	261,837,300 23/24/
Education Workforce Innovation Initiative	0	500,000	0
Independent Living Rehabilitation Services	927,500	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600
Older Individuals Who Are Blind	0	0	150,000
Out-of-School Time Grant Program Fund Deposit	0	3,000,000	3,000,000 25/
Reentry Employment Services	0	0	3,000,000
Rehabilitation Services	7,069,000	7,249,100	7,249,100
Workforce Innovation and Opportunity Act Services	78,207,900	85,824,200	85,824,200
AGENCY TOTAL	**4,655,284,200**	**7,318,637,600**	**7,819,325,100**
FUND SOURCES			
General Fund	1,347,111,100	1,973,268,900	2,148,224,800
Other Appropriated Funds			
Child Support Enforcement Administration Fund	16,557,900	17,615,600	17,611,700 26/
Domestic Violence Services Fund	3,000,000	4,000,300	4,000,300 8/
Federal CCDF Block Grant	331,028,000	281,075,400	229,992,100
Federal TANF Block Grant	66,588,900	66,561,100	66,559,100
Health Services Lottery Monies Fund	0		1,800,000
Long Term Care System Fund (Non-Federal Matched)	34,429,200	34,971,300	35,517,100
Prescription Drug Rebate Fund - State	122,300,300	0	0
Public Assistance Collections Fund	0	441,800	441,800
Special Administration Fund	4,654,700	4,645,400	4,664,400
Spinal and Head Injuries Trust Fund	1,848,000	2,385,400	2,384,600
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	83,410,000	87,109,200	87,108,700 27/
SUBTOTAL - Other Appropriated Funds	663,817,000	499,805,500	451,079,800
SUBTOTAL - Appropriated Funds	**2,010,928,100**	**2,473,074,400**	**2,599,304,600**
Expenditure Authority Funds			
Child Support Enforcement Administration Fund	51,753,500	45,547,500	46,789,900
Health Care Investment Fund	0	36,148,000	0
Long Term Care System Fund (Federal Match)	2,592,602,600	4,763,867,700	5,173,230,600
SUBTOTAL - Expenditure Authority Funds	2,644,356,100	4,845,563,200	5,220,020,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	**4,655,284,200**	**7,318,637,600**	**7,819,325,100**
Other Non-Appropriated Funds	365,397,400	393,515,300	393,515,300
Federal Funds	3,121,925,900	2,928,578,600	2,911,578,600
TOTAL - ALL SOURCES	8,142,607,500	10,640,731,500	11,124,419,000 28/-31/

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. Some of these services include: long-term care for individuals with developmental disabilities, support services for older adults, nutrition and cash assistance for families, and unemployment insurance benefits.

FOOTNOTES

1/ 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 Appropriations Act footnote)

2/ Before transferring any monies in or out of the case management — medicaid and case management — state-only and developmental disabilities administration line items and before transferring any monies in or out of the operating lump sum item related to the developmental disabilities program and its administration, the department of economic security 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 do not require a report for review. (General Appropriations Act footnote)

3/ Of the amount appropriated for the adult services line item, $5,000,000 is exempt from the provisions of section 35 190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

4/ Of the amount appropriated for the adult services line item, the department shall distribute $500,000 to the inter tribal area agency on aging and $500,000 to the Navajo Nation area agency on aging. (General Appropriations Act footnote)

5/ Monies in the civil legal aid line item shall be distributed to nonprofit organizations to provide statewide general civil legal aid services consistent with the terms and restrictions of the legal services corporation as of federal fiscal year 2026. (General Appropriations Act footnote)

6/ The amount appropriated for the civil legal aid line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

7/ Of the monies appropriated by Laws 2025, chapter 233, section 29 to the department of economic security for the coordinated homeless services line item, $15,500,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

8/ 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 Appropriations Act footnote)

9/ On or before December 15, 2026, 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 must include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriations Act footnote)

10/ Monies appropriated by Laws 2025, chapter 233, section 29 to the department of economic security for the homeless veterans services line item are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

11/ Monies appropriated by Laws 2025, chapter 233, section 29 to the department of economic security for the homeless veterans strategic plan line item are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

12/ The amount appropriated for the produce incentive program line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

13/ The amount appropriated for the H.R. 1 (Public Law 119-21) implementation – SNAP line item is exempt from the provision of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2028. (General Appropriations Act footnote)

14/ The fiscal year 2025-2026 supplemental appropriation for summer food benefits administration is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until October 31, 2026. (General Appropriations Act footnote, Section 109)

15/ The amount appropriated for the summer food benefits administration line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing or appropriations, until October 31, 2027. (General Appropriations Act footnote)

16/ The department of economic security 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 Appropriations Act footnote)

17/ 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 of economic security 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 Appropriations Act footnote)

18/ On or before March 1, 2027, the department of economic security shall provide to the governor, 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 report on the utilization of covered services under the developmental disabilities program by disability classification. The report must include the total expenditures for each covered service by primary diagnosis in fiscal year 2025-2026. (General Appropriations Act footnote)

19/ On or before September 1, 2027, 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 2026-2027 and the reason for 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, 2027, 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 2026-2027. (General Appropriations Act footnote)

20/ The department actually spent $1,123,806,900 in FY 2025 in the State Match Transfer from AHCCCS line item, but this spending is not displayed for technical reasons.

21/ The amount appropriated for the listening and spoken language – Arizona early intervention program line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

22/ On or before January 31, 2027, the department of economic security shall submit a report to the joint legislative budget committee regarding expenditures from the high-need client supplement line item in the previous fiscal year. The report must 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 must also include cost effectiveness spending in other line items. (General Appropriations Act footnote)

23/ On or before December 31, 2026 and June 30, 2027, the department of economic security shall submit a report to the joint legislative budget committee regarding federal child care monies. The report must include, at a minimum, the actual revenues delineated by fund source, the actual year to date expenditures by purpose and fund source and the beginning and ending balances for all fund sources for the preceding six months. The report must also include projected annual revenues, expenditures and balances for the current year and the budget year. (General Appropriations Act footnote)

24/ 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 Appropriations Act footnote)

25/ The amount appropriated for the out-of-school time grant program fund deposit line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

26/ All state shares of retained earnings, fees and federal incentives in excess of $17,611,700 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 Appropriations Act footnote, as adjusted for statewide allocations)

27/ All workforce investment act grant monies that are received by this state in excess of $87,108,700 are appropriated to the workforce innovation and opportunity act services line item. Before spending these increased monies, the department of economic security shall report the intended use of monies in excess of $87,108,700 to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

28/ On or after April 1, 2027, 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, 2027 and must be reimbursed in full as part of the

closing process for fiscal year 2026-2027. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2027. The appropriation may not be used for additional programmatic expenditures. (General Appropriations Act footnote, Section 114)

29/ 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 Appropriations Act footnote)

30/ 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 must 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 Appropriations Act footnote)

31/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $385,805,600 and 2,734.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$212,339,200
Child Support Enforcement Administration Fund	14,022,700
Child Support Enforcement Administration Fund (EA)	29,877,100
Federal Temporary Assistance for Needy Families (TANF) Block Grant	21,627,800
Federal Child Care and Development Fund (CCDF) Block Grant	12,891,400
Long Term Care System Fund (EA)	89,602,800
Public Assistance Collections Fund	339,100
Special Administration Fund	2,227,600
Spinal and Head Injuries Trust Fund	604,500
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	1,273,400

Adjustments are as follows:

DDD Formula Adjustments

The budget includes a decrease of $(12,144,900) in FY 2027 for standard formula adjustments within the DDD program. This amount consists of:

General Fund	(3,697,100)
Long Term Care System Fund (EA)	(8,447,800)

(Please see the Developmental Disabilities section for more information.)

Administrative Cost Shift

The budget includes an increase of $31,800,000 and 200 FTE from the General Fund in FY 2027 for an administrative cost shift.

H.R. 1, the federal budget reconciliation bill that was signed into law on July 4, 2025, increases the state share of Supplemental Nutrition Assistance Program (SNAP) administrative costs from 50% to 75% starting October 1, 2026. The budget assumes this provision will result in a $31,800,000 increase in the General Fund share of SNAP administrative costs in FY 2027 and a corresponding decrease of $(31,800,000) in federal SNAP administrative monies. As a result, this adjustment does not result in a net increase in total administrative resources for the SNAP program. The budget also reclassifies 200 FTE Positions from non-appropriated Federal Funds to the General Fund.

The $(31,800,000) federal funds reduction does not result in a decrease in appropriated funds because currently all federal monies for the SNAP program are classified as non-appropriated within the DES budget. To better track federal funds for the SNAP program in relation to changes in the new federal SNAP match rate for administration, the Human Services Budget Reconciliation Bill (BRB) establishes a non-appropriated SNAP fund to house the federal share of the administrative costs of the program.

At current administrative funding levels, we estimate that DES will continue to receive $53,000,000 in federal matching administrative funds for SNAP in FY 2027 at the new 25% match rate.

The budget includes additional funding in a separate line item to hire staff and reduce the payment error rate. *(Please see the H.R. 1 Implementation - SNAP line item for additional information.)* The Human Services BRB also includes various changes related to SNAP eligibility determinations and procedures. (*Please see Statutory Changes in Other Issues for additional information.)*

Adult Protective Services Backfill

The budget includes an increase of $11,500,000 and 124 FTE positions from the General Fund in FY 2027 to backfill federal funding in the Adult Protective Services (APS)

program, which investigates complaints of abuse, neglect, and exploitation of vulnerable adults.

Remove One-Time Adult Protective Services Backfill
The budget includes a decrease of $(3,700,000) and (44) FTE positions from the General Fund in FY 2027 to remove one-time funding for the APS program.

Remove One-Time Benefit Services Digital Portal Funding
The budget includes a decrease of $(1,170,000) from the General Fund in FY 2027 to remove one-time funding for benefit services digital portal implementation. The funding is for the software licensing and data management costs of a digital portal that will help DES authenticate individuals applying for health and human service programs. The development costs of the project were funded in the FY 2025 budget.

Increased IT Mainframe Operating Costs
The budget includes a one-time increase of $6,105,300 from the General Fund in FY 2026 for increased IT mainframe operating costs. The department reports that as it has updated and migrated certain IT systems off its 2018 platform the remaining systems lack the necessary funding to support the fixed subscription costs of the platform. This increase continues one-time funding from FY 2026 and addresses an increase in the total cost of the mainframe contract.

Remove One-Time IT Mainframe Funding
The budget includes a decrease of $(4,010,000) from the General Fund in FY 2027 to remove one-time funding for increased IT mainframe operating costs.

Remove One-Time Income Verification Data Charge Federal Backfill
The budget includes a decrease of $(990,000) from the General Fund in FY 2027 to remove a one-time income verification data charge backfill. Beginning in FY 2025, the federal government began charging states for income verification services that it previously provided for free. Instead of paying for the federal service, the department amended an existing contract with a private vendor to perform these checks. The funding within the DES budget represents the added cost of the additional verifications for SNAP. *(See the DES Eligibility line item within the AHCCCS budget for funding associated with the Medicaid and CHIP programs.)*

Remove Child Care Operating One-Time Funding
The budget includes a decrease of $(15,272,800) from the Federal CCDF Block Grant in FY 2027 to remove one-time funding for child care operating costs.

Statewide Adjustments
The budget includes an increase of $4,577,000 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	2,572,200
Child Support Enforcement Administration Fund	(1,300)
Child Support Enforcement Administration Fund (EA)	850,000
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(2,000)
Federal Child Care and Development Fund (CCDF) Block Grant	(2,800)
Long Term Care System Fund (EA)	1,143,100
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	(700)
Workforce Investment Act Grant	(500)

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes $13,513,400 and 157.9 FTE Positions in FY 2027 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,302,900
Child Support Enforcement Administration Fund	2,534,700
Child Support Enforcement Administration Fund (EA)	9,427,400
Federal TANF Block Grant	106,200
Federal CCDF Block Grant	20,500
Public Assistance Collections Fund	102,700
Special Administration Fund	5,900
Spinal and Head Injuries Trust Fund	2,000
Workforce Investment Act Grant	11,100

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $413,500 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	23,800
Child Support Enforcement Administration Fund	(2,600)
Child Support Enforcement Administration Fund (EA)	392,400
Spinal and Head Injuries Trust Fund	(100)

Aging and Adult Services

Adult Services

The budget includes $15,731,900 from the General Fund in FY 2027 for Adult Services. Adjustments are as follows:

FY 2027 Area Agencies on Aging Increase
The budget includes a one-time increase of $5,000,000 from the General Fund in FY 2027 for the Area Agencies on Aging (AAAs). These monies are non-lapsing.

An FY 2027 General Appropriations Act footnote requires $500,000 of these monies to be distributed to the Inter Tribal AAA and $500,000 to be distributed to the Navajo Nation AAA.

Remove FY 2026 Area Agencies on Aging Increase
The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 to remove one-time AAA funding for Home and Community Based Services. The FY 2026 increase for Home and Community Based Services is non-lapsing.

This line item provides an array of support services to elderly persons via the AAA, as shown in *Table 1* for FY 2026. In addition to appropriated monies in this line item, the department is also allocating an estimated $46,568,000 in federal grant monies to the AAAs in FY 2027, primarily from federal Older Americans Act and Social Services Block Grant (SSBG) monies for support services, congregate meals, and home-delivered meals. Including federal resources and prior-year carryforward, the department estimated that total allocations to the AAAs will reach $57,998,500 in FY 2027 as of March 2026. This amount does not include the one-time $5,000,000 increase included in the FY 2027 budget.

Table 1

FY 2026 Adult Services

Services	FY 2026
Adult Protective Contracted Services	$ 295,100
Independent Living Services	4,537,100
Older Americans Act State Match	2,623,600
State Ombudsman	814,100
Respite Care	462,000
FY 2026 Direct Care Worker Incentives	2,000,000
AAA One-Time Increase	2,000,000
Total	**$12,731,900**

Area Agency on Aging Housing Assistance

The budget includes no funding in FY 2027 for Area Agencies on Aging Housing Assistance. Adjustments are as follows:

Remove One-Time AAA Housing Assistance Funding
The budget includes a decrease of $(5,000,000) from the General Fund in FY 2027 to remove one-time funding for AAA housing assistance. DES distributes monies in this line item to the AAAs for housing services to persons aged 60 and older, including rental, mortgage, HOA and utility assistance, property tax, and home repair costs up to a cap of $4,000 per household. The FY 2026 appropriation of $5,000,000 for this line item is non-lapsing.

Civil Legal Aid

The budget includes $3,000,000 in FY 2027 for Civil Legal Aid. Adjustments are as follows:

Civil Legal Aid
The budget includes a one-time increase of $3,000,000 from the General Fund in FY 2027 to continue funding for civil legal aid, which provides assistance to low-income individuals. These monies are non-lapsing.

Remove One-Time Civil Legal Aid Funding
The budget includes a decrease of $(3,000,000) from the General Fund in FY 2027 for the elimination of one-time civil legal aid funding.

An FY 2027 General Appropriations Act footnote required these monies to be distributed to nonprofit organizations for the provision of statewide general civil legal aid services consistent with the terms and restrictions of the legal services corporation as of FY 2026.

Cochise County Food Distribution

The budget includes no funding from the General Fund in FY 2027 for Cochise County Food Distribution. This amount is unchanged from FY 2026.

Community and Emergency Services

The budget includes $3,724,000 from the Federal TANF Block Grant in FY 2027 for Community and Emergency Services. This amount is unchanged from FY 2026.

The department distributes the monies in this line item to 12 contracted community action agencies to implement the Short-Term Crisis Services program established by A.R.S. § 46-241.01. The program provides emergency shelter, rent or mortgage assistance, utility assistance, and special needs to maintain or secure employment for individuals experiencing a short-term crisis that will cause homelessness or the interruption of heating or cooling at the individual's residence. Eligibility is limited to individuals with incomes at or below 125% of the Federal Poverty Level (FPL) (150% if a person residing in the household has a disability).

As of September 2025, the department also estimates it will allocate an additional $43,736,500 in federal grants through this line item in FY 2027 for services administered fully or partly by the Community Action Agencies, including the federal Low-Income Home Energy Assistance Program (LIHEAP) and the Community Services Block Grant. Federal budget reductions may affect these estimates.

Coordinated Homeless Services

The budget includes $3,522,600 in FY 2027 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:

Remove One-Time Coordinated Homeless Funding
The budget includes a decrease of $(15,500,000) from the General Fund in FY 2027 to remove one-time coordinated homeless services program funding. A General Appropriations Act footnote required DES to use at least $4,000,000 of the FY 2026 increase for eviction prevention services and assistance, $4,000,000 for homeless response and operations to rehouse homeless youth and families, and $1,000,000 for referral network operations to connect homeless individuals and individuals experiencing other crises with available state resources. An FY 2027 General Appropriations Act footnote makes the $15,500,000 increase included in the FY 2026 budget non-lapsing until June 30, 2027.

This line item funds contracted emergency shelter services, rapid re-housing services, and prevention services for persons experiencing or at risk of experiencing homelessness.

Coordinated Hunger Services

The budget includes $2,254,600 in FY 2027 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 2026.

State and federal dollars are used to contract with regional food banks for the storage and distribution of commodity foods purchased by the United States Department of Agriculture (USDA) via the Emergency Food Assistance Program (TEFAP) and the Commodity Senior Food Program. Income-eligible recipients receive food via monthly food packages or congregate meals prepared by food pantries or soup kitchens.

Domestic Violence Prevention

The budget includes $14,004,000 in FY 2027 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 2026.

In FY 2025, this line item, along with non-appropriated funds, served approximately 4,489 adults and children in emergency shelters, 361 adults and children in transitional housing, and 14,018 victims with mobile and community-based advocacy.

Homeless Veterans' Services

The budget includes no funding in FY 2027 for Homeless Veterans' Services. Adjustments are as follows:

Remove Homeless Veterans' Services Funding
The budget includes a decrease of $(1,500,000) from the General Fund in FY 2027 for the elimination of one-time Homeless Veterans' Services funding. An FY 2026 General Appropriations Act footnote required DES, in collaboration with the Department of Veterans' Services, to allocate $750,000 to veterans' treatment court to provide services to veterans who have substance use disorders or mental health conditions and $750,000 to provide immediate assistance to homeless veterans through shelter connection and utility, rental and employment assistance. An FY 2027 General Appropriations Act footnote makes the FY 2026 appropriation of $1,500,000 non-lapsing until June 30, 2027.

Homeless Veterans' Strategic Plan

The budget includes no funding in FY 2027 for a Homeless Veterans' Strategic Plan. Adjustments are as follows:

Remove Homeless Veterans' Strategic Plan Funding
The budget includes a decrease of $(500,000) from the General Fund in FY 2027 for the elimination of one-time Homeless Veterans' Strategic plan funding. An FY 2026 General Appropriations Act footnote required DES to use

the monies in collaboration with the Department of Veterans' Services to create a strategic plan to address veteran homelessness. An FY 2027 General Appropriations Act footnote makes the FY 2026 appropriation of $500,000 non-lapsing until June 30, 2027.

Long-Term Care Ombudsman

The budget includes $1,000,000 from the General Fund in FY 2027 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2026.

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 DDD service providers.

Low-Income Food Services for Tribal Reservations

The budget includes no funding in FY 2027 for low-income food services for tribal reservations. This amount is unchanged from FY 2026.

Navajo Nation Women's Services

The budget includes no funding in FY 2027 for Navajo Nation Women's Services. This amount is unchanged from FY 2026.

An FY 2026 General Appropriations Act footnote made the FY 2025 appropriation non-lapsing until June 30, 2026.

Pascua Yaqui Tribe Social Services Programs

The budget includes no funding in FY 2027 for Pascua Yaqui Tribe Social Services Programs. This amount is unchanged from FY 2026.

Pinal County Nutrition, Housing, and Rental Assistance

The budget includes no funding from the General Fund in FY 2027 for Pinal County nutrition, housing, and rental assistance. This amount is unchanged from FY 2026.

Produce Incentive Program

The budget includes $2,000,000 from the General Fund in FY 2027 for the Produce Incentive Program. Adjustments are as follows:

Produce Incentive Program
The budget includes a one-time increase of $2,000,000 from the General Fund in FY 2027 to continue program funding. These monies are non-lapsing. The FY 2027 budget's 3-year plan also includes $2,000,000 one-time for the program in FY 2028.

Remove FY 2026 Funding
The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 for the removal of one-time produce incentive program funding. The FY 2026 appropriation to this line item is non-lapsing.

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.

Benefits and Medical Eligibility

H.R. 1 Implementation - SNAP

The budget includes $10,800,000 and 88 FTE Positions from the General Fund in FY 2027 for H.R. 1 Implementation - SNAP. Adjustments are as follows:

SNAP Error Rate Reduction
The budget includes a one-time increase of $10,800,000 and 88 FTE Positions from the General Fund in FY 2027 to reduce the SNAP error rate.

Beginning in FY 2028, H.R. 1 requires states to pay a percentage of benefit costs if the state's error rate in administering benefits exceeds 6%. The state's share gradually increases as the error rate increases. The state match requirements will begin on October 1, 2027.

In FY 2024, Arizona's error rate was 8.84%. Subsequent to the adjournment of the 2026 Arizona Legislature, the state's FY 2025 error rate was reported at 10.80%. The FY 2028 state share of benefits will be determined by the lower of the FY 2025 error rate (10.80%) or the FY 2026 error rate. The FY 2026 error rate is expected to be published in June 2027. The FY 2027 Human Services BRB requires DES to submit a report on the FY 2026 anticipated error rate within 30 days of submission of the final month of quality control reviews to the U.S. Department of Agriculture Food and Nutrition Services.

The Human Services BRB also makes various changes to SNAP eligibility determinations and procedures. *(Please see Statutory Changes section of this narrative.)* As a result of these changes, the budget assumes the state will be below a 6% error rate and will not have to pay a share of benefits in FY 2028 or FY 2029.

Background – The Supplemental Nutrition Assistance Program (SNAP), formerly referred to as "food stamps," is a federal low-income food assistance program administered by DES. A household's monthly benefit is based on a federal formula that considers the household's size and net income. In May 2026, the average Arizona household participating in SNAP received a $316 benefit. The standard household income limit is 130% of the Federal Poverty Level (FPL), but Arizona has adopted a state option that enables households with incomes up to 200% FPL to potentially qualify as well.

Navajo Nation Youth Programs

The budget includes no funding in FY 2027 for Navajo Nation youth programs. This amount is unchanged from FY 2026.

The FY 2026 budget included a footnote that made the FY 2025 appropriation of $500,000 from the General Fund non-lapsing until June 30, 2026.

Summer Food Benefits Administration

The budget includes $1,767,300 in FY 2027 for summer food benefits administration. Adjustments are as follows:

Summer Food Benefits Funding

The budget includes an increase of $1,767,300 from the General Fund in FY 2027 for summer food benefits administration. These monies are non-lapsing through October 31, 2027. The FY 2027 budget's 3-year plan also includes $1,767,300 one-time for the program in FY 2028.

Remove FY 2026 Supplemental

The budget includes a decrease of $(1,761,800) from the General Fund in FY 2027 for the removal of one-time supplemental funding for summer food benefits administration. The FY 2026 supplemental appropriation for this line item is non-lapsing through October 31, 2026. *(See FY 2026 Supplemental in Other Issues for additional information.)*

Remove One-Time Administrative Funding

The budget includes a decrease of $(200,000) from the General Fund in FY 2027 to remove one-time funding for summer food benefits administration.

This funding is for a federal program, also referred to as "SUN Bucks," which is a $120 benefit for families with school-aged children during the summer months when children lose access to free or reduced-price meals. While the benefit is 100% federally funded, the state is required to pay for 50% of the administrative costs of the program.

TANF Cash Benefits

The budget includes $22,736,400 from the Federal TANF Block Grant in FY 2027 for TANF Cash Benefits. This amount is unchanged from FY 2026.

The budgeted amount would be able to fund an average of 15,750 individuals at $100 per month. As of May 2026, the program serves 4,369 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 May 2026, the TANF Diversion program served 90 clients.

At May 2026 levels, the total cost would be $6,125,200, or $(16,611,200) 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 FY 2027 Human Services BRB continues a provision requiring 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 budget includes $4,680,300 from the General Fund in FY 2027 for Tribal Pass-Through Funding. This amount is unchanged from FY 2026.

Monies in this line item are passed through to Native American tribes operating their own TANF programs.

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. Most of this funding, including the General Fund appropriation, is located within the agency's overall operating budget.

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.

Child Support - Clerk of the Court and Family Law Services

The budget includes $8,539,700 in FY 2027 for Child Support - Clerk of the Court and Family Law Services. This amount consists of:

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2026.

DES 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 224% of the FPL, or $35,784 per year, 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 resources available to the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of June 2025, the Division of Developmental Disabilities served 61,227 clients, which includes 46,501 clients in the LTC program, 7,442 in Targeted Case Management, and 7,284 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 2*.

Table 2

Primary Disability of Clients Served 1/

Disability	Number	Percentage
Autism	25,008	40.9%
Intellectual Disability	15,486	25.3%
At Risk	14,318	23.4%
Cerebral Palsy	3,579	5.8%
Epilepsy	2,208	3.6%
Down Syndrome	628	1.0%
Total	**61,227**	**100.0%**

1/ Numbers are based on the department's estimates of primary disabilities of DDD clients, proportionally adjusted for June 2025 caseload levels.

Overall DDD Adjustments

The budget includes an increase of $243,931,300 from the General Fund in FY 2027 for DDD formula changes. These adjustments are primarily based on the following formula assumptions:

- Caseload growth of 6.2% in FY 2026 and 5.0% in FY 2027. The budget assumes that LTC enrollment will total 52,098 by June 2027.
- A capitation rate increase of 5.7% in FY 2026 and 3.0% in FY 2027. (*Please see the Home and Community-Based services line item for more information on the 5.7% FY 2026 increase and the Parents as Paid Caregivers program).* The budget assumes that the DDD capitation rate will be $8,191 in FY 2027 (or $98,291 annually).
- A reduction in the regular federal match rate from 64.84% in FY 2026 to 63.94% in FY 2027.

The budget also includes a decrease of $(82,818,700) from the General Fund to remove an FY 2026 supplemental. *(See FY 2026 Supplemental in Other Issues*

for additional information.) This supplemental is displayed separately from formula adjustments within the Home and Community-Based Services - Medicaid line item.

Developmental Disabilities – Federal Match Funding

DDD Premium Tax Payment

The budget includes $102,012,200 in FY 2027 for the DDD Premium Tax Payment. This amount consists of:

General Fund	36,783,100
Long Term Care System Fund (EA)	65,229,100

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $24,260,800 in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	9,163,900
Long Term Care System Fund (EA)	15,096,900

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 budget includes $134,970,400 and 1,217.9 FTE Positions in FY 2027 for Case Management - Medicaid. These amounts consist of:

General Fund	48,780,600
Long Term Care System Fund (EA)	86,189,800

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(11,017,900) in FY 2027 for standard formula adjustments. These amounts consist of:

General Fund	(3,288,700)
Long Term Care System Fund (EA)	(7,729,200)

Statewide Adjustments

The budget includes an increase of $2,305,700 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	945,000
Long Term Care System Fund (EA)	1,360,700

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. Through CYE 2025, DES implemented a caseload of 43 clients per 1 case manager for new enrollees. Beginning in Contract Year Ending 2026 (CYE 2026), the ALTCS program adopted a new formula to allocate case managers to DDD clients. DES is now required to have the following ratios of DDD clients to case managers:

- General DDD services: 48 members to 1 case manager.
- DDD services for complex behavioral health or skilled nursing needs: 24 members to 1 case manager.
- DDD PPCG services: 43 members to 1 case manager.
- DDD AzEIP services: 43 members to 1 case manager.

This revised allocation of members to case managers is incorporated within AHCCCS's capitation rates for CYE 2026.

Home and Community Based Services - Medicaid

The budget includes $3,576,977,500 and 221.2 FTE Positions in FY 2027 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	1,283,205,200
Long Term Care System Fund (EA)	2,293,772,300

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $293,468,100 in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	126,959,000
Long Term Care System Fund (EA)	172,977,200
Health Care Investment Fund	(6,468,100)

The formula adjustments include the impact of annualizing an 5.7% capitation rate increase proposed by state actuaries for the DDD program in FY 2026. The increase consists of:

- An initial 4.3% increase that was effective October 1, 2025. This adjustment reflected inflationary and utilization adjustments. The increase would have been higher, but the actuaries assumed DES would incur a General Fund savings of approximately $(47,000,000) annually due to anticipated utilization reductions in the Parents as Paid Caregivers (PPCG)

related to statutory changes to the program required by HB 2945 from the 2025 session.

- An additional 1.4% increase proposed by the actuaries in May 2026 that is retroactive to October 1, 2025, bringing the total increase to 5.7%.

According to AHCCCS, the 1.4% adjustment is related to "the ability of DES/DDD to realize savings associated with the series of reforms required by HB 2945." Although DES has reported that some elements of HB 2945 have been implemented, the AHCCCS actuaries originally assumed approximately $(25,000,000) in General Fund savings from a strengthened standardized assessment tool for DDD children (including children receiving services via PPCG) that has since been delayed until Fall 2026. AHCCCS has previously reported that the delay was due to feedback from the DDD community regarding its rulemaking obligations and federal restrictions on prior authorization timelines.

However, the FY 2027 Health Care BRB exempts AHCCCS from rulemaking requirements related to service frequency and hour limitation policy changes in FY 2027. This exemption affects the HB 2945-related assessment tool changes described above. The BRB requires AHCCCS to provide notice for public comment at least 30 days before implementing the changes. *(Please see the AHCCCS narrative for additional details.)*

The formula adjustments also include a decrease of $(6,468,100) from HCIF and a corresponding increase of $6,468,100 to Long Term Care System Fund (EA). DES reports that it is accounting for HCIF monies in LTCSF instead of a separate fund. The budget conforms to the DES display.

Remove FY 2026 Supplemental

The budget includes a decrease of $(299,123,400) in FY 2027 for the removal of one-time supplemental formula funding in FY 2026. This amount includes:

General Fund	(82,818,700)
Long Term Care System Fund (EA)	(216,304,700)

(See FY 2026 Supplemental in Other Issues for additional information.)

Backfill One-Time FMAP Savings

The budget includes an increase of $8,400,000 from the General Fund in FY 2027 to backfill one-time FMAP savings. The FY 2026 enacted budget included a one-time decrease of $(8,400,000) from the General Fund due to revisions to the state's FMAP in FFY 2025.

Statewide Adjustments

The budget includes an increase of $541,800 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	216,400
Long Term Care System Fund (EA)	325,400

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. Funding for the Parents as Paid Caregivers (PPCG) program is included within this line item. This line item also funds staff in state-operated group homes.

Institutional Services - Medicaid

The budget includes $54,157,200 and 383 FTE Positions in FY 2027 for Medicaid Institutional Services. These amounts consist of:

General Fund	19,552,700
Long Term Care System Fund (EA)	34,604,500

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(1,399,600) in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	(232,700)
Long Term Care System Fund (EA)	(1,166,900)

Statewide Adjustments

The budget includes an increase of $572,300 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	231,300
Long Term Care System Fund (EA)	341,000

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 48 in FY 2025, a decrease of (3) from FY 2024.

Physical and Behavioral Health Services - Medicaid

The budget includes $1,099,120,100 and 77 FTE Positions in FY 2027 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	353,438,600
Long Term Care System Fund (EA)	745,681,500

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $246,330,200 in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	112,739,200
Long Term Care System Fund (EA)	163,270,900
Health Care Investment Fund	(29,679,900)

The formula adjustments include a decrease of $(29,679,900) from HCIF and a corresponding increase of $29,679,900 to Long Term Care System Fund (EA). DES reports that it is accounting for HCIF monies in LTCSF instead of a separate fund. The budget conforms to the DES display.

Statewide Adjustments

The budget includes an increase of $309,900 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	104,300
Long Term Care System Fund (EA)	205,600

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, Children's Rehabilitative Services, and behavioral health services for DDD clients in the ALTCS program.

Medicare Clawback Payments

The budget includes $8,888,400 from the General Fund in FY 2027 for Medicare Clawback Payments. Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $948,000 from the General Fund in FY 2027 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 budget includes $25,755,000 and 174.6 FTE Positions in FY 2027 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	9,302,900
Long Term Care System Fund (EA)	16,452,100

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $2,559,900 and 21 FTE Positions in FY 2027 for standard formula adjustments. These amounts consist of:

General Fund	1,031,900
Long Term Care System Fund (EA)	1,528,000

Statewide Adjustments

The budget includes an increase of $371,900 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	150,400
Long Term Care System Fund (EA)	221,500

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 2025, 7,442 clients received TCM services.

State Match Transfer from AHCCCS

The budget includes $1,841,698,500 from the Long Term Care System Fund Expenditure Authority in FY 2027 for a state match transfer from the Arizona Health Care Cost Containment System (AHCCCS). Adjustments are as follows:

Administrative Pass-Through Adjustment

The budget includes an increase of $286,541,200 from the Long Term Care System Fund Expenditure Authority in FY 2027 for a state match transfer from AHCCCS. The adjustment is to bring the total amount in line with the department's FY 2027 General Fund appropriation for Medicaid line items within DDD and General Fund monies for DDD in the operating budget.

Background – 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

Arizona Early Intervention Program

The budget includes $16,119,000 from the General Fund in FY 2027 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2026.

Background – AzEIP provides screening and intervention services for children ages 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 $10,825,400 for AzEIP services in FY 2027. As a result, the total AzEIP funding available is $26,944,400 in FY 2027.

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 DDD diagnosis. AzEIP children with a DDD diagnosis continue to be funded within the HCBS State-Only line item.

Listening and Spoken Language - Arizona Early Intervention Program

The budget includes $150,000 from the Health Services Lottery Fund in FY 2027 for Listening and Spoken Language - AzEIP. Adjustments are as follows:

Listening and Spoken Language Program
The budget includes a one-time increase of $150,000 from the Health Services Lottery Fund in FY 2027 for Listening and Spoken Language - AzEIP. These monies are non-lapsing.

This funding is for early childhood services for eligible families with infants and toddlers who are deaf or hard of hearing. These services include speech and audition practice overseen by certified auditory educators or therapists. The FY 2026 budget previously included one-time funding for listening and spoken language (LSL) services within the budget for the Arizona State Schools for the Deaf and the Blind (ASDB) and served 32 families as of February 2026.

Additionally, the FY 2027 Human Services BRB requires that ASDB transfer any existing contracts with early childhood LSL providers to DES by November 1, 2026. The BRB also requires DES to contract with early childhood LSL providers beginning July 1, 2027, and must refer all eligible families to these providers, as well as ASDB. DES may use up to 10% of the monies in this line item for administrative costs. *(Please see the ASDB narrative for additional details.)*

Case Management - State-Only

The budget includes $6,548,100 and 60.8 FTE Positions from the General Fund in FY 2027 for Case Management - State-Only. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $102,000 from the General Fund in FY 2027 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DDD program who meet the functional disability requirements but are not financially eligible for the Targeted Case Management program. In June 2025, 7,284 DDD state-only clients received case management state-only services.

DD Job Training and Life Skills Services

The budget includes no funding in FY 2027 for DD Job Training and Life Skills Services. This amount is unchanged from FY 2026.

Monies in this line item were used to fund job training and life skills services for developmentally disabled individuals in areas outside Maricopa and Pima counties.

DD Reconciliation Payment

The budget includes no funding in FY 2027 for a DD Reconciliation Payment. Adjustments are as follows:

Remove Operating Shortfall Funding
The budget includes a decrease of $(32,300,000) from the General Fund in FY 2027 to remove one-time funding for an operating budget shortfall in the contract year ending on September 30, 2024.

Group Home Monitoring Program

The budget includes no funding in FY 2027 for the Group Home Monitoring Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(1,200,000) from the General Fund in FY 2027 to remove one-time funding for the Group Home Monitoring Program. The FY 2025 and FY 2026 appropriations for the Group Home Monitoring Program are non-lapsing until June 30, 2026, and December 31, 2027, respectively.

Background – The DDD Group Home Monitoring Program, originally authorized by Laws 2022, Chapter 316 and modified by Laws 2025, Chapter 241, is administered by an entity contracted by the department to operate the Protection and Advocacy System for Persons with Developmental Disabilities. The contractor is required to monitor group homes for those with complex needs, determining whether clients' needs from their service plans are being met and whether a behavior treatment plan is in place and had a positive impact on the client. The contractor is also required to make monthly reports to the department that identify systemic issues and recommendations for improvement, as well as annual reports to the Governor, the President of the Senate, and the Speaker of the House on systemic issues and recommendations.

High-Need Client Supplement

The budget includes $26,320,000 in FY 2027 for a High-Need Client Supplement (HNCS). This amount consists of:

General Fund	25,100,000
Special Administration Fund	1,220,000

Adjustments are as follows:

Continue One-Time Funding

The budget includes a one-time increase of $17,900,000 from the General Fund in FY 2027 to continue funding for the HNCS population.

Remove One-Time Funding

The budget includes a decrease of $(14,800,000) from the General Fund in FY 2027 for the removal of one-time funding for increased costs in FY 2026. This increase was to address growth in the number of DDD members whose costs exceed the institutional threshold.

Background – The federal waiver for the DDD 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 home and community-based (HCBS) services are cost-neutral to the federal government. This 100% state-funded program funds any services that exceed the federal cap, thereby allowing clients to remain in an HCBS setting.

In FY 2025, an average of 271 individuals per month had costs of care that exceeded federal cost thresholds. In FY 2025, the aggregate amount above the thresholds covered with state-only funds was $23,630,900.

Prior to FY 2027, this line item was entitled "Cost Effectiveness Study - Client Services." There is no longer an ongoing study associated with this program.

Home and Community Based Services - State-Only

The budget includes $14,089,000 from the General Fund in FY 2027 for State-Only Home and Community Based Services. This amount is unchanged from FY 2026.

Background – This line item funds residential programs, day programs, and support services for DDD clients that do not financially qualify for ALTCS.

State-Funded Long Term Care Services

The budget includes $46,084,300 and 2 FTE Positions in FY 2027 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	10,567,200
Long Term Care System Fund	35,517,100

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $853,600 in FY 2027 for standard caseload growth in ALTCS-eligible DDD clients receiving residential services with room and board expenses. This amount consists of:

General Fund	307,800
Long Term Care System Fund	545,800

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.

Employment and Rehabilitation Services

Child Care Subsidy

The budget includes $261,837,300 in FY 2027 for child care subsidies. This amount consists of:

General Fund	44,757,100
Federal CCDF Block Grant	217,080,200

Adjustments are as follows:

Child Care Subsidy Funding

The budget includes a one-time increase of $44,757,100 from the General Fund in FY 2027 to continue funding for child care subsidies.

Remove One-Time Funding

The budget includes a decrease of $(80,707,700) in FY 2027 to remove one-time child care subsidy funding. This amount consists of:

General Fund	(44,900,000)
Federal CCDF Block Grant	(35,807,700)

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.

Subsidy Rates – 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 50th percentile of the 2022 market rate survey for ages 1 through 12. Additionally, high quality providers that are rated with a 3-, 4-, or 5-star rating by First Things First's Quality First program receive a 40% increased quality incentive rate. As of April 2026, the department estimates that the FY 2026 average reimbursement rate per child was $997.

Caseloads – According to the department, the estimated number of children receiving child care services in April 2026 was 19,222 excluding ECDHB- and DCS-related child care. A.R.S. § 46-803K stipulates that the department shall establish a waiting list for prospective enrollees, if necessary, in order to manage within appropriated resources. Effective August 2024, the department implemented a waiting list for new applicants, excluding children in families on TANF or transitioning from TANF or children in DCS custody. As of July 2026, there are 13,485 children on the waiting list.

The FY 2027 General Appropriations Act includes a footnote requiring DES to report on all federal child care monies by December 31, 2026 and June 30, 2027.

Education Workforce Innovation Initiative

The budget includes no funding in FY 2027 for the Education Workforce Innovation Initiative. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 for the elimination of one-time education workforce initiative funding.

An FY 2026 General Appropriations Act footnote required the department to distribute these monies to qualifying programs led by Arizona-based organizations with supporting partnerships from a public university and a local education agency. Qualifying programs were programs focused on developing parents and caregivers whose income falls at or below the federal poverty levels as education professionals, including providing participants with knowledge and skills to enter the education profession, supporting job placement of program participants, and providing continuing education to the parent educators.

Grantees must have had a demonstrated record of developing the leadership capacity of parents and caregivers in Arizona and have been operational for at least 4 years. DES distributed the money to a contracted vendor in October 2025.

Independent Living Rehabilitation Services

The budget includes $1,289,400 in FY 2027 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 2026.

Background – This 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.

JOBS

The budget includes $11,005,600 in FY 2027 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 2026.

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.

Older Individuals Who Are Blind

The budget includes $150,000 from the Health Services Lottery Monies Fund in FY 2027 for the Older Individuals Who Are Blind program. Adjustments are as follows:

Older Individuals Who Are Blind Program

The budget includes a one-time increase of $150,000 from the Health Services Lottery Monies Fund in FY 2027 for the Older Individuals Who Are Blind Program.

Background – This line item assists individuals who are blind or visually impaired and over 55 years of age with independent living. Services include daily living skills, orientation and mobility, assistive technology and adjustment to blindness.

Out-of-School Time Grant Program Fund Deposit

The budget includes $3,000,000 from the General Fund in FY 2027 for the Out-of-School Time Grant Program. Adjustments are as follows:

Out-of-School Time Grant Fund Deposit

The budget includes a one-time increase of $3,000,000 from the General Fund in FY 2027 to continue deposits into the out-of-school time grant fund. These monies are non-lapsing.

Remove One-Time Out-of-School Time Grant Fund Deposit

The budget includes a decrease of $(3,000,000) from the General Fund in FY 2027 to remove a one-time deposit into the Out-of-School Time Grant Fund. The FY 2026 appropriation is non-lapsing until June 30, 2027.

The FY 2026 Human Services BRB established the out-of-school time grant program and fund to expand child care for children between the ages of 5 and 12 who require child care during periods of time when school instruction is not being conducted, and whose households earn $150,000 or less a year.

The FY 2027 Human Services BRB expands the upper age limit to 18 years of age and removes the requirement to reduce the cost of out-of-school time care by at least two-thirds. Additionally, it allows grant monies for rural communities to be spent for capital purposes in a public building if a school district partners with a nonprofit organization with a history of offering out-of-school time services to eligible pupils.

Reentry Employment Services

The budget includes $3,000,000 and 31 FTE Positions in FY 2027 for Reentry Employment Services. This amount consists of:

General Fund	1,500,000
Health Services Lottery Monies Fund	1,500,000

Adjustments are as follows:

Reentry Employment Services

The budget includes a one-time increase of $3,000,000 and 31 FTE Positions to backfill WIOA federal funding for Reentry Employment Services. This amount consists of:

General Fund	1,500,000
Health Services Lottery Monies Fund	1,500,000

Background – This line item provides employment services to recently incarcerated individuals in partnership with the Arizona Department of Corrections. Services include assistance with finding and applying for jobs, job skills and training, specialized support, and provision of basic needs.

(Please see the Workforce Innovation and Opportunity Act Services line item for additional information on WIOA services and funding.)

Rehabilitation Services

The budget includes $7,249,100 in FY 2027 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 2026.

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. Third-party partnerships with government and non-governmental agencies provide portions of the state match.

Workforce Innovation and Opportunity Act Services

The budget includes $85,824,200 from the Workforce Investment Act Grant in FY 2027 for the Workforce Innovation and Opportunity Act Services line item.

This amount is unchanged from FY 2026.

Background – These monies are the state's allotment of the federal WIOA 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.

Other Issues

This section includes information on the following topics:

- FY 2026 Supplemental
- Reduce Vacant FTE Positions
- Statutory Changes
- Long-Term Budget Impacts
- Auditor General Report
- Federal TANF Block Grant

FY 2026 Supplemental

The FY 2027 budget includes the following FY 2026 supplementals:

- $1,761,800 from the General Fund for summer food benefit administration. *(Please see the Summer Food Benefits Administration line item for further details.)*
- $82,818,700 from the General Fund and $216,304,700 from the Long Term Care System Fund expenditure authority for higher-than-budgeted DDD formula costs.

Reduce Vacant FTE Positions

The FY 2027 budget reduced the FTE count for DES by (100) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocation this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submittal pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Statutory Changes

The Human Services BRB makes the following statutory changes:

- As session law, establish the Supplemental Nutrition Assistance Program (SNAP) Fund as a non-appropriated fund used to house the federal share of the administrative costs of SNAP.
- 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 DES has reasonable suspicion the recipient uses illegal drugs.
- As session law, require DES to make the following changes in determining or evaluating SNAP eligibility:
  - Review DES' own information, information from the Lottery Commission and Department of Gaming to identify lottery or gambling winnings under the federal substantial winnings definition.
  - Review information from the Department of Health Services (DHS) that identifies individuals who have had a change in circumstances.
  - Review DES' own information as the state wage information collection agency and the agency that administers unemployment insurance benefits.
  - Review information from the Department of Corrections (DOC) that identifies individuals who have had a change in circumstances that affect SNAP eligibility.
  - Review information from federal sources including information on earned income, death master file, supplemental security income, beneficiary records, earnings and pension, child support enforcement data, and national fleeing felons.
- As session law, require DES to make the following changes regarding SNAP eligibility procedures:
  - Review a SNAP case if the Department receives reliable information that indicates a recipient's change in circumstances.
  - Prohibit relying solely on self-attestation to confirm residency for SNAP eligibility except in unusual circumstances.
  - Publicly post the number of SNAP cases investigated for intentional program violations or fraud, the number of SNAP cases referred to the Attorney General's Office, the amount of improper payments or expenditures, the amount of monies recovered, the amount of monies spent for improper payments as a percentage of cases that were investigated and reviewed, and the amount of monies spent by EBT card that occurred outside of the state.

- As session law, requires DES to submit a report detailing the Department's efforts to improve the quality and timeliness of SNAP eligibility determinations, including specific goals for, actions taken and barriers faced during the reporting period by June 30, 2027.
- As session law, requires DES to submit a report on the anticipated error rate within 30 days of submission of the final month of SNAP quality control reviews to the US Department of Agriculture Food and Nutrition Services for FY 2026 and a monthly report on the number of SNAP cases, number of program participants and total benefits paid to persons who are categorically eligible for SNAP.
- As permanent law, beginning July 1, 2027, requires the department to contract with listening and spoken language providers in the state that provide speech and audition services to early intervention programs to infant and toddler children who are deaf or hard of hearing. Further requires the department to refer all eligible families with infants and toddlers who are deaf or hard of hearing to both contract listening and spoken language providers and ASDB.
- As permanent law, modifies the Out-of-School-Time Grant program within DES to state that the program shall target out-of-school time care for school aged children who are at least 5 years old and eligible for or enrolled in Kindergarten, and not older than 18.
- As session law, allow Out-of-School Time grant monies for rural communities to be spent for capital purposes in a public building if a school district partners with a nonprofit organization with a history of offering out-of-school time services to eligible pupils.

The Taxation BRB makes the following statutory changes:

- As session law, establishes the non-appropriated Unemployment Insurance Operating Fund for the administrative costs of the unemployment insurance (UI) program. Requires that experienced-rated employers pay a fee equal to 3.15% of their UI tax liability each quarter to the department in Calendar Year 2027. Of these fee collections, the first $8.0 million is deposited into the Unemployment Insurance Operating Fund, and any monies in excess of $8.0 million are deposited into the UI Benefits Fund. Requires the department to hold employers harmless by reducing each employer's UI tax liability by (3.15)% each quarter. Includes a repeal date of December 31, 2027.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DES' General Fund costs, including Developmental Disabilities formula costs, are projected to increase by $65,811,900 in FY 2028 above FY 2027 and $166,528,900 in FY 2029 above FY 2028.

The FY 2028 estimate is based on:

- $147,274,300 for 5.0% DDD caseload growth, 3.0% capitation growth and an estimated 63.81% FMAP.
- $10,600,000 to annualize the SNAP administrative cost shift under H.R. 1.
- $(92,062,400) to remove one-time funding.

The FY 2029 estimate is based on:

- $170,296,200 for 5.0% DDD caseload growth, 3.0% capitation growth and an estimated 63.81% FMAP.
- $(3,767,300) to remove one-time funding.

Auditor General Report

In September 2025, the Auditor General published a performance audit of the Arizona Department of Economic Security Division of Developmental Disabilities, which included a review of member quality-of-care concerns and DDD processes for addressing, investigating, and correcting these concerns.

Findings from the report included that the Department did not appropriately classify and investigate some complaints by DDD members, and that the Department failed to investigate and resolve some reported quality-of-care violations.

The Auditor General made 16 recommendations as a result of this audit, 12 of which were addressed to DES and 4 of which were addressed to AHCCCS. Specifically, the Auditor General recommended that DES follow-up with DDD vendors as required by its policies, institute procedures for DDD vendors who do not follow corrective actions, and work with AHCCCS to review prior and future quality-of-care concerns.

None of these recommendations carried explicit budget implications. Both DES and AHCCCS agreed with the Auditor General's findings.

Federal TANF Block Grant

The budget appropriates $227,544,600 of the state's Federal TANF Block Grant monies in FY 2027. *Table 3* shows expected yearly revenues, expenditures, and fund balances across the 2 agencies that administer TANF funding.

Table 3

TANF Block Grant Spending

	FY 2025 Actual	FY 2026 Estimated	FY 2027 Estimated
Revenues			
Beginning Balance	$ 16,152,200	$ 12,990,500	$ 9,856,100
TANF Base Revenues	240,109,400	224,412,700	224,412,700
Total TANF Available	**$256,261,600**	**$237,403,200**	**$234,268,800**
Expenditures			
Department of Child Safety	$176,682,200	$160,985,500	$160,985,500
Department of Economic Security			
TANF Cash Benefits	$ 17,736,400	$ 22,736,400	$ 22,736,400
All Other TANF Expenditures	48,852,500	43,825,200	43,822,700
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	**$ 66,588,900**	**$ 66,561,600**	**$ 66,559,100**
TOTAL - STATEWIDE	**$ 243,271,100**	**$ 227,547,100**	**$ 227,544,600**
Ending Balance	**$ 12,990,500**	**$ 9,856,100**	**$ 6,724,200**

State Board of Education

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	23.0	23.0	23.0
Personal Services	1,562,400	2,001,200	2,001,200
Employee Related Expenditures	624,000	422,200	506,300
Professional and Outside Services	580,400	650,100	650,100
Travel - In State	9,600	35,500	35,500
Travel - Out of State	10,500	25,000	25,000
Other Operating Expenditures	290,900	56,400	57,100
Equipment	18,500	34,500	34,500
OPERATING SUBTOTAL	**3,096,300**	**3,224,900**	**3,309,700**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(80,600)
Arizona Empowerment Scholarship Account Appeals	230,400	237,900	244,400
AGENCY TOTAL	**3,326,700**	**3,462,800**	**3,473,500** 1/
FUND SOURCES			
General Fund	3,326,700	3,462,800	3,473,500
SUBTOTAL - Appropriated Funds	**3,326,700**	**3,462,800**	**3,473,500**
TOTAL - ALL SOURCES	3,326,700	3,462,800	3,473,500

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/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $3,309,700 and 21 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $84,800 from the General Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(80,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Arizona Empowerment Scholarship Account Appeals

The budget includes $244,400 and 2 FTE Positions from the General Fund in FY 2027 for Arizona Empowerment Scholarship Account (ESA) Appeals. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $6,500 from the General Fund in FY 2027 for statewide adjustments.

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.

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	232.9	232.9	232.9
Personal Services	6,714,500	6,586,300	6,586,300
Employee Related Expenditures	2,500,500	2,662,200	2,975,200
Professional and Outside Services	2,898,800	1,093,000	1,093,000
Travel - In State	19,500	19,500	19,500
Travel - Out of State	23,500	22,700	22,700
Other Operating Expenditures	6,294,900	5,197,100	5,212,300
Equipment	65,000	3,800	3,800
OPERATING SUBTOTAL	**18,516,700**	**15,584,600**	**15,912,800** [1/2/]
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(343,500)
Formula Programs			
Basic State Aid	7,478,775,300	7,591,715,500	7,788,905,500 [3/-8/]
Onetime Additional Assistance Supplement	29,000,000	29,000,000	29,000,000 [9/]
Onetime FRPL Weight Supplement	37,000,000	37,000,000	37,000,000 [10/]
State Aid Supplement	75,000,000	75,000,000	75,000,000 [11/]
Special Education Fund	36,029,200	36,029,200	36,029,200
Classroom Site Fund	1,045,193,300	1,105,372,400	1,129,954,100 [12/]
Instructional Improvement Fund	80,726,300	80,425,700	80,425,700 [13/]
Additional State Aid	526,653,100	531,585,000	551,969,500
Non-Formula Programs			
Accountability and Achievement Testing	16,444,800	16,850,300	16,455,600 [14/15/16/]
Adult Education	15,080,100	4,912,100	4,923,100
Alternative Teacher Development Program	1,000,000	1,000,000	1,000,000
Apache Junction Robotics Program	0	200,000	0
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Arizona Holocaust Education Center	7,000,000	0	0
Automated External Defibrillator Grants	0	500,000	0
Center for High School Success	870,200	0	0
Child Sexual Abuse and Assault Awareness and Prevention Pilot Program	0	0	0 [17/]
College Credit by Examination Incentive Program	3,772,100	3,772,100	3,772,100
College Placement Exam Fee Waiver	170,400	1,265,800	1,265,800
Community College Adult Education Workforce Development Program	0	6,000,000	0
Computer Science Professional Development Program	1,000,000	1,000,000	1,000,000
Continuing High School and Workforce Training Program	0	1,000,000	0
CTED Certification Exam Fee Reimbursement	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 [18/19/20/]
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 [21/]
Early Literacy	16,594,200	17,394,000	17,404,500
Education Learning and Accountability System	5,495,500	5,534,100	5,620,700
English Learner Administration	11,608,800	11,643,000	11,677,900 [22/]
Flagstaff Robotics Program	10,000	10,000	0
Geographic Literacy	100,000	100,000	100,000 [23/]
Gifted Assessments	40,900	850,000	850,000
Jobs for Arizona Graduates	500,000	500,000	500,000 [24/]
K-12 Mental Health Telehealth Pilot Program	1,750,000	0	0
Ninth Grade On-Track Program	0	3,400,000	0
Onetime School Meal Grants	1,533,300	3,800,000	2,000,000 [25/]
Public School Campus Community Gardens	24,500	0	600,000
Rural Arizona School Nurse Access Program	0	2,500,000	0

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
School Safety Program	68,286,700	82,036,100 26/27/	82,074,800 28/29/
Show Low Robotics Program	10,000	10,000	0
State Block Grant for Vocational Education	11,780,700	11,861,900	11,939,100
Student Level Data Access	359,000	358,900	368,700
Teacher Certification	1,663,900	2,416,700	2,512,800
Teacher Retention Study	0	100,000	0
Tribal College Dual Enrollment Program	287,000	325,000	325,000
Wrestling Grant	0	0	250,000 30/
AGENCY TOTAL	**9,499,236,400**	**9,689,012,800**	**9,916,453,800** 31/-34/
FUND SOURCES			
General Fund	7,846,094,000	8,255,826,600	8,450,608,200
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	359,000	358,900	368,700
Education Sales Tax - Accountability	7,000,000	7,000,000	7,000,000
Permanent State School Fund	357,889,000	72,263,000	80,226,500
Special Education Fund	0	5,000,000	5,000,000
Teacher Certification Fund	1,807,300	2,560,700	2,665,100
Tribal College Dual Enrollment Program Fund	287,000	325,000	325,000
SUBTOTAL - Other Appropriated Funds	367,342,300	87,507,600	95,585,300
SUBTOTAL - Appropriated Funds	**8,213,436,300**	**8,343,334,200**	**8,546,193,500**
Expenditure Authority Funds			
Classroom Site Fund	1,045,193,300	1,105,372,400	1,129,954,100
Education Sales Tax - Basic State Aid	150,380,500	150,380,500	150,380,500
Education Sales Tax - Character Education	200,000	200,000	200,000
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000	1,500,000	1,500,000
Education Sales Tax - School Safety	7,800,000	7,800,000	7,800,000
Instructional Improvement Fund	80,726,300	80,425,700	80,425,700
SUBTOTAL - Expenditure Authority Funds	1,285,800,100	1,345,678,600	1,370,260,300
SUBTOTAL - Appropriated/Expenditure Authority Funds	**9,499,236,400**	**9,689,012,800**	**9,916,453,800**
Other Non-Appropriated Funds	18,778,000	18,817,100	18,817,100
Federal Funds	2,149,330,600	1,503,155,400	1,503,155,400
TOTAL - ALL SOURCES	11,667,345,000	11,210,985,300	11,438,426,300

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 237 school districts, accommodation districts and Career Technological Education Districts and 398 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

1/ 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 Appropriations Act footnote)

2/ 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 Appropriations Act footnote)

3/ Laws 2025, Chapter 233 appropriated $800,727,700 from the General Fund for the K-12 rollover.

4/ 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 $80,226,500 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 2026-2027. (General Appropriations Act footnote)

5/ 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 Appropriations Act footnote)

6/ 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 Appropriations Act footnote)

7/ 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 Appropriations Act footnote)

8/ The legislature intends that the state general fund appropriation to the department of education for basic state aid be increased by $29,000,000 in fiscal year 2027-2028 to continue the funding allocated in subsection A, paragraph 2 and subsection B, paragraph 2 of this section on an ongoing basis. The legislature intends that the state general fund appropriation to the department of education for basic state aid be increased by $37,000,000 in fiscal year 2027-2028 to continue the funding allocated in subsection C, paragraph 2 of this section on an ongoing basis. (FY 2023 General Appropriations Act footnote, as modified by FY 2025 General Appropriations Act)

9/ The monies appropriated for the onetime additional assistance supplement line item includes $23,142,000 for a onetime district additional assistance supplement and $5,858,000 for a onetime charter additional assistance supplement. The department of education shall distribute the amount for the onetime district additional assistance supplement to school districts on a proportional basis based on the district additional assistance funding that each school district in this state receives in fiscal year 2026-2027 and increase the budget limits accordingly pursuant to section 15-947, Arizona Revised Statutes. A school district may budget the monies received from the onetime additional assistance supplement in either the school district's maintenance and operation fund or unrestricted capital outlay fund. The department of education shall distribute the amount for a onetime charter additional assistance supplement to charter schools on a proportional basis based on the charter additional assistance funding that each charter school in this state receives in fiscal year 2026-2027. (General Appropriations Act footnote)

10/ The department of education shall distribute the appropriated amount for the onetime FRPL group B weight supplement line item to school districts and charter schools on a pro rata basis using the weighted student count for FRPL pupils for the school district or charter school pursuant to section 15-943, paragraph 2, subdivision (b), Arizona Revised Statutes, and shall increase the budget limits accordingly pursuant to section 15-947, Arizona Revised Statutes. A school district may budget the monies received from the onetime FRPL group B weight supplement in either the school district's maintenance and operation fund or unrestricted capital outlay fund. (General Appropriations Act footnote)

11/ The department of education shall allocate the appropriated amount for the state aid supplement to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to section 15-943, paragraph 2, subdivision (a), Arizona Revised Statutes, and increase the budget limits pursuant to section 15-947, Arizona Revised Statutes, accordingly. The weighted student count for a school district that serves as the district of attendance for nonresident pupils shall be increased to include nonresident pupils who attend school in the school district. (General Appropriations Act footnote)

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 11, 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 11, Arizona Revised Statutes. (General Appropriations 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 Appropriations 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 Appropriations 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 Appropriations Act footnote)

16/ The department of education may use the appropriated amount for accountability and achievement testing for costs of the English language proficiency assessments required by section 15-756.05, Arizona Revised Statutes. (General Appropriations Act footnote)

17/ The FY 2027 K-12 Budget Reconciliation Bill establishes the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. A General Appropriations Act footnote directs ADE to use $100,000 of existing non-lapsing appropriations from the School Safety Program to fund this pilot program. (*Please see footnote 28 below for more information.*)

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 Appropriations 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 Appropriations 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, 2028. (General Appropriations 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 Appropriations 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 Appropriations 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 Appropriations 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 Appropriations Act footnote)

25/ The department of education shall distribute the appropriated amount for onetime school meal grants to school districts and charter schools that participate in the national school lunch program or school breakfast program established under the national school lunch and child nutrition acts (42 United States Code section 1751 through 1793) for grants to reduce or eliminate copayments that would otherwise be charged to children eligible for reduced-price meals. If the appropriated amount is insufficient to cover the grant awards for all eligible grantees, the department shall reduce each grant proportionately to ensure all eligible grantees receive proportional grants. (General Appropriations Act footnote)

26/ Of the amount appropriated by Laws 2025, chapter 233, section 31 for the school safety program, $100,000 shall be used to fund the child sexual abuse and assault awareness and prevention pilot program established by law. (General Appropriations Act footnote)

27/ A. Of the amount appropriated by Laws 2025, chapter 233, section 31 for the school safety program, the department of education shall transfer $2,000,000 to the school safety interoperability fund established by section 41-1733, Arizona Revised Statutes, in fiscal year 2026 2027.

B. In fiscal year 2026 2027, the department of administration shall distribute the $2,000,000 transferred to the school safety interoperability fund pursuant to subsection A of this section to the sheriffs of the following counties in the following amounts to install and support the school safety projects authorized pursuant to section 41 1733, Arizona Revised Statutes:

1. $170,800 to Apache county.
2. $173,900 to Gila county.
3. $173,900 to Graham county.
4. $105,600 to Greenlee county.
5. $124,200 to La Paz county.
6. $326,100 to Mohave county.
7. $335,400 to Navajo county.

8. $217,400 to Santa Cruz county.
9. $372,700 to Yavapai county.

(General Appropriations Act footnote, Section 118)

28/ 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, 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 officers 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 Appropriations Act footnote)

29/ 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 Appropriations Act footnote)

30/ In addition to any other appropriations made in fiscal year 2026-2027, the sum of $250,000 is appropriated from the state general fund in fiscal year 2026-2027 to the superintendent of public instruction for the purposes of issuing a grant to a single Arizona school that offers instruction to grades six through twelve and incorporates wrestling into its mission. (General Appropriations Act footnote, Section 111)

31/ After review by the joint legislative budget committee, in fiscal year 2026-2027, the department of education may use a portion of its fiscal year 2026-2027 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 2025-2026. (General Appropriations Act footnote)

32/ The department of education 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 must 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 Appropriations Act footnote)

33/ 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 Appropriations Act footnote)

34/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $15,912,800 and 107.9 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$14,060,500
Teacher Certification Fund	152,300
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000
Education Sales Tax - Character Education	200,000

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $328,200 in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)* This amount consists of:

General Fund	$319,900
Teacher Certification Fund	8,300

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(343,500) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Formula Programs

Basic State Aid

The budget includes $7,788,905,500 in FY 2027 for Basic State Aid. This amount consists of:

General Fund	7,558,298,500
Permanent State School Fund	80,226,500
Education Sales Tax - Basic State Aid	150,380,500

The $7,788,905,500 total does not include local property taxes that will help fund K-12 formula costs for FY 2027, as they are non-appropriated *(see Table 1)*.

Table 1
FY 2027 Basic State Aid Formula Summary (estimated)

Sources	
General Fund	$7,558,298,500
Permanent State School Fund	80,226,500
Education Sales Tax	150,380,500
Local Property Taxes 1/	2,755,454,400
Total	**$10,544,359,900**
Uses	
School District Equalization	7,198,243,300
Charter Equalization	2,126,234,800
Empowerment Scholarships	1,215,678,900
Other Formulas/Miscellaneous	4,202,900
Total	**$10,544,359,900**

1/ Non-appropriated, so excluded from appropriated totals.

The FY2027 budget ex-appropriated $(31,859,000) from the FY 2026 budget due to a funding formula surplus. *(Please see Table 2 and the Other Issues section for more information.)*

Table 2
FY 2026 Basic State Aid Formula Summary (estimated)

Sources	FY 2026 Enacted	FY 2026 Revised	Change
General Fund	$7,400,931,000	$7,369,072,000	$(31,859,000)
Permanent State School Fund	72,263,000	72,263,000	0
Education Sales Tax	150,380,500	150,380,500	0
Local Property Taxes	2,693,338,800	2,695,616,500	2,277,700
Total	**$10,316,913,300**	**$10,287,332,000**	**$(29,581,300)**
Uses			
School District Equalization	7,197,151,500	7,129,462,000	(67,689,500)
Charter Equalization	2,113,838,900	2,092,158,500	(21,680,400)
Empowerment Scholarships	1,001,720,000	1,061,508,600	59,788,600
Other Formulas/Misc.	4,202,900	4,202,900	0
Total	**$10,316,913,300**	**$10,287,332,000**	**$(29,581,300)**

This FY 2026 ex-appropriation is continued as a permanent base adjustment in FY 2027. Additional FY 2027 adjustments are as follows:

Public School Enrollment Decline

The budget includes a decrease of $(67,607,000) from the General Fund in FY 2027 for public school enrollment adjustments. The budget assumes there will be a public school enrollment decline of (1.6)% in FY 2027 compared with FY 2026, which would result in public school ADM of 1,035,975 in FY 2027, or a decrease of (16,316) in comparison with our revised June 2026 estimates (See *Table 3*).

The (1.6)% public school enrollment decline estimate is based on the following assumptions:

- The budget assumes there would be a (0.9)% reduction in base public school enrollment due to Office of Economic Opportunity demographic projections.
- The budget assumes an additional (0.7)% decline would be associated with students shifting their enrollment from public schools to the ESA program. Through the third quarter of FY 2026, ADE estimates that approximately 59% of students who newly enrolled in the Universal ESA program in FY 2026 were enrolled in a public school in the year preceding their switch to the ESA program. We assume the switcher rate for these students would continue to be 59% in FY 2027.

This public school enrollment decline is partially offset by increased public school costs per pupil. In FY 2027, the budget assumes the average cost per pupil across both districts and charters would be $9,001, an increase of $238 or 2.7% above our revised FY 2026 estimated public school per-pupil cost of $8,763. The 2.7% increase in per-pupil costs exceeds the standard 2.0% inflation metric enacted in the FY 2027 budget (see *2.0% Inflation Adjustment* policy issue below). This additional growth in costs reflects higher growth in specific high-cost student populations, whose enrollment generates higher formula costs for the school district or charter school educating that student.

Empowerment Scholarship Account Growth

The budget includes an increase of $154,170,300 from the General Fund in FY 2027 for enrollment growth in the ESA program. The budget assumes an additional 10,711 enrollees would join the program for FY 2027. As a result, total ESA enrollment would increase to 113,602 in FY 2027. The budget assumes that 113,602 ESA enrollees would be eligible for total awards of $1,215,678,900 in FY 2027.

The budget's total K-12 enrollment change estimate (including both ESAs and public schools) for FY 2027 is a decrease of (0.5)%. Under the budget's assumptions, total enrollment across ESAs and public schools would fall to 1,149,577 in FY 2027 (See *Table 3*).

2.0% Inflation Adjustment

The budget includes an increase of $167,171,800 from the General Fund in FY 2027 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 2025, the current estimated increase in the GDP price deflator is 2.83%. The budget therefore includes the minimum required 2.0% adjustment.

Table 3

K-12 Enrollment Summary

Fiscal Year	District	Charter	Public Subtotal	ESA	Grand Total	Change
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	863,144	222,964	1,086,108	76,427	1,162,535	1.0%
2025	854,074	223,858	1,077,932	87,602	1,165,534	0.3%
2026	832,065	220,226	1,052,291	102,891	1,155,182	(0.9)%
2027 est	818,076	217,900	1,035,975	113,602	1,149,577	(0.5)%
2028 est	802,676	215,147	1,017,823	125,602	1,143,425	(0.5)%
2029 est	794,914	214,387	1,009,301	137,602	1,146,903	0.3%

Property Taxes from New Construction

The budget includes a decrease of $(56,545,100) from the General Fund in FY 2027 due to a 2.39% 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 $56,545,100 in FY 2027. It also will decrease state costs by $(56,545,100), 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 3.16% in FY 2027, resulting in a net 5.55% NAV increase for new construction and existing property combined for FY 2027. The 3.16% NAV increase for existing property will not affect net QTR collections in FY 2027 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 $3.0256 (from $3.1212 currently) in FY 2027 to offset the 3.16% NAV increase for existing property *(see Table 4).*

Table 4

TNT Tax Rates

Tax Rate	FY 2026	FY 2027
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	$1.5606	$1.5128
• Unified districts and elementary districts not located within a high school district	$3.1212	$3.0256

Endowment Earnings Distribution One-Time Increase

The budget includes a one-time increase of $7,963,500 from the Permanent State School Fund and a corresponding one-time $(7,963,500) decrease from the General Fund in FY 2027 to utilize unspent balances within the Permanent State School Fund on a one-time basis. Due to differences between annual appropriations and actual land trust revenues between FY 2012 and FY 2017, ADE has reported a $7,963,500 unbudgeted balance in the Permanent State School Fund since FY 2017.

A.R.S. § 37-521 caps the amount of K-12 endowment earnings from the remaining 2.5% distribution 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. *(See Other Issues section on Endowment Earnings and Proposition 123 Background on JLBC website for more information).*

Rollover

The budget includes no net funding change to continue the ongoing $800,727,700 rollover amount in FY 2027. The FY 2027 General Appropriations Act advance appropriates $800,727,700 from the General Fund in FY 2028 to fund the $800,727,700 deferred obligation from FY 2027 and continues to exclude districts with less than 4,000 pupils from the rollover.

Onetime Additional Assistance Supplement

The budget includes $29,000,000 from the General Fund in FY 2027 for a Onetime Additional Assistance Supplement. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(29,000,000) from the General Fund in FY 2027 to remove one-time funding for a one-time supplement to District Additional Assistance (DAA) and Charter Additional Assistance (CAA).

Continue One-Time Funding

The budget includes an increase of $29,000,000 from the General Fund in FY 2027 to continue one-time funding for a one-time supplement to DAA and CAA.

An FY 2027 General Appropriations Act footnote stipulates that the onetime supplement to DAA and CAA continue to be distributed as follows:

- $23,142,000 for a DAA supplement. A General Appropriations Act footnote requires ADE to distribute the monies proportionally based on the DAA funding that each district receives in FY 2027,

and authorizes districts to budget the supplement for maintenance and operations or unrestricted capital.

- $5,858,000 for a CAA supplement. A General Appropriations Act footnote requires ADE to distribute the monies proportionally based on the CAA each charter receives in FY 2027.

An FY 2025 General Appropriations Act footnote stipulates that the Legislature intends to increase the General Fund appropriation for Basic State Aid by $29,000,000 in FY 2028 to make the onetime additional supplements ongoing beginning in that year. The budget's 3-year spending plan includes the $29,000,000 for FY 2028. The FY 2028 Baseline will increase the Basic State Aid line item by $29,000,000 in FY 2028 to reflect the required changes to the DAA and CAA statutory amounts to implement this policy on an ongoing basis.

Onetime FRPL Weight Supplement

The budget includes $37,000,000 from the General Fund in FY 2027 for a Onetime FRPL Weight Supplement. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(37,000,000) from the General Fund in FY 2027 to remove onetime funding for a onetime supplement to 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).

Continue One-Time Funding

The budget includes an increase of $37,000,000 from the General Fund in FY 2027 to continue one-time funding for a onetime supplement to the Group B weight for children eligible for the federal FRPL program.

An FY 2027 General Appropriations Act footnote continues to require that ADE distribute the $37,000,000 on a pro-rata basis to school districts and charter schools based on FRPL counts and authorizes school districts to budget the monies for maintenance and operations or unrestricted capital.

An FY 2025 General Appropriations Act footnote stipulates that the Legislature intends to appropriate $37,000,000 from the General Fund in FY 2028 for an ongoing increase to the FRPL weight that year. The budget's 3-year plan includes the $37,000,000 for FY 2028. The FY 2028 Baseline will increase the Basic State Aid line item by $37,000,000 in FY 2028 to reflect the required changes to the FRPL Group B weight to implement this policy on an ongoing basis.

State Aid Supplement

The budget includes $75,000,000 from the General Fund in FY 2027 for State Aid Supplement funding. This amount is unchanged from FY 2026.

The monies in this line item are distributed to districts and charter schools based on weighted student counts, adjusted for nonresident pupils attending district schools.

Special Education Fund

The budget includes $36,029,200 and 2 FTE Positions from the General Fund in FY 2027 for the Special Education Fund Line Item. These amounts are unchanged from FY 2026.

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.

Classroom Site Fund

The budget includes $1,129,954,100 in FY 2027 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. Adjustments are as follows:

Funding Increase

The budget includes an increase of $24,581,700 from CSF Expenditure Authority in FY 2027 for increased distributions from the Classroom Site Fund. The increase matches the FY 2027 funding level calculated by the JLBC Staff on March 30, 2026 pursuant to A.R.S. § 15-977G1.

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.

Instructional Improvement Fund

The budget includes $80,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2027 for the Instructional Improvement Fund. This amount is unchanged from FY 2026.

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.

Additional State Aid

The budget includes $551,969,500 from the General Fund in FY 2027 for Additional State Aid, otherwise known as the Homeowners' Rebate program. Adjustments are as follows:

Decrease Commercial Assessment Ratio

The budget includes an increase of $4,600,000 from the General Fund in FY 2027 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 16.0% in FY 2026 to 15.5% in FY 2027.

Laws 2022, Chapter 171 reduces the commercial assessment ratio to 15.5% in FY 2027 and 15.0% in FY 2028. The 3-year spending plan included $4,600,000 for this change in FY 2027 and FY 2028.

New Homes

The budget includes an increase of $14,959,500 from the General Fund in FY 2027 for increased Additional State Aid costs associated with new home construction. The $14,959,500 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2027.

Increase Personal Property Exemption

The budget includes an increase of $825,000 from the General Fund in FY 2027 for Homeowner's Rebate expenses associated with increasing the personal property tax exemption for business and agricultural property from $270,000 to $500,000.

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.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes $16,455,600 and 24.4 FTE Positions in FY 2027 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,455,600
Education Sales Tax - Accountability	7,000,000

Adjustments are as follows:

Remove Onetime Funding

The budget includes a decrease of $(400,000) from the General Fund in FY 2027 to remove one-time funding for virtual assessments funding. An FY 2026 General Appropriations Act footnote stipulates that ADE shall use the onetime monies for contracted third party vendor expenses associated with implementation of assessments in a virtual setting pursuant to A.R.S. § 15-808.01.

Statewide Adjustments

The budget includes an increase of $5,300 from the General Fund in FY 2027 for statewide adjustments.

Background – This line item funds costs of developing, administering and scoring achievement tests in reading, math, and science adopted and implemented by the State Board of Education pursuant to A.R.S. § 15-741. ADE is required to receive JLBC review before renewing existing contracts or establishing new contracts for any portion of the statewide assessment (A.R.S. § 15-741.03).

Adult Education

The budget includes $4,923,100 and 4 FTE Positions from the General Fund in FY 2027 for Adult Education. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $11,000 from the General Fund in FY 2027 for statewide adjustments.

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.

Alternative Teacher Development Program

The budget includes $1,000,000 from the General Fund in FY 2027 for an Alternative Teacher Development Program. This amount is unchanged from FY 2026.

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.

Apache Junction Robotics Program

The budget includes no funding in FY 2027 for an Apache Junction Robotics Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(200,000) from the General Fund in FY 2027 to remove one-time funding for a robotics program in Apache Junction.

Arizona English Language Learner Fund

The budget includes $4,960,400 from the General Fund in FY 2027 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2026.

Background – 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 $4,469,100 to public schools from the fund in FY 2025.

Arizona Holocaust Education Center

The budget includes no funding in FY 2027 for the Arizona Holocaust Education Center. This amount is unchanged from FY 2026.

Background – An FY 2025 General Appropriations Act footnote stipulates that the $7,000,000 FY 2025 appropriation shall be used for the creation and operation of the center as a resource for fulling statutory requirements related to instruction on the Holocaust and other genocides. ADE reports that it signed a contract with a vendor on August 9, 2024 that would require the Arizona Holocaust Education Center to use the monies in this line item to provide access to the Center to public school students free of charge for a period of 10 years.

Automated External Defibrillator Grants

The budget includes no funding in FY 2027 for Automated External Defibrillator Grants. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove one-time funding for automated external defibrillator grants. An FY 2026 General Appropriations Act footnote stipulates that the monies be distributed to public high schools that sponsor an athletic team or sports program to purchase or maintain automated external defibrillators. It also requires ADE to prioritize the grants for schools in which 50% or more of the students are FRPL-eligible. The monies for this program are non-lapsing through June 30, 2027.

Background – A.R.S. § 15-120.07, as added by section 1 of the FY 2026 K-12 BRB, requires each public high school in Arizona that sponsors an athletic team or sports program to provide an automated external defibrillator (AED) at each school campus and school-sponsored athletic event beginning August 1, 2026.

Center for High School Success

The budget includes no funding in FY 2027 for a Center for High School Success. This amount is unchanged from FY 2026.

Background – ADE allocates the monies in this line item to a Ninth Grade Success Grant. Grant monies are distributed to districts and charter schools to establish a Ninth Grade Success Team, data systems, instructional supports, transition programs, to assist ninth graders in advancing to tenth grade on time. ADE prioritizes grants to schools with a high school graduation rate that was within the lowest 25% of high schools in Arizona and caps the grant amount per school at $50,000.

The FY 2026 budget included one-time funding for a new Ninth Grade On-Track Program in a separate line item.

Child Sexual Abuse and Assault Awareness and Prevention Pilot Program

The budget includes no funding in FY 2027 for the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. Adjustments are as follows:

Redirect Unencumbered School Safety Balances

The budget includes no new monies in FY 2027 to fund the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. Instead, pursuant to a General Appropriations Act footnote, ADE must use $100,000 of the FY 2026 non-lapsing appropriation for the School Safety Program to fund the pilot program, which is established in the FY 2027 K-12 Education Budget Reconciliation Bill. (*Please see Statutory Changes in the Other Issues section for further details.*)

College Credit by Examination Incentive Program

The budget includes $3,772,100 from the General Fund in FY 2027 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2026.

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 are reduced proportionately if the appropriated amount is insufficient to fully fund them.

For FY 2026, ADE reports that districts and charter schools qualified for $3,763,200 in program awards during the 2025 school year (data is reported on a one-year delay). This amount includes $2,787,600 for awards for 32,301 exams passed in schools with less than 50% FRPL-eligibility ($86 per exam) and $975,600 for 7,537 exams passed in schools with 50% or more FRPL-eligibility ($129 per exam). Under the full statutory awards, the cost of the program would have been $13,082,000.

College Placement Exam Fee Waiver

The budget includes $1,265,800 from the General Fund in FY 2027 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2026.

Background – This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. ADE currently covers $40 per regular Advanced Placement Exam and $88 per AP Seminar and AP Research Exam, resulting in a net cost of $13 for the qualifying student.

Community College Adult Education Workforce Development Program Fund Deposit

The budget includes no funding in FY 2027 for a deposit in the Community College Adult Education Workforce Development Program Fund. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(6,000,000) from the General Fund in FY 2027 to remove a one-time deposit in the Community College Adult Education Workforce Development Program Fund established in A.R.S. § 15-217.01.

Background – Section 3 of the FY 2026 K-12 BRB reestablishes, as permanent law, the Community College Adult Workforce Development program. The program had previously been eliminated in the FY 2025 K-12 BRB. The program provides funding to adults enrolled in a community college adult education program that provides academic skills development and literacy activities that lead to industry-recognized credentials and a community college certificate or diploma. Community college districts may receive up to $5,000 per participating full-time equivalent student (FTSE).

Computer Science Professional Development Program

The budget includes $1,000,000 from the General Fund in FY 2027 for a Computer Science Professional Development Program. This amount is unchanged from FY 2026.

The program is authorized by A.R.S. § 15-249.12, which also establishes the Computer Science Professional Development Program Fund. 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.

Continuing High School and Workforce Training Program

The budget includes no funding in FY 2027 for the Continuing High School and Workforce Training Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove one-time funding for the Continuing High School and Workforce Training Program established in A.R.S. § 15-217.02.

Background – Section 3 of the FY 2026 K-12 BRB reestablishes, as permanent law, the Continuing High School and Workforce Training Program. The program was previously eliminated in the FY 2025 K-12 BRB. The program provides alternative study services via a contracted nonprofit service provider that lead to the issuance of a high school diploma and industry-recognized credentials for adults. Participating pupils are funded at a level of $7,700 per full-time student. Enrollment in the program for FY 2026 was capped at 130 pupils.

CTED Certification Exam Fee Reimbursement

The budget includes $1,000,000 from the General Fund in FY 2027 for CTED Certification Exam Fee Reimbursement. This amount is unchanged from FY 2026.

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 budget includes $1,000,000 from the General Fund in FY 2027 for CTED Completion Grants. This amount is unchanged from FY 2026.

Background – A footnote in the General Appropriations 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. The budget continues a footnote in the General Appropriations Act that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2028).

CTED Soft Capital and Equipment

The budget includes $1,000,000 from the General Fund in FY 2027 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2026.

Background – The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriations 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.

Early Literacy

The budget includes $17,404,500 and 3 FTE Positions from the General Fund in FY 2027 for Early Literacy. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $10,500 from the General Fund in FY 2027 for statewide adjustments.

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.
- 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 budget includes $5,620,700 and 24.2 FTE Positions from the General Fund in FY 2027 for the Education Learning and Accountability System (ELAS) line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $86,600 from the General Fund in FY 2027 for statewide adjustments.

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).

English Learner Administration

The budget includes $11,677,900 and 13.5 FTE Positions in FY 2027 for English Learner Administration. These amounts consist of:

General Fund	6,677,900
Special Education Fund	5,000,000

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $34,900 from the General Fund in FY 2027 for statewide adjustments.

The budget's 3-year plan designates the $5,000,000 Special Education Fund appropriation as one-time in FY 2026 and FY 2027.

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.)*

Flagstaff Robotics Program

The budget includes no funding in FY 2027 for the Flagstaff Robotics Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(10,000) from the General Fund in FY 2027 to remove one-time funding for a Flagstaff Robotics Program. The 3-year spending plan associated with the enacted FY 2025 budget designated this funding as one-time in both FY 2025 and FY 2026.

Geographic Literacy

The budget includes $100,000 from the General Fund in FY 2027 for Geographic Literacy. This amount is unchanged from FY 2026.

Background – Based upon a footnote, the program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Assessments

The budget includes $850,000 from the General Fund in FY 2027 for Gifted Assessments. This amount is unchanged from FY 2026.

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.

Jobs for Arizona Graduates

The budget includes $500,000 from the General Fund in FY 2027 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2026.

Background – The budget 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 Arizona students with college and career readiness services as well as interventions for students at risk of dropping out of high school.

K-12 Mental Health Telehealth Pilot

The budget includes no funding in FY 2027 for a K-12 Mental Health Telehealth Pilot. This amount is unchanged from FY 2026.

Background – A General Appropriations Act footnote requires that the program serve individuals outside Maricopa and Pima counties.

Ninth Grade On-Track Program

The budget includes no funding in FY 2027 for the Ninth Grade On-Track Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(3,400,000) from the General Fund in FY 2027 to remove one-time funding of the Ninth Grade On-Track Program.

Background – Section 4 of the FY 2026 K-12 BRB establishes, as permanent law, the Ninth Grade-On Track Program, which provides grants to school districts and charter schools to expand programs that help ninth grade students complete sufficient credits to be on track to graduate in 4 years. Monies in this line item are to be deposited in the Ninth Grade On-Track Grant Program Fund to provide grants of up to $150 per 9th grade pupil for participating schools. Participation is capped at 22,650 pupils for FY 2026.

Onetime School Meal Grants

The budget includes $2,000,000 from the General Fund in FY 2027 for Onetime School Meal Grants. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(3,800,000) from the General Fund in FY 2027 to remove one-time funding for Onetime School Meal Grants.

Continue One-Time Funding
The budget includes an increase of $2,000,000 from the General Fund in FY 2027 to continue one-time funding for school meal grants.

An FY 2027 General Appropriations Act footnote stipulates that the monies shall be distributed to school districts and charter schools that participate in the National School Lunch Program or School Breakfast Program for grants to reduce or eliminate copayments that would otherwise be charged to children eligible for reduced-price meals. If the appropriation is insufficient to cover all eligible grantees, ADE shall reduce the grants proportionally to cover all eligible grantees.

The budget's 3-year spending plan continues this appropriation in FY 2028 and designates this funding as one-time in FY 2027 and FY 2028.

Public School Campus Community Gardens

The budget includes $600,000 from the General Fund in FY 2027 for Public School Campus Community Gardens. Adjustments are as follows:

One-Time Funding
The budget includes an increase of $600,000 from the General Fund in FY 2027 to provide one-time funding for public school campus community gardens. The appropriation is non-lapsing. The Legislature previously appropriated $100,000 to this purpose in FY 2024.

The budget's 3-year spending plan continues $500,000 of this appropriation in FY 2028 and designates this funding as one-time in FY 2027 and FY 2028.

Rural Arizona School Nurse Access Program

The budget includes no funding in FY 2027 for the Rural Arizona School Nurse Access Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(2,500,000) from the General Fund in FY 2027 to remove one-time funding for a Rural Arizona School Nurse Access Program. An FY 2026 General Appropriations Act footnote requires ADE to expend at least $500,000 of the amount for salary increases for school nurses in rural school districts and charter schools. The remaining monies may be expended for grants to hire new school nurses. The appropriation for the program is non-lapsing.

School Safety Program

The budget includes $82,074,800 and 4 FTE Positions in FY 2027 for the School Safety program. These amounts consist of:

General Fund	74,274,800
Education Sales Tax - School Safety	7,800,000

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $38,700 from the General Fund in FY 2027 for statewide adjustments.

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), school safety officers (SSOs), 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.

In May 2025, the State Board of Education (SBE) approved ADE's proposed awards for the School Safety Grant Program for FY 2027 through FY 2029. Those awards include 657 positions, consisting of $50,057,000 for 323 SROs and SSOs and $28,738,200 for 334 school counselors and social workers. SBE board materials suggest this funding level leaves 234 SRO and SSO positions and 186 school counselor and social worker positions on the program waiting list in FY 2027.

A General Appropriations Act Footnote directs ADE to prioritize $50,000,000 of the School Safety Program appropriation for grants for schools to hire SROs, SSOs, and JPOs, and allows ADE to use any remaining money from the appropriated amount to fund the costs of placing school counselors and social workers on school campuses.

Section 118 of the FY 2027 General Appropriations Act requires ADE to transfer $2,000,000 from the non-lapsing, unencumbered balance of monies appropriated to the School Safety Program in FY 2026 to the Arizona Department of Administration's (ADOA) School Safety Interoperability Fund in FY 2027. Section 118 further directs ADOA to distribute the $2,000,000 to specified counties to install and support school safety projects. (*Please see the Arizona Department of Administration section for more information.*)

The FY 2027 budget also reallocates $100,000 of the FY 2026 School Safety Fund appropriation for the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. *(Please see the line item description of this program above.)*

Show Low Robotics Program

The budget includes no funding in FY 2027 for the Show Low Robotics Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(10,000) from the General Fund in FY 2027 to remove one-time funding for a Show Low Robotics Program.

Background – The 3-year spending plan associated with the enacted FY 2025 budget designated this funding as one-time in both FY 2025 and FY 2026.

State Block Grant for Vocational Education

The budget includes $11,939,100 and 27 FTE Positions from the General Fund in FY 2027 for the State Block Grant for Vocational Education. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $77,200 from the General Fund in FY 2027 for statewide adjustments.

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 2026, the department received an estimated $34,386,000 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 budget includes $368,700 from the Department of Education Empowerment Scholarship Account Fund in FY 2027 for Student Level Data Access. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $9,800 from the Department of Education Empowerment Scholarship Account Fund in FY 2027 for statewide adjustments.

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 for Charter Schools.

Teacher Certification

The budget includes $2,512,800 and 22.9 FTE Positions from the Teacher Certification Fund in FY 2027 for Teacher Certification. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $96,100 from the Teacher Certification Fund in FY 2027 for statewide adjustments.

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 Retention Study

The budget includes no funding in FY 2027 for a Teacher Retention Study. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(100,000) from the General Fund in FY 2027 to remove one-time funding for a teacher retention study.

A General Appropriations Act footnote requires ADE to use the monies for a comprehensive study that aggregates data on certified and noncertified teachers, teaching assignments, retention and turnover rates, longevity, vacant teaching positions, and teacher preparation programs. The department must complete the study by December 31, 2025 and maintain a publicly accessible interactive dashboard on the department's website that contains the study results and recommendations. These items are currently published on ADE's website.

Tribal College Dual Enrollment Program

The budget includes $325,000 from the Tribal College Dual Enrollment Program Fund in FY 2027 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2026.

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, 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.

Wrestling Grant

The budget includes $250,000 from the General Fund in FY 2027 for a wrestling grant. Adjustments are as follows:

One-Time Funding

The budget includes an increase of $250,000 from the General Fund in FY 2027 for a one-time wrestling grant.

Section 111 of the FY 2027 General Appropriations Act removes a $250,000 FY 2026 General Fund appropriation to the Maricopa County Community College District for wrestling scholarships, and appropriates $250,000 from the General Fund to ADE in FY 2027. The budget directs ADE to issue the monies as a grant to a single Arizona school that offers instruction to grades 6-12 and incorporates wrestling into its mission.

Other Issues

This section includes information on the following topics:

General Issues

- FY 2026 Ex-Appropriation
- Lapse Prior Year Appropriations
- Statutory Changes
- Long-Term Budget Impacts
- Treasurer Distribution for School Hardening

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

FY 2026 Ex-Appropriation

The FY 2027 budget ex-appropriated $(31,859,000) of ADE's FY 2026 budget due to a funding formula surplus. The estimated surplus consists of:

- $(89,369,900) for lower-than-budgeted expenses for district and charter formula expenses. These savings are largely driven by public school enrollment declining at a faster rate than was estimated in the FY 2026 budget, partially offset by higher-than-budgeted per-pupil costs.
- $59,788,600 for higher-than-budgeted ESA enrollment. The enacted FY 2026 budget assumed the ESA program would have 97,905 ESA enrollees in FY 2026. ADE reports actual awardees in FY 2026 reached 102,891, or 4,986 above the budget assumption.
- $(2,277,700) for higher-than-expected local property taxes raised via the Qualifying Tax Rate (QTR) to cover the district share of the formula in FY 2026. The higher QTR revenues result in a dollar-for-dollar decrease in the General Fund cost of the Basic State Aid formula.

Lapse Prior Year Appropriations

The FY 2027 budget (the General Appropriations Act) lapses the following prior year non-lapsing appropriations:

- $(100,000) in each of FY 2024 (Section 101) and FY 2025 (Section 102) from the General Fund to reduce funding for Live, Remote Instructional Courses.
- $(344,300) in FY 2020 (Section 98) and $(400,000) in each of FY 2021 (Section 99) and FY 2022 (Section 100) from the General Fund to reduce funding for the High-Quality Teacher Professional Development Pilot Program.

Statutory Changes

The K-12 Budget BRB makes the following statutory changes:

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, update the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2027.

Other

- 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.
- As session law, continue to notwithstand A.R.S. 15-241 to allow ADE to expend monies in FY 2027 from the Failing Schools Tutoring Fund for school improvement. Require ADE to report on proposed expenditures from the fund to the Governor, Speaker of the House, President of the Senate, JLBC and OSPB by September 1, 2026.
- As session law, establish the child sexual abuse and assault awareness and prevention pilot program within ADE. Requires ADE to select six public schools that have applied to participate in the pilot program in FY 2028. Participating schools shall develop a child sexual abuse and assault response policy and provide instructional modules and resources to teachers and parents of students regarding the identification and prevention of child sexual abuse and assault. Requires ADE to contract with an organization subject to certain requirements to provide the instructional resources, including the provision of printed materials to parents upon request, and requires each participating school to publish a report by October 1, 2028 on the outcomes of the pilot program.
- As session law, require ADE to recalculate state aid paid to Alhambra Elementary School District in FY 2025 as a result of a change in the district's assessed valuation, and to increase FY 2027 state aid paid to Alhambra Elementary School District by $852,200.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADE General Fund ongoing formula costs are projected to increase by $300,977,600 in FY 2028 compared with FY 2027 and increase by $335,987,200 in FY 2029 above FY 2028. These estimates are based on:

- Public school enrollment declines of (1.8)% in FY 2028 and (0.8)% in FY 2029.
- ESA enrollment growth of 12,000 in each of FY 2028 and FY 2029.
- GDP inflators of 3.7% for FY 2028 and 2.8% for FY 2029. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.1% for FY 2028 and 2.0% for FY 2029.
- An increase of $4,600,000 in FY 2028 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% pursuant to Laws 2022, Chapter 171.

The FY 2028 $300,977,600 ongoing formula increase consists of: $234,977,600 for standard formula growth, and $66,000,000 to make permanent the FRPL Weight and Additional Assistance Supplements (which were previously funded on a one-time basis).

Treasurer Distribution for School Hardening

The FY 2027 General Appropriations Act appropriates $300,000 from the Peace Officer Training Equipment Fund to the Treasurer to be distributed to ADE for grants for the hardening of school sites (*Please see the State Treasurer section for more detail*).

Endowment Earnings

In FY 2025, endowment earnings from state trust lands funded $605,401,600 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% (8.0 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 was superseded through FY 2025 by a 6.9% factor, or an increase of 4.4% required by Proposition 123. The 4.4% increase exclusively funded Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis.

In FY 2026, public schools will receive an estimated $283,931,700 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes $108,953,200 from the Land Department and $174,978,500 from the State Treasurer (reflecting the first year following the expiration of the 4.4% Proposition 123 factor). We estimate total FY 2027 earnings distributed would increase to $298,742,000 *(see Table 5).*

Table 5
Source of K-12 Endowment Earnings by Fiscal Year
($ in Millions)

Source	2025	2026	2027	2028	2029
Land Department	157.5	108.9	108.9	108.9	108.9
Treasurer	447.9	175.0	189.8	202.9	219.7
Total	**605.4**	**283.9**	**298.7**	**311.8**	**328.6**

Table 6 shows K-12 endowment earning uses. In FY 2027, the $298,742,000 of expendable earnings includes $72,263,000 for Basic State Aid and the remaining $226,479,000 would be deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. The amount distributed for Basic State Aid is $72,263,000 in FY 2026 and each year thereafter due to 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 to Basic State Aid may not exceed $72,263,000.

Table 6
Use of K-12 Endowment Earnings by Fiscal Year
($ in Millions)

Source	2025	2026	2027	2028	2029
Basic State Aid	357.9	72.3	72.3	72.3	72.3
Classroom Site Fund	247.5	211.6	226.4	239.5	256.3
Total	**605.4**	**283.9**	**298.7**	**311.8**	**328.6**

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.

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 economic downturn and K-12 percentage of budget 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 46.0% of total state General Fund appropriations in FY 2027, 47.4% in FY 2028, and 47.5% in FY 2029.

Proposition 123 also included a trigger provision related to the overall trust fund balance, but that provision is no longer applicable as it related to the Legislature's ability to reduce the 6.9% distribution rate (which is no longer in effect).

(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. A.R.S. § 15-911C2 allows the Legislature to authorize statewide spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate.

For FY 2026, the Legislature pre-emptively authorized districts to exceed the AEL in FY 2026 pursuant to SCR 1041 adopted during the 57th Legislature, First Regular Session. During this same Legislative session, the Legislature also pre-emptively authorized districts to exceed the AEL in FY 2027 pursuant to SCR 1042. ADE reported in October 2025 that district budgets would have exceeded the AEL for FY 2026 by $1,163,730,600 without the override authorized by SCR 1041.

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.

Department of Emergency and Military Affairs

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
PROGRAM BUDGET			
Administration	2,206,000	3,036,000	3,132,500
Emergency Management	8,625,800	9,587,200	9,012,400
Military Affairs	2,887,800	9,690,600	6,773,000
AGENCY TOTAL	**13,719,600**	**22,313,800**	**18,917,900**
OPERATING BUDGET			
Full Time Equivalent Positions	71.0	77.1	77.1 1/
Personal Services	2,020,000	3,182,800	3,182,800
Employee Related Expenditures	699,700	844,800	1,053,300
Professional and Outside Services	0	61,800	61,800
Travel - In State	0	168,300	168,300
Travel - Out of State	0	25,000	25,000
Other Operating Expenditures	1,286,400	1,720,800	1,849,700
Equipment	144,200	2,500	2,500
OPERATING SUBTOTAL	**4,150,300**	**6,006,000**	**6,343,400**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(150,200)
Emergency Management Matching Funds	1,192,700	1,563,600	1,638,800
Evacuation Protocols Awareness Campaign	0	300,000	0
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 2/
Hazard Mitigation Assistance	368,700	0	0
Hazard Mitigation Revolving Fund Deposit	200,000	0	0
Nuclear Emergency Management Program	1,831,800	2,320,900	2,408,500
Military Airport Planning	61,000	90,000	90,000 3/
Additional Grant Support Staff	0	500,000	0
Border Security Fund Allocations	0	0	0 5/
Local Law Enforcement Fentanyl Interdiction	0	3,000,000	0
National Guard Matching Funds	1,514,900	3,533,300	3,587,400 6/
National Guard Tuition Reimbursement	400,200	1,000,000	1,000,000 7/
AGENCY TOTAL	**13,719,600**	**22,313,800**	**18,917,900** 8/9/
FUND SOURCES			
General Fund	11,887,800	16,692,900	16,509,400
Other Appropriated Funds			
Border Security Fund	0	3,000,000	0
Long-Term Water Augmentation Fund	0	300,000	0
Nuclear Emergency Management Fund	1,831,800	2,320,900	2,408,500
SUBTOTAL - Other Appropriated Funds	1,831,800	5,620,900	2,408,500
SUBTOTAL - Appropriated Funds	**13,719,600**	**22,313,800**	**18,917,900**
Other Non-Appropriated Funds	33,260,100	1,389,100	1,389,100
Federal Funds	80,314,300	130,271,100	130,271,100
TOTAL - ALL SOURCES	127,294,000	153,974,000	150,578,100

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 9 OF FTE Positions funded from separate legislation in FY 2027.

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 Appropriations 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 Appropriations Act.

4/ The amount appropriated for the additional grant support staff line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (FY 2026 General Appropriations Act footnote)

5/ The amount appropriated by Laws 2022, chapter 313, section 110, subsection A, paragraph 1, as amended by Laws 2023, chapter 121, section 1 and Laws 2024, chapter 209, section 3, allocated to Cochise county to construct a new county jail facility is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2029. (FY 2026 General Appropriations Act footnote)

6/ The $3,587,400 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 2026-2027 monies remaining unexpended and unencumbered on December 31, 2027 revert to the state general fund. (General Appropriations Act footnote, as adjusted for statewide allocations)

7/ 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, 2027. (General Appropriations Act footnote)

8/ Of the $13,300,000 appropriated to the department by Laws 2022, chapter 313, section 32 in fiscal year 2022-2023 for a onetime maintenance backfill, the department may use any remaining unexpended and unencumbered monies for the construction of the Arizona army national guard surprise readiness center in the city of Surprise. (General Appropriations Act footnote)

9/ General Appropriations Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The budget includes $6,343,400 and 63.1 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $337,400 from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(150,200) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Emergency Services

Emergency Management Matching Funds

The budget includes $1,638,800 from the General Fund in FY 2027 for Emergency Management Matching Funds. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $75,200 from the General Fund in FY 2027 for statewide adjustments.

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. DEMA has not provided updated award amounts for FY 2024 or FY 2025.

Evacuation Protocols Awareness Campaign

The budget includes no funding in FY 2027 for an Evacuation Protocols Awareness Campaign. Adjustments are as follows:

Remove One-Time Evacuation Protocols Awareness Campaign Funding

The budget includes a decrease of $(300,000) from the Long-Term Water Augmentation Fund in FY 2027 to remove one-time funding for an Evacuation Protocols Awareness Campaign.

The FY 2026 budget included $300,000 for DEMA to develop and distribute outreach materials in support of the "Ready, Set, Go!" awareness campaign program. "Ready, Set, Go!" is a nationwide program aimed at helping communities prepare for and evacuate in case of a wildfire. All of Arizona's county sheriffs participate in the program.

Governor's Emergency Fund

The budget includes $4,000,000 from the General Fund in FY 2027 for the Governor's Emergency Fund. This amount is unchanged from FY 2026.

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 Appropriations Act.

Hazard Mitigation Assistance

The budget includes no funding and no FTE Positions in FY 2027 for the Hazard Mitigation Assistance line item. These amounts are unchanged from FY 2026.

The FY 2024 and FY 2025 budgets each included $462,900 and 2 FTE Positions to 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 budget includes no funding in FY 2027 for the Hazard Mitigation Revolving Fund Deposit line item. This amount is unchanged from FY 2026.

The FY 2024 budget's 3-year spending plan included one-time funding of $200,000 through FY 2028. The FY 2026 budget eliminated this funding.

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.

Nuclear Emergency Management Program

The budget includes $2,408,500 and 8 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2027 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

New NEMF Assessment

The budget includes an increase of $87,600 from NEMF in FY 2027 for a new NEMF assessment.

Laws 2025, Chapter 56 (as amended by Laws 2025, Chapter 238) appropriated $2,320,900, and 8 FTE Positions from NEMF in FY 2026 and $2,408,500 and 8 FTE Positions from NEMF in FY 2027. As a result, these monies do not appear in the General Appropriation Act. (*Please see the Department of Agriculture narrative 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.

Military Airport Planning

The budget includes $90,000 and 1 FTE Position from the General Fund in FY 2027 for Military Airport Planning. These amounts are unchanged from FY 2026.

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 Appropriations Act.

The Military Installation Fund currently has no ongoing revenue source.

Additional Grant Support Staff

The budget includes no funding and 5 FTE Positions in FY 2027 for the Additional Grant Support Staff line item. Adjustments are as follows:

Remove One-Time Additional Grant Support Staff Funding

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove one-time funding for additional grant support staff.

This line item will provide temporary support to the Emergency Management Division by providing additional staff for grant application processing, administration, reporting, coordination, programmatic needs, and other related functions.

The FY 2026 budget included $500,000 and 5 FTE positions for this line item. The appropriation is exempt from lapsing through FY 2027, and the FTE positions will be retained until the appropriation has lapsed.

The FY 2027 budget appropriates $472,600 from the Highway Patrol Fund to the Department of Public Safety on an ongoing basis for public safety grant support staff. These monies can be used to continue DEMA's grant support staff.

Border Security Fund Allocations

Laws 2022, Chapter 321 diverted $209,205,000 of transaction privilege tax (TPT) revenues in FY 2023 from the General Fund to the Border Security Fund. The FY 2023 General Appropriations Act appropriated the $209,205,000 to DEMA and allocated the funding for various purposes. Additionally, $335,000,000 of transaction privilege tax (TPT) revenues was diverted from the General Fund to the Border Security Fund in FY 2023 for the installation of physical barriers and other security technologies at the border. These allocations have been modified on multiple occasions, but current allocation amounts can be seen in *Table 1*.

The FY 2026 General Appropriations Act includes a footnote exempting the $20,000,000 allocation for the Cochise County Jail from lapsing through FY 2029.

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 on the JLBC website for more information).*

Table 1

Border Security Fund Allocations

	Current Allocation
Laws 2022, Chapter 313 [1/]	
Cochise County Jail	$20,000,000
Local ICE Reimbursement	7,600,000
Antihuman Trafficking Grant Fund	10,000,000
Local Prosecution Costs	24,800,000
Arizona National Guard	20,000,000
Emergency Testing and Care	4,600,000
Asylum Transportation	23,000,000
Deputy Sheriff Compensation	53,405,000
State Guard – Chain of Command	800,000
Emergency Operations Center	2,322,800
Local Border Support	12,232,900
Border Drug Interdiction	15,444,300
Coordinated Response Center	15,000,000
Subtotal	**$209,205,000**
Laws 2022, Chapter 334	
Border Fence and Border Security Technologies	$335,000,000
Total	**$544,205,000**

1/ Some allocations have been modified and will not match the allocations seen in Laws 2022, Chapter 313. Please see the Border Security Fund program summary for more information.

In addition to the allocations displayed in *Table 1*, the FY 2026 budget appropriated the following amounts from the Border Security Fund:

- $3,000,000 to DEMA to support local law enforcement fentanyl interdiction efforts (*Please see the Local Law Enforcement Fentanyl Interdiction line item for further details*).
- $10,900,000 to the Department of Public Safety (DPS) to support various DPS border programs (*Please see the Department of Public Safety agency narrative for further details*).

Based on actual expenditures, the existing statutory allocations seen in *Table 1* will not be spent in their entirety which will provide sufficient capacity to fund the FY 2026 appropriations. The FY 2026 budget did not formally modify the existing allocations or make any additional deposits into the fund.

Military Affairs

Local Law Enforcement Fentanyl Interdiction

The budget includes no funding in FY 2027 for Local Law Enforcement Fentanyl Interdiction. Adjustments are as follows:

Remove One-Time Local Law Enforcement Fentanyl Interdiction Funding

The budget includes a decrease of $(3,000,000) from the Border Security Fund in FY 2027 to remove one-time funding for Local Law Enforcement Fentanyl Interdiction initiatives.

This funding will be used to expand existing drug interdiction efforts for the purposes of reducing drug trafficking activities, with a focus on assisting law enforcement agencies in fentanyl cases. The FY 2025 budget appropriated $3,000,000 to the Attorney General from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund for a transfer to the DEMA Opioid Remediation Fund for the same purpose. *(See the Opioid Settlement Funds – Drug Interdiction section in the Other Issues section of the FY 2025 Appropriations Report for more information.)*

National Guard Matching Funds

The budget includes $3,587,400 from the General Fund in FY 2027 for the National Guard Matching Funds line item. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $54,100 from the General Fund in FY 2027 for statewide adjustments.

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 state matching requirement of between 5.5% and 50%.

The operations and maintenance for these facilities are paid through service contracts. The budget continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2027 monies remaining unexpended and unencumbered on December 31, 2027 revert to the state General Fund. Based on DEMA's last reported information, the department received $53,154,800 in National Guard Military Operations and Maintenance Projects monies in FY 2023.

National Guard Tuition Reimbursement

The budget includes $1,000,000 from the General Fund in FY 2027 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2026.

DEMA estimates that the $1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen. The budget exempts monies in this line item from lapsing until September 30, 2027.

Department of Environmental Quality

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	358.7	360.7	360.7
Personal Services	28,816,700	29,191,300	29,191,300
Employee Related Expenditures	10,452,000	10,528,900	11,433,400
Professional and Outside Services	5,548,400	5,971,300	5,971,300
Travel - In State	742,700	563,700	563,700
Travel - Out of State	99,300	151,400	151,400
Other Operating Expenditures	18,346,400	24,338,100	26,723,300
Equipment	206,500	362,700	362,700
OPERATING SUBTOTAL	**64,212,000**	**71,107,400**	**74,397,100** 1/
SPECIAL LINE ITEMS			
Air Permit Portal	0	0	371,200
Emissions Control Contractor Payment	25,366,300	28,894,500	31,989,000
Geothermal Energy Research	0	0	1,500,000
Iron King Mine - Humboldt Smelter Cleanup	0	2,000,000	2,000,000
Safe Drinking Water Program	1,944,200	2,027,700	2,068,800
Voluntary Vehicle Repair Program Support	0	0	2,170,200
WQARF Priority Site Remediation	15,000,000	0	15,000,000 2/3/
WQARF Deposit	0	15,000,000	0
Water Quality Fee Fund Deposit	0	9,000,000	9,500,000
AGENCY TOTAL	**106,522,500**	**128,029,600**	**138,996,300** 4/
FUND SOURCES			
General Fund	15,000,000	0	17,000,000
Other Appropriated Funds			
Air Quality Fund	8,383,600	7,820,300	15,230,900
Emergency Response Fund	132,700	132,800	133,000
Emissions Inspection Fund	29,376,900	33,105,500	36,259,100
Hazardous Waste Management Fund	1,799,900	2,689,300	2,731,700
Indirect Cost Fund	21,941,600	19,603,200	19,718,600 5/
Long-Term Water Augmentation Fund	0	26,000,000	0
Permit Administration Fund	5,097,500	7,165,200	7,535,800 6/
Recycling Fund	2,362,900	3,542,100	8,149,300 7/
Safe Drinking Water Program Fund	1,944,200	2,027,700	2,068,800
Solid Waste Fee Fund	1,212,600	3,907,600	4,067,100 7/
Underground Storage Tank Revolving Fund	0	0	3,700,000
Water Quality Fee Fund	19,270,600	22,035,900	22,402,000
SUBTOTAL - Other Appropriated Funds	91,522,500	128,029,600	121,996,300
SUBTOTAL - Appropriated Funds	**106,522,500**	**128,029,600**	**138,996,300**
Other Non-Appropriated Funds	51,874,800	58,024,000	58,024,000
Federal Funds	24,475,500	38,151,200	38,151,200
TOTAL - ALL SOURCES	182,872,800	224,204,800	235,171,500

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Air Quality Division issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors the ambient air, and develops air quality improvement strategies. The Waste Programs Division implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the cleanup (remediation) of hazardous waste sites. The Water Quality Division regulates drinking water and wastewater systems, monitors waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

1/ The operating lump sum appropriation includes $776,600 from the water quality fee fund established by section 49-210, Arizona Revised Statutes, for two FTE positions to process an increase in permit applications resulting from revised aquifer water quality standards. The department of environmental quality may only spend these monies if matching amounts of aquifer protection permit program fees collected pursuant to section 49-241.02, Arizona Revised Statutes, are deposited in the water quality fee fund established by section 49-210, Arizona Revised Statutes, by the end of fiscal year 2026-2027. (General Appropriations Act footnote)

2/ 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 Appropriations Act, it is shown here as a General Fund expenditure. The Corporate Income Tax transfer was suspended for FY 2026. The FY 2027 budget restores the annual transfer.

3/ 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 2026-2027 report to the joint legislative budget committee on or before September 1, 2026. This report must 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 2026-2027. In addition, the department and the WQARF advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2026, 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 2025-2026, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2026-2027 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2026-2027, assuming fiscal year 2026-2027 funding levels. The department and the WQARF advisory board may include other relevant information about the listed sites in the table. (General Appropriations Act footnote)

4/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

5/ All monies in the department of environmental quality indirect cost fund established by section 49-115, Arizona Revised Statutes, including the beginning balance, that are in excess of $19,718,600 in fiscal year 2026-2027 are appropriated to the department. Before spending indirect cost fund monies in excess of $19,718,600 in fiscal year 2026-2027, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

6/ All permit administration fund monies received by the department of environmental quality in excess of $8,149,300 in fiscal year 2026-2027 are appropriated to the department. Before spending permit administration fund monies in excess of $8,149,300 in fiscal year 2026-2027, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

7/ Laws 2026, Chapter 209 repeals the Recycling Fund. All unexpended and unencumbered monies remaining in the recycling fund are transferred to the solid waste fee fund on September 12, 2026.

Operating Budget

The budget includes $74,397,100 and 360.7 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
Air Quality Fund	$10,460,700
Emergency Response Fund	133,000
Emissions Inspection Fund	4,270,100
Hazardous Waste Management Fund	2,731,700
Indirect Cost Fund	19,718,600
Permit Administration Fund	7,164,600
Recycling Fund	3,449,300
Solid Waste Fee Fund	4,067,100
Water Quality Fee Fund	22,402,000

Adjustments are as follows:

Air Quality Grants Backfill

The budget includes an increase of $3,900,300 from the Air Quality Fund in FY 2027 for funding to support air quality programs as federal funding declines.

Remove One-Time Air Quality Support

The budget includes a decrease of $(1,170,100) from the Air Quality Fund in FY 2027 to remove one-time funding of air quality initiatives, including a state match for a Diesel Emissions Reduction Act grant and additional support for federal Clean Air Act requirements.

Laws 2026, Chapter 209

Laws 2026, Chapter 209 repeals the Recycling Fund and transfers all unexpended and unencumbered monies remaining in the Recycling Fund to the Solid Waste Fee

Fund as of the effective date of the act, September 12, 2026. The monies appropriated for the Recycling Fund and the Solid Waste Fee Fund in the FY 2027 budget will appear in only the Solid Waste Fee Fund in the FY 2028 Baseline. Chapter 209 modified the Solid Waste Fee Fund's statutes to incorporate the duties and authorities of the Recycling Fund, and made other changes to the solid waste program.

Statewide Adjustments

The budget includes an increase of $559,500 in FY 2027 for statewide adjustments. This consists of the following amounts:

Air Quality Fund	$(89,800)
Emergency Response Fund	200
Emissions Inspection Fund	59,100
Hazardous Waste Management Fund	42,400
Indirect Cost Fund	115,400
Permit Administration Fund	(600)
Recycling Fund	(92,800)
Solid Waste Fee Fund	159,500
Water Quality Fee Fund	366,100

(Please see the Agency Detail and Allocations section.)

Air Permit Portal

The budget includes $371,200 from the Permit Administration Fund in FY 2027 for the Air Permit Portal line item. Adjustments are as follows:

One-Time Funding

The budget includes $371,200 from the Permit Administration Fund in FY 2027 for one-time funding for online portal for air permits maintained by ADEQ.

Emissions Control Contractor Payment

The budget includes $31,989,000 from the Emissions Inspection Fund in FY 2027 for Emissions Control Contractor Payment. Adjustments are as follows:

Increased Contractual Costs

The budget includes an increase of $3,094,500 from the Emissions Inspection Fund in FY 2027 for increased contractual costs related to emissions inspections.

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.

The FY 2027 Environment Budget Reconciliation Bill (BRB) included a provision requiring ADEQ to maintain emission inspection fees in FY 2027 for Area A at the June 30, 2025, Area A fee level. The FY 2025 Environment BRB required ADEQ to reduce emissions inspection fees for Area A such that total Area A collections were reduced by 5% of the level of FY 2024 Area A fee collections. Area A refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties.

As of November 30, 2025, both Phoenix Metropolitan Area and Tucson Metropolitan area vehicle owners pay $16.15 for the onboard diagnostic test (previously $17.00 in the Phoenix area and $12.25 in the Tucson area.)

Geothermal Energy Research

The budget includes $1,500,000 from the Air Quality Fund in FY 2027 for Geothermal Energy Research. Adjustments are as follows:

One-Time Geothermal Research Support

The budget includes an increase of $1,500,000 from the Air Quality Fund in FY 2027 for one-time support for geothermal energy research by the Arizona Geological Survey at the University of Arizona.

These monies are for ADEQ to distribute to the Arizona Geological Survey to add to a previously awarded federal grant of $1,000,000 for this purpose. Geothermal energy utilizes heat energy from underground hot water reservoirs to generate electricity or provide heating and cooling to buildings.

Iron King Mine – Humboldt Smelter Cleanup

The budget includes $2,000,000 in FY 2027 for Iron King Mine – Humboldt Smelter Cleanup. Adjustments are as follows:

Remove One-Time FY 2026 Funding

The budget includes a decrease of $(2,000,000) from the Long-Term Water Augmentation Fund in FY 2027 to remove one-time funding for the first installment of the state's share of cleanup for the Iron King Mine and Humboldt Smelter Superfund site.

One-Time FY 2027 Funding

The budget includes a one-time increase of $2,000,000 from the General Fund in FY 2027 to continue funding for the second installment of the state's share of cleanup for the Iron King Mine and Humboldt Smelter Superfund site.

ADEQ signed a Superfund State Contract with the federal Environmental Protection Agency (EPA) in 2023 to begin

cleanup of the site, with the state responsible for 10% of total cleanup costs, or $8.3 million. Per the contract, the state is required to pay at least $2 million every 12 months. The EPA first listed the former Iron King Mine and Humboldt Smelter site on the Superfund National Priorities List in 2008.

Safe Drinking Water Program

The budget includes $2,068,800 from the Safe Drinking Water Program Fund in FY 2027 for the Safe Drinking Water Program. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $41,100 from the Safe Drinking Water Program Fund in FY 2027 for statewide adjustments.

The Safe Drinking Water Program Fund receives the first $1,800,000 of Public Water System (PWS) tax revenues.

Voluntary Vehicle Repair Program Support

The budget includes $2,170,200 from the Air Quality Fund in FY 2027 for voluntary vehicle repair program support. Adjustments are as follows:

One-Time Voluntary Vehicle Repair Program Support
The budget includes $2,170,200 from the Air Quality Fund in FY 2027 for a one-time deposit to the non-appropriated Voluntary Vehicle Repair and Retrofit Program Fund. This deposit supports program demand.

The FY 2025 budget included a $2,900,000 one-time deposit from the Air Quality Fund to the Voluntary Vehicle Repair and Retrofit Program Fund.

WQARF Priority Site Remediation

The budget includes $15,000,000 from the General Fund in FY 2027 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. Adjustments are as follows:

WQARF Fund Shift
The budget includes an increase of $15,000,000 from the General Fund in FY 2027 and a corresponding decrease of $(15,000,000) from the Long-Term Water Augmentation Fund to remove a one-time fund shift. (*For information on the deposit, please see the WQARF Deposit line item.*)

A.R.S. § 49-282 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 budget restores an Environment BRB provision notwithstanding the $18,000,000 annual funding level for WQARF and limiting the General Fund transfer to $15,000,000.

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.

WQARF Deposit

The budget includes no funding in FY 2027 for a WQARF deposit. Adjustments are as follows:

WQARF Fund Shift
The budget includes a decrease of $(15,000,000) from the Long-Term Water Augmentation Fund in FY 2027 and a corresponding increase of $15,000,000 from the General Fund to remove a one-time fund shift.

Water Quality Fee Fund Deposit

The budget includes $9,500,000 in FY 2027 for a Water Quality Fee Fund Deposit. Adjustments are as follows:

Remove One-Time FY 2026 Funding
The budget includes a decrease of $(9,000,000) from the Long-Term Water Augmentation Fund in FY 2027 to remove a one-time deposit into the Water Quality Fee Fund (WQFF) to address a funding shortfall in FY 2026.

One-Time FY 2027 Funding
The budget includes a one-time increase of $9,500,000 in FY 2027 to continue a deposit into the Water Quality Fee Fund (WQFF) to address a funding shortfall in FY 2027. This amount consists of:

Air Quality Fund	1,100,000
Recycling Fund	4,700,000
Underground Storage Tank Revolving Fund	3,700,000

This line item only reflects the transfer of revenue into the WQFF. The actual expenditure of any monies from the WQFF is displayed as part of the ADEQ operating budget.

Zero-Emission Heavy-Duty Eight-Ton Pilot Program

The budget includes no funding in FY 2027 for a Zero-Emission Heavy-Duty Eight-Ton Pilot Program. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated $1,000,000 from the General Fund on a one-time basis for ADEQ to implement a pilot program to replace diesel heavy duty trucks with zero-emission vehicles. ADEQ did not report any expenditures in FY 2025. An FY 2026 budget footnote extended the appropriation lapse date through FY 2026.

Other Issues

Statutory Changes

The Environment BRB makes the following statutory changes:

- 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 2027 for department administrative expenses and for sewage remediation.
- As session law, continue 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.
- As session law, maintain emission inspection fees in FY 2027 for Area A at the June 30, 2025, Area A fee level. Area A refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Recycling Fund	1,500,000
Underground Storage Tank Revolving Fund	2,400,000

Governor's Office of Equal Opportunity

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	5.0	5.0	5.0
Personal Services	213,900	202,900	202,900
Employee Related Expenditures	81,600	85,000	98,400
Professional and Outside Services	800	1,200	1,200
Travel - Out of State	500	0	0
Other Operating Expenditures	11,400	26,800	27,000
Equipment	3,200	1,500	1,500
AGENCY TOTAL	**311,400**	**317,400**	**331,000** 1/
FUND SOURCES			
Other Appropriated Funds			
Personnel Division Fund	311,400	317,400	331,000
SUBTOTAL - Other Appropriated Funds	311,400	317,400	331,000
SUBTOTAL - Appropriated Funds	**311,400**	**317,400**	**331,000**
TOTAL - ALL SOURCES	311,400	317,400	331,000

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $331,000 and 5 FTE Positions from the Personnel Division Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $13,600 from the Personnel Division Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

State Board of Equalization

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	7.0	7.0	7.0
Personal Services	274,400	301,400	301,400
Employee Related Expenditures	101,500	131,700	144,500
Professional and Outside Services	4,300	35,000	35,000
Travel - In State	13,100	16,000	16,000
Travel - Out of State	900	5,000	5,000
Other Operating Expenditures	233,900	230,600	230,700
Equipment	1,800	15,000	15,000
OPERATING SUBTOTAL	**629,900**	**734,700**	**747,600**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(18,400)
AGENCY TOTAL	**629,900**	**734,700**	**729,200** 1/
FUND SOURCES			
General Fund	629,900	734,700	729,200
SUBTOTAL - Appropriated Funds	**629,900**	**734,700**	**729,200**
TOTAL - ALL SOURCES	629,900	734,700	729,200

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $747,600 and 7 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $12,900 from the General Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(18,400) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Board of Executive Clemency

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	14.5	15.5	15.5
Personal Services	778,200	825,900	953,400
Employee Related Expenditures	250,300	289,100	342,000
Travel - In State	500	500	500
Travel - Out of State	200	1,500	1,500
Other Operating Expenditures	321,200	359,200	359,600
Equipment	11,600	12,400	6,400
OPERATING SUBTOTAL	**1,362,000**	**1,488,600**	**1,663,400** 1/2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(37,100)
AGENCY TOTAL	**1,362,000**	**1,488,600**	**1,626,300**
FUND SOURCES			
General Fund	1,362,000	1,488,600	1,626,300
SUBTOTAL - Appropriated Funds	**1,362,000**	**1,488,600**	**1,626,300**
Other Non-Appropriated Funds	25,700	0	0
TOTAL - ALL SOURCES	1,387,700	1,488,600	1,626,300

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, 2026, 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 2025-2026. (General Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $1,663,400 and 15.5 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Equipment Funding

The budget includes a decrease of $(6,000) from the General Fund in FY 2027 to remove funding for one-time equipment costs related to the addition of a new case analyst position.

Increase Board Member Salaries

The budget includes an increase of $156,700 from the General Fund in FY 2027 for increased board member salaries.

The appropriated amount is for a $24,300 salary raise for the board's chairman and a $25,800 salary raise for each of the 4 other board members. Board members are full-time employees, and the funding includes $29,200 for adjustments to employee related expenditures.

Statewide Adjustments

The budget includes an increase of $24,100 from the General Fund in FY 2027 for statewide adjustments *(Please see Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(37,100) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum

appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Other Issues

Caseload Data

Pursuant to a footnote in the FY 2026 General Appropriation Act, the board submitted a report on its FY 2025 caseload.

The board conducted 2,718 case hearings in FY 2025, as described below:

- Phases 1 and 2 Commutation (275): 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 (11): 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 (0): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (281): 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. The board may also conduct hearings to parole an inmate to a consecutive sentence to be served at an institution in this state or in another jurisdiction. Pursuant to A.R.S. § 13-717 and recent court decisions, parole is also available for certain offenders sentenced after 1994.
- Revocation (1,513): These hearings are conducted when an offender has violated the terms of community supervision.
- Probable Cause (622): 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 (1): These actions were not categorized by the board.

Arizona Exposition and State Fair Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	184.0	184.0	184.0
Personal Services	5,192,700	5,653,500	5,653,500
Employee Related Expenditures	1,256,100	1,575,600	1,408,100
Professional and Outside Services	344,600	902,100	1,186,300
Travel - In State	179,800	10,700	10,700
Travel - Out of State	13,100	15,000	15,000
Other Operating Expenditures	11,634,000	11,552,900	11,572,700
Equipment	141,900	53,000	53,000
AGENCY TOTAL	**18,762,200**	**19,762,800** 1/	**19,899,300** 2/3/
FUND SOURCES			
Other Appropriated Funds			
Arizona Exposition and State Fair Fund	18,762,200	19,762,800	19,899,300
SUBTOTAL - Other Appropriated Funds	18,762,200	19,762,800	19,899,300
SUBTOTAL - Appropriated Funds	**18,762,200**	**19,762,800**	**19,899,300**
TOTAL - ALL SOURCES	18,762,200	19,762,800	19,899,300

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/ The $2,000,000 appropriated to the Arizona exposition and state fair board by Laws 2025, chapter 233, section 37 in fiscal year 2025-2026 for enhanced state fair operations is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

2/ Of the monies appropriated in the Arizona exposition and state fair board lump sum appropriation, $2,000,000 shall be spent for enhanced state fair operations. Pursuant to section 41-1252, Arizona Revised Statutes, before spending monies appropriated in the lump sum appropriation 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 Appropriations Act footnote)

3/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $19,899,300 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $136,500 from the Arizona Exposition and State Fair Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Forestry and Fire Management

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	235.5	235.5	215.5
Personal Services	2,566,600	2,616,400	2,616,400
Employee Related Expenditures	976,300	976,300	1,074,800
Professional and Outside Services	132,800	132,800	132,800
Travel - In State	404,400	404,400	404,400
Travel - Out of State	17,100	17,100	17,100
Other Operating Expenditures	881,000	2,034,700	2,282,000
Equipment	121,400	121,400	121,400
OPERATING SUBTOTAL	**5,099,600**	**6,303,100**	**6,648,900**
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Federal Debt Repayment	11,180,800 1/	0	0
Fire Suppression	38,200,000	3,200,000	13,200,000 2/3/
Hazardous Vegetation Removal	417,900	3,039,300	3,039,300 4/
Inmate Firefighting Crews	809,900	902,700	921,300
Post-Release Firefighting Crews	1,119,900	1,332,700	1,352,800
Nonnative Vegetation Species Eradication	1,000,000	1,000,000	1,000,000 5/
Northern Arizona Wildland Fire Training Facility	0	4,000,000	0
State Fire Marshal	1,805,300	1,844,400	1,891,700
State Fire School	264,700	291,700	294,000
US Forest Service Land Thinning	1,669,300	1,703,400	1,744,100
Wildfire Mitigation	16,413,300	27,354,900	27,595,000 6/
AGENCY TOTAL	**78,230,700**	**51,222,200**	**57,937,100** 7/
FUND SOURCES			
General Fund	37,049,900	47,222,200	57,937,100
Other Appropriated Funds			
Long-Term Water Augmentation Fund	41,180,800	4,000,000	0
SUBTOTAL - Other Appropriated Funds	41,180,800	4,000,000	0
SUBTOTAL - Appropriated Funds	**78,230,700**	**51,222,200**	**57,937,100**
Other Non-Appropriated Funds	89,359,600	98,309,800	98,309,800
Federal Funds	4,503,600	4,466,600	4,466,600
TOTAL - ALL SOURCES	172,093,900	153,998,600	160,713,500

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/ The appropriation made in this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2026 General Appropriations Act footnote)

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 Appropriations Act.

3/ Of the amount appropriated in the fire suppression line item, $10,000,000 shall be used for the purposes prescribed by and are subject to the restrictions outlined in Laws 2021, first special session, chapter 1, section 1, as amended by Laws 2022, chapter 1, section 1. Of the amount appropriated in the fire suppression line item, $10,000,000 is exempt from the

provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, through June 30, 2029. (General Appropriations Act footnote)

4/ 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, until June 30, 2028. (General Appropriations Act footnote)

5/ 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 Appropriations Act footnote)

6/ The appropriation for the wildfire mitigation line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2029. (General Appropriations Act footnote)

7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $6,648,900 and 43 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $345,800 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Environmental County Grants

The budget includes $250,000 from the General Fund in FY 2027 for Environmental County Grants. This amount is unchanged from FY 2026.

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 included forest restoration, endangered species habitat protection, watershed restoration, and natural resource planning. DFFM must approve any project prior to expenditure of the monies.

Federal Debt Repayment

The budget includes no funding in FY 2027 for Federal Debt Repayment. This amount is unchanged from FY 2026.

In the FY 2026 General Appropriations Act, the Legislature appropriated $11,180,800 one-time from the Long-Term Water Augmentation Fund as an FY 2025 supplemental. The Legislature stipulated that the monies must be used to repay debts incurred to the federal government in the course of wildfire suppression activities and made the monies non-lapsing.

Fire Suppression

The budget includes $13,200,000 from the General Fund in FY 2027 for Fire Suppression. Adjustments are as follows:

One-Time Wildfire Suppression Funding

The budget includes a one-time increase of $10,000,000 from the General Fund in FY 2027 for fire suppression funding.

A budget footnote specifies that the $10,000,000 is subject to the restrictions and reporting requirements outlined in Laws 2021, 1st Special Session, Chapter 1 (as amended by Laws 2022, Chapter 1) and is exempt from lapsing through FY 2029.

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 Appropriations Act. *(See Wildfire Mitigation line item for additional monies supporting fire suppression in Arizona.)*

Hazardous Vegetation Removal

The budget includes $3,039,300 from the General Fund in FY 2027 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2026.

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 budget includes $921,300 and 13 FTE Positions from the General Fund in FY 2027 for Inmate Firefighting Crews. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $18,600 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $1,352,800 and 20 FTE Positions from the General Fund in FY 2027 for Post-Release Firefighting Crews. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $20,100 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $1,000,000 from the General Fund in FY 2027 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2026.

The FY 2020 General Appropriations 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 Appropriations Act, these appropriations will not appear in subsequent General Appropriations 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.

Northern Arizona Wildland Fire Training Facility

The budget includes no funding in FY 2027 for a Northern Arizona Wildland Fire Training Facility. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(4,000,000) from the Long-Term Water Augmentation Fund in FY 2027 for removal of one-time funding to establish a new wildfire suppression training facility near Flagstaff.

Monies in this line item fund the construction of a new operational base for the Flagstaff Fire Department's Wildfire Management Division and provide wildfire suppression training for local and regional firefighters. In addition to the $4.0 million state-level appropriation in FY 2026, the City of Flagstaff has allocated $650,000 to design the facility.

State Fire Marshal

The budget includes $1,891,700 and 19.5 FTE Positions from the General Fund in FY 2027 for the State Fire Marshal. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $47,300 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $294,000 and 1 FTE Position from the General Fund in FY 2027 for the State Fire School. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $2,300 from the General Fund in FY 2027 for statewide adjustments.

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 $91,700 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 budget includes $1,744,100 and 17 FTE Positions from the General Fund in FY 2027 for the US Forest Service Land Thinning line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $40,700 from the General Fund in FY 2027 for statewide adjustments.

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 Mitigation

The budget includes $27,595,000 and 122 FTE Positions from the General Fund in FY 2027 for the Wildfire Mitigation line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $240,100 from the General Fund in FY 2027 for statewide adjustments.

Monies in this line item are to be used for personnel, operating costs, equipment, and contracted services to mitigate future fires. The budget makes the FY 2027 appropriation non-lapsing through June 30, 2029.

In FY 2025, DFFM expended a total of $16,413,200 from this line item as follows:

- $7,158,000 for 122 DFFM staff to oversee the work of 10 crews of 72 inmates working to remove hazardous vegetation.
- $832,300 for inmate crews and corrections staff.
- $3,888,100 for Department of Transportation program costs, general operating costs, and other equipment and maintenance.
- $2,486,600 for contracted personnel to support wildfire mitigation efforts.
- $2,048,200 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

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 October 20, 2025, DFFM reports using $14,681,385 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.)*

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for DFFM by (20) Positions. While the agency table reflects the correct appropriated FTE count, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Arizona Game and Fish Department

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	273.5	273.5	273.5
Personal Services	17,495,600	19,857,500	20,104,300
Employee Related Expenditures	6,744,400	7,593,200	8,431,700
Professional and Outside Services	1,357,600	2,517,700	2,517,700
Travel - In State	266,300	407,700	407,700
Travel - Out of State	120,300	227,600	227,600
Other Operating Expenditures	11,627,200	13,816,800	13,861,000
Equipment	769,700	792,900	792,900
OPERATING SUBTOTAL	**38,381,100**	**45,213,400**	**46,342,900**
SPECIAL LINE ITEMS			
Livestock Loss Compensation	0	250,000	0
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	**41,439,100**	**48,521,400**	**49,400,900** 1/
FUND SOURCES			
Other Appropriated Funds			
Capital Improvement Fund	1,001,200	1,001,200	1,001,400
Game and Fish Fund	35,969,000	41,797,800	42,817,000
Game, Non-Game, Fish and Endangered Species Fund	332,700	646,100	403,200
Watercraft Licensing Fund	4,136,200	5,060,100	5,163,000
Wildlife Endowment Fund	0	16,200	16,300
SUBTOTAL - Other Appropriated Funds	41,439,100	48,521,400	49,400,900
SUBTOTAL - Appropriated Funds	**41,439,100**	**48,521,400**	**49,400,900**
Other Non-Appropriated Funds	40,702,300	53,787,300	53,787,300
Federal Funds	56,436,100	59,309,100	59,309,100
TOTAL - ALL SOURCES	138,577,500	161,617,800	162,497,300

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $46,342,900 and 273.5 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
Capital Improvement Fund	$1,001,400
Game and Fish Fund	39,759,000
Game, Non-Game, Fish and Endangered Species Fund	403,200
Watercraft Licensing Fund	5,163,000
Wildlife Endowment Fund	16,300

Adjustments are as follows:

Staff Salary Adjustment Correction

The budget includes an increase of $246,800 in FY 2027 to correct the FY 2026 appropriation for an ongoing 5% AZPOST-certified staff salary increase.

This amount consists of:

Game and Fish Fund	235,800
Watercraft Licensing Fund	11,000

Statewide Adjustments

The budget includes an increase of $882,700 in FY 2027 for statewide adjustments. This amount consists of:

Capital Improvement Fund	200
Game and Fish Fund	783,400
Game, Non-Game, Fish and Endangered Species Fund	7,100
Watercraft Licensing Fund	91,900
Wildlife Endowment Fund	100

(Please see Agency Detail and Allocations section.)

Livestock Loss Compensation

The budget includes no funding in FY 2027 for Livestock Loss Compensation. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(250,000) from the Game, Non-Game, Fish and Endangered Species Fund in FY 2027 for removal of one-time funding for the activities of the Livestock Loss Board, which compensates livestock owners who have suffered losses in this state due to wolf depredation.

Pittman-Robertson/Dingell-Johnson Act

The budget includes $3,058,000 from the Game and Fish Fund in FY 2027 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2026.

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.

Other Issues

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Heritage Land Acquisition Fund	5,000,000
Watercraft Licensing Fund	3,400,000

Department of Gaming

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	155.8	155.8	130.8
Personal Services	4,731,500	5,958,600	5,808,500
Employee Related Expenditures	1,789,400	2,323,400	2,323,400
Professional and Outside Services	442,700	490,000	490,000
Travel - In State	492,200	595,400	595,400
Travel - Out of State	51,100	62,000	62,000
Other Operating Expenditures	2,746,300	3,800,000	3,800,000
Equipment	488,800	510,700	510,700
OPERATING SUBTOTAL	**10,742,000**	**13,740,100**	**13,590,000**
SPECIAL LINE ITEMS			
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,093,800	2,346,100	2,374,800
Contract Veterinarian	160,100	175,000	175,000 1/
County Fairs Livestock and Agriculture Promotion	6,029,500	6,029,500	6,029,500 2/
Division of Racing	2,040,100	2,772,400	2,404,500
Horseracing Integrity and Safety Act Assessment	688,100	1,355,100	2,000,000 3/
Problem Gambling	3,036,500	3,320,000	4,000,000
Racetrack Capital Projects and Maintenance and Operation Funding	1,500,000	0	0
Racing Purse Enhancement	4,000,000	1,000,000	0
Racing Regulation Fund Deposit	0	1,900,000	1,900,000
AGENCY TOTAL	**29,540,100**	**32,888,200**	**32,723,800** 4/5/
FUND SOURCES			
General Fund	11,689,600	9,104,500	8,104,500
Other Appropriated Funds			
Arizona Benefits Fund	13,328,400	16,610,000	17,290,000
Fantasy Sports Contest Fund	150,100	150,100	0
Racing Regulation Fund	2,873,000	3,977,800	4,654,500
Racing Regulation Fund - Unarmed Combat Subaccount	105,200	399,700	0
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,093,800	2,346,100	2,374,800
SUBTOTAL - Other Appropriated Funds	17,850,500	23,783,700	24,619,300
SUBTOTAL - Appropriated Funds	**29,540,100**	**32,888,200**	**32,723,800**
Other Non-Appropriated Funds	6,230,600	5,425,000	5,425,000
Federal Funds	39,600	0	0
TOTAL - ALL SOURCES	35,810,300	38,313,200	38,148,800

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/ On or before the final day of each quarter of fiscal year 2026-2027, 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 must include the number of prerace inspections performed by a veterinarian employed by or contracted with this state. (General Appropriations Act footnote)

2/ 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 Appropriations Act footnote)
3/ The amount appropriated to the horseracing integrity and safety act assessment line item shall be used by the department during fiscal year 2026-2027 to pay the calendar year 2026 assessment levied by the horseracing integrity and safety authority. (General Appropriations Act footnote)
4/ On or before August 1, 2026, 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 2026-2027. The report must include the projected line item detail and the number of filled full-time equivalent positions. (General Appropriations Act footnote)
5/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Administrative Expenses

The budget includes $13,590,000 from the Arizona Benefits Fund in FY 2027 for administrative expenses. 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 greater of $8,000,000, or 9% of state tribal gaming revenues is made available to be appropriated for the department's administrative expenses (excluding Problem Gambling). However, this allocation from the Arizona Benefits Fund is still subject to legislative appropriation and an amount less than the above limits may be appropriated to the department for administrative expenses.

In FY 2026, Gaming was appropriated $13,740,100 for administrative expenses. This mostly consisted of $13,590,000 from the FY 2026 Arizona Benefits Fund Operating appropriation in the enacted budget. This 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 2027, 9% of tribal gaming revenues are forecasted to be $16,650,000, based on the enacted budget forecast of state tribal contribution revenue of $185,000,000. However, the budget continues to appropriate $13,590,100 from the Arizona Benefits Fund to cover the department's administrative expenses. *(See Other Issues – Tribal Gaming Revenues section for additional details.)*

Since FY 2024, the state has allocated the fixed $13,590,000 amount from the Arizona Benefits Fund for the department's operating appropriation. This policy is due to the department's calculation process for the distribution of Arizona Benefits Fund monies to statutory beneficiaries. Under statute, after deducting monies spent for department expenses (Operating Budget and Problem Gambling), all remaining monies are distributed to beneficiaries according to a specified formula.

The department's current process is to base those beneficiary calculations on distributing all remaining monies after the appropriated department funding levels, instead of distributing all monies after actual department spending amounts. This distinction has an impact on the beneficiary calculations because the department has typically underspent its appropriation by significant margins.

Therefore recent budgets have maintained the fixed operating allocations in order to better align the department's appropriations with actual spending patterns – as the 9% administrative calculation would generate an even larger operating allocation that is not fully utilized by the department, resulting in additional monies that are both: 1) Not spent by the department for operating costs; and 2) Not distributed to beneficiaries.

The FY 2027 the budget eliminates the $150,100 appropriation from the Fantasy Sports Contest Fund for administrative expenses. The FY 2027 Amusements Budget Reconciliation Bill (BRB) repealed the Fantasy Sports Contest Fund and shifted the fund's revenues to the Event Wagering Fund.

Problem Gambling

The budget includes $4,000,000 in FY 2027 for Problem Gambling, which consists of $3,700,000 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 appropriation for Problem Gambling expenses from the Arizona Benefits Fund is limited to 2% of revenues.

In FY 2026, Gaming had the authority to spend $3,020,000, based on the FY 2026 Arizona Benefits Fund Problem Gaming appropriation in the enacted budget. This amount was selected based on the department's spending patterns and is not derived from the 2% calculation.

In FY 2027, the budget forecasts 2% of tribal gaming revenues to be $3,700,000, due to a projected increase in tribal revenues. The budget appropriates the full $3,700,000 from the Arizona Benefits Fund to cover the department's problem gambling expenses.

From FY 2024 to FY 2026, the state allocated a fixed amount of $3,020,000 from the Arizona Benefits Fund for the department's Problem Gambling appropriation. This policy was due to the department's calculation process for the distribution of Arizona Benefits Fund monies to statutory beneficiaries. *(See the Administrative Expenses section above 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.

The FY 2027 Amusements BRB repealed the Fantasy Sports Contest Fund, requiring fantasy sports privilege and license fee revenue to be deposited into the non-appropriated Event Wagering Fund. The budget includes a General Appropriations Act footnote requiring the department to report on administrative spending from the Event Wagering Fund by August 1, 2026.

Operating Budget

The budget includes $13,590,000 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove Ongoing Funding

The budget includes a decrease of $(150,100) from the Fantasy Sports Contest Fund to remove ongoing funding for the operating budget. The FY 2027 Amusements BRB repealed the Fantasy Sports Contest Fund and shifted the fund's revenues to the Event Wagering Fund.

Arizona Breeders' Award

The budget includes $250,000 from the Racing Regulation Fund in FY 2027 for the Arizona Breeders' Award. This amount is unchanged from FY 2026.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2027, this line item will fund awards equal to 25% of the purse won by the horse.

Casino Operations Certification

The budget includes $2,374,800 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2027 for Casino Operations Certification. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $28,700 from the Tribal-State Compact Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

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 budget includes $175,000 from the General Fund in FY 2027 for a Contract Veterinarian. This amount is unchanged from FY 2026.

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 Appropriations 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 budget includes $6,029,500 from the General Fund in FY 2027 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2026.

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 budget includes $2,404,500 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2027 for operating costs associated with the Division of Racing.

Adjustments are as follows:

Unarmed Combat Subaccount Shift
The budget includes a decrease of $(399,700) from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2027. The FY 2027 Amusements BRB transferred the placement of the Unarmed Combat Subaccount to the non-appropriated Event Wagering Fund.

Statewide Adjustments
The budget includes an increase of $31,800 from the Racing Regulation Fund in FY 2027 for statewide adjustments.

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-September 30 and 0.85% from October 1-April 30 each year. However, long-standing session law overrides those rates and sets the RWA at 0.5% for FY 2027. 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 FY 2027 Amusements BRB moved the Unarmed Combat Subaccount from the Racing Regulation Fund to the non-appropriated Event Wagering Fund. Given this, the budget appropriates no funding from the subaccount as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

Horseracing Integrity and Safety Act Assessment

The budget includes $2,000,000 from the Racing Regulation Fund in FY 2027 for the Horseracing Integrity and Safety Act (HISA) Assessment line item. Adjustments are as follows:

Increase HISA Assessment Funding
The budget includes an increase of $644,900 from the Racing Regulation Fund in FY 2027 to address a higher federal HISA assessment.

The federal Horseracing Integrity and Safety Authority charges the horse racing industry an annual regulatory fee based on the previous year's racing starts. States may opt to pay the fee in lieu of the industry. The state of Arizona has chosen to pay the fee. The budget includes a General Appropriations Act footnote that instructs the department to use these monies to directly pay the calendar 2026 assessment levied by the Horseracing Integrity and Safety Authority.

Problem Gambling

The budget includes $4,000,000 and 5 FTE Positions in FY 2027 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	3,700,000
State Lottery Fund	300,000

Adjustments are as follows:

Align Appropriation with 2% of Gaming Revenues
The budget includes an increase of $680,000 from the Arizona Benefits Fund in FY 2027 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2027 state Tribal contributions.

Monies in this line item are for the department to provide problem gambling prevention, treatment, and education programs. The FY 2027 Amusements BRB allows the Department of Gaming to also spend up to $500,000 from the Event Wagering Fund on problem gambling and gives the department associated grantmaking authority.

Racetrack Capital Projects and Maintenance and Operation Funding

The budget includes no funding from the General Fund in FY 2027 for the Racetrack Capital Projects and Maintenance and Operation Funding line item. This amount is unchanged from FY 2026

The FY 2026 budget appropriated $1,000,000 to be 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. Prior budgets since FY 2022 also appropriated monies for this purpose.

In August 2025, plaintiffs filed litigation in the Maricopa County Superior Court alleging that this appropriation violated the Arizona Constitution's Gift Clause, which prohibits state funding of private entities if the funding does not serve a public purpose or if insufficient returns are required of the recipient in exchange. Following a consent decree between the state and the plaintiffs, the Superior Court permanently enjoined the state from distributing the FY 2026 appropriation, therefore this dollar amount is not displayed in the department's FY 2026 budget.

Racing Purse Enhancement

The budget includes no funding from the General Fund in FY 2027 for the Racing Purse Enhancement line item. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove one-time funding for Racing Purse Enhancement.

Monies in this line item were used to enhance racing purses and promote the sport for eligible races held in Arizona. An FY 2026 General Appropriations Act footnote directed the monies to be distributed to a nonprofit horsemen's organization that has represented horsemen in racing meetings since 1988.

Racing Regulation Fund Deposit

The budget includes $1,900,000 from the General Fund in FY 2027 for the Racing Regulation Fund Deposit line item. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(1,900,000) from the General Fund in FY 2027 to remove one-time funding made in FY 2026 for a deposit into the Racing Regulation Fund.

Continue One-Time Funding

The budget includes an increase of $1,900,000 from the General Fund in FY 2027 for a deposit into the Racing Regulation Fund.

The Racing Regulation Fund is the primary funding source for the Division of Racing *(see Division of Racing section above for more details)*. Over the past several fiscal years, annual expenditures from the fund have exceeded annual revenues. The continued one-time FY 2027 deposit into the fund is intended to give the fund sufficient resources to allow the Division of Racing to utilize the full authorized appropriation amount.

An FY 2026 General Appropriations Act footnote requires the department to submit a report to the Joint Legislative Budget Committee by December 31, 2025 on the Division of Racing's workload, regulatory, and budgetary changes since FY 2017. According to the report, the number of operating racetracks, live races, and total revenues declined from FY 2017 to FY 2025. Despite this, the report notes the Division of Racing's staff and regulatory costs increased during the same period in response to HISA regulatory requirements.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Auditor General Report
- Reduce Vacant FTE Positions
- Existing Tribal Compacts
- Tribal Gaming Revenue
- Event Wagering/Fantasy Sports Revenue Forecast

Statutory Changes

The Amusement Budget Reconciliation Bill makes the following statutory changes:

- As session law, continues to set the Regulatory Wagering Assessment at 0.5% in FY 2027 only.
- As session law, the Department of Gaming may continue to allow a first-time starter horse to race in 2026 and 2027 as long as the horse has gate approval and at least 2 timed workouts. One of the timed workouts shall be an out-of-the-gate workout that is conducted within 60 days of the race. (For reference, "gate approval" means a demonstration to confirm a racehorse has been trained on how to safely enter and exit the starting gate prior to racing at a commercial racetrack.)
- As permanent law, combines the Fantasy Sports Contest Fund into the Event Wagering Fund and moves the Unarmed Combat subaccount into the Event Wagering Fund. Allows the department to transfer monies from the Event Wagering Fund into the Unarmed Combat subaccount. Also allows the department to spend up to $500,000 from the Event Wagering Fund on problem gambling and gives the department associated grantmaking authority.

Auditor General Report

In September 2025, the Auditor General published a performance audit and sunset review of the Department of Gaming.

In terms of budget implications, the report found that:

- The Department does not ensure that all event wagering and fantasy sports contest operators submit required independent audits related to operator revenue and associated privilege fee payments.
- The Department does not consistently obtain and review all available third-party audit reports to ensure the accuracy of privilege fee payments from event wagering and fantasy sports contest operators.

The report noted that operator noncompliance with reporting, combined with the department's inconsistent review of available audits, increases the risk of lost state revenues and/or erroneous overpayment of fees.

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for the Department of Gaming by (25.0) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 Baseline will incorporate the changes as allocated by the agency.

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 June 2026, there are 16 tribes operating a total of 26 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).*

Tribal Gaming Revenues

In FY 2025, state tribal gaming contributions were $163,568,927. The budget assumes that state tribal gaming contributions will increase to a level of $169,167,300 in FY 2026 and $185,000,000 in FY 2027. *(See Table 1 for more info.)*

Event Wagering/Fantasy Sports Revenue Forecast

The budget revenue forecast includes a projection of state General Fund gaming revenues (from both event wagering and fantasy sports) through FY 2029. For event wagering, the estimates are based on privilege fees that are assessed on operator "net win". For fantasy sports contests, the estimates are based on privilege fees and license fees paid by fantasy sports operators. The projections are as follows:

- FY 2025 (actual) – $39.7 million
- FY 2026 – $52.6 million
- FY 2027 – $71.2 million
- FY 2028 – $92.0 million
- FY 2029 – $96.6 million

The budget forecast assumes that state gaming revenue will increase 32.3% in FY 2026, 35.5% in FY 2027, 29.1% in FY 2028, and 5.0% in FY 2029. Event wagering revenue is the primary driver of these collections, making up between 97% to 98% of the category's total revenue.

The higher forecasted growth in FY 2026 reflects continued growth in total betting activity, with total wagers expected to increase nearly 20.0%. However, gaming revenue is expected to increase by 32.3% in FY 2026 due to technical timing issues with the deposit of FY 2025 fantasy sports contest monies occurring in FY 2026.

The significant forecasted growth in FY 2027 and FY 2028 is due to the elimination of the event wagering "free bets" deduction in January 2027. Under current law, event wagering operators can deduct promotional credits, or "free bets", from their taxable earnings. In FY 2025, operators deducted $281.5 million from their taxable revenue, and the budget forecast assumes this deduction will grow in FY 2026 and partially through FY 2027.

Beginning January 1, 2027, which is halfway through FY 2027, operators will no longer be allowed to deduct "free bets". This will substantially increase the taxable net earnings of operators, to which the event wagering privilege fee will be applied. The budget forecast assumes total wagering activity will increase by 7.5% in FY 2027 and 5.0% in FY 2028, but gaming revenue will increase by 35.5% and 29.1%, respectively, due to the elimination of the free bet deduction. The higher revenue growth occurs over 2 years as the free bet deduction is eliminated halfway through FY 2027 and the full year impact of the policy change is annualized in FY 2028.

With 5.0% forecasted growth in the FY 2029 handle, and no other underlying factors, the budget forecast has state gaming revenue also growing by 5.0% in FY 2029.

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 [1/]

Recipient	Proposition 202 Formula	FY 2025 Actuals [1/]	FY 2026 Projected [1/]	FY 2027 Projected
State Government Distribution	88% of total	$ 163,568,900	$169,167,300 [2/]	$185,000,000 [2/]
Local Government Distribution [3/]	12% of total	21,822,700	23,068,300	25,227,300
Total	**100% of total**	**$185,391,600**	**$192,235,600**	**$210,227,300**
Allocation of State Government's Share				
Department of Gaming				
Department of Gaming Regulation	$8 million, or 9%, whichever is greater	$ 13,590,000 [4/]	$ 13,590,000 [4/]	$ 13,590,000 [4/]
Department of Gaming Problem Gambling	2%	3,020,000 [5/]	3,020,000 [5/]	3,700,000 [5/]
Subtotal-Department of Gaming		**$16,610,000**	**$16,610,000**	**$17,290,000**
Other Distributions				
Instructional Improvement Fund (Department of Education)	56% of remainder	82,905,300	85,432,100	93,917,600
Trauma and Emergency Services Fund (AHCCCS)	28% of remainder	40,761,400	42,716,000	46,958,800
Arizona Wildlife Conservation Fund	8% of remainder	11,646,100	12,204,600	13,416,800
Tourism Fund	8% of remainder	11,646,100	12,204,600	13,416,800
Subtotal-Other Distributions		**$146,958,900**	**$152,557,300**	**$167,710,000**
Total		**$163,568,900**	**$169,167,300**	**$185,000,000**

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 the enacted budget forecast, the budget projects a 3.4% increase in FY 2026 and a 9.4% increase in FY 2027 for tribal contributions to the Arizona Benefits Fund.

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 makes available 9% of state gaming revenues or $8,000,000, whichever is greater, to be appropriated for the department's operating budget. Given the department's spending patterns, the FY 2025 and FY 2026 appropriations were $13,590,000 (an amount not calculated based on the 9% limit) and the FY 2027 budget continues that amount.

5/ A.R.S. § 5-601.02H3 makes available 2% of state gaming revenues to be appropriated for problem gambling prevention. Given the department's spending patterns, the FY 2025 and FY 2026 appropriations were $3,020,000 (an amount not calculated based on the 2% limit) while the FY 2027 budget appropriates the full 2% amount of $3,700,000.

Office of the Governor

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	7,184,500	8,894,700	8,195,700 1/2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(203,600)
Foster Youth Education Success Fund Deposit	1,500,000	1,500,000	1,500,000
Missing and Murdered Indigenous People Task Force	460,000	0	0
AGENCY TOTAL	**9,144,500**	**10,394,700**	**9,492,100** 3/
FUND SOURCES			
General Fund	9,144,500	10,394,700	9,492,100
SUBTOTAL - Appropriated Funds	**9,144,500**	**10,394,700**	**9,492,100**
Other Non-Appropriated Funds	18,805,200	21,459,700	21,073,500
Federal Funds	508,967,600	780,865,600	439,785,900
TOTAL - ALL SOURCES	536,917,300	812,720,000	470,351,500

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 Office 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 Appropriations Act footnote)

2/ Included in the lump sum appropriation of $8,195,700 for fiscal year 2026-2027 is $10,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote, as adjusted for statewide allocations)

3/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $8,195,700 from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(750,000) from the General Fund in FY 2027 to remove one-time operating funding.

Statewide Adjustments

The budget includes an increase of $51,000 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(203,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Foster Youth Education Success Fund Deposit

The budget includes $1,500,000 from the General Fund in FY 2027 for the Foster Youth Education Success Fund Deposit. This amount is unchanged from FY 2026.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona's foster care system.

Governor's Office of Strategic Planning and Budgeting

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	22.0	22.0	22.0
Personal Services	1,713,800	1,747,500	1,747,500
Employee Related Expenditures	612,500	500,100	577,700
Professional and Outside Services	121,900	121,200	121,200
Travel - In State	700	800	800
Travel - Out of State	10,400	6,900	6,900
Other Operating Expenditures	199,800	473,800	473,800
Equipment	21,900	4,200	4,200
OPERATING SUBTOTAL	**2,681,000**	**2,854,500**	**2,932,100**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(71,400)
AGENCY TOTAL	**2,681,000**	**2,854,500**	**2,860,700** 1/2/
FUND SOURCES			
General Fund	2,681,000	2,854,500	2,860,700
SUBTOTAL - Appropriated Funds	**2,681,000**	**2,854,500**	**2,860,700**
TOTAL - ALL SOURCES	2,681,000	2,854,500	2,860,700

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 Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $2,860,700 and 22 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $77,600 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(71,400) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	1,168.0	1,171.0	1,129.5
Personal Services	30,205,700	31,592,000	31,592,000
Employee Related Expenditures	12,258,300	14,346,200	15,532,600
Professional and Outside Services	1,751,800	1,916,200	1,916,200
Travel - In State	665,800	851,400	851,400
Travel - Out of State	58,600	65,400	65,400
Other Operating Expenditures	16,458,000	17,406,600	17,526,500
Equipment	534,000	210,700	210,700
OPERATING SUBTOTAL	**61,932,200**	**66,388,500**	**67,694,800** 1/
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	73,622,600	81,763,100	84,249,300 2/
Arizona State Hospital-Restoration to Competency	601,700	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	11,487,800	12,980,200	13,268,100
Public Health			
Adult Cystic Fibrosis Care	105,200	105,200	105,200
AIDS Reporting and Surveillance	948,200	1,000,000	1,000,000 3/
Alzheimer's Disease Research	4,125,000	4,125,000	4,125,000 4/
Biomedical Research Support	1,997,500	2,000,000	2,000,000
Breast and Cervical Cancer and Bone Density Screening	1,369,400	1,369,400	1,369,400
Cooling Centers for Heat Relief	0	0	400,000 5/
Counseling Services for Parents of Deceased Children	100,000	0	0
County Tuberculosis Provider Care and Control	590,700	590,700	590,700
Dementia Awareness Campaign	0	750,000	0
Dementia Services Program and Alzheimer's Disease State Plan	0	0	700,000
Enhanced Residential Treatment	0	0	250,000
Funeral Services Regulation	446,200	460,600	478,000
Health Care Directives Registry	0	2,000,000	0
Heat Mitigation in Southern Arizona	500,000	0	0
Ibogaine Clinical Research Grants	0	5,000,000	0
Nonrenal Disease Management	198,000	198,000	198,000 6/
Nursing Care Special Projects	3,000	200,000	200,000
Poison Control Centers Funding	990,000	990,000	990,000
Preventative Health Services for Low-Income, Underserved Women	63,100	0	0
Psilocybin Research	500,000	0	0
Radiation Protection System Grants	0	0	1,500,000 7/
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	183,000	183,000	183,000
Senior Health Promotion in Santa Cruz County	185,600	0	0
Southern Arizona Counseling and Community Service Grants	46,000	0	0
Trauma Recovery Center Fund Deposit	0	0	0
Family Health			
Advisory Committee on Maternal Mental Health Technical Assistance	0	100,000	0
Folic Acid Program	368,700	400,000	400,000
High Risk Perinatal Services	2,343,400	2,343,400	2,343,400
Newborn Screening Program	10,082,500	15,212,100	16,069,400
Nurse-Family Partnership Programs	0	0	0

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Medical Provider Support			
Behavioral Health Care Provider Loan Repayment Program	1,000,000	1,000,000	1,000,000
Clinical Healthcare Training Program	0	100,000	0
International Medical School Collaboration	0	125,000	0
Arizona Nurse Education Investment Pilot Program	0	1,500,000	0
Preceptor Grant Program for Graduate Students	404,100	0	0
AGENCY TOTAL	**174,418,900**	**202,084,200**	**200,314,300** 8/9/
FUND SOURCES			
General Fund	115,736,100	127,571,300	125,659,600
Other Appropriated Funds			
Arizona State Hospital Fund	1,386,500	3,395,700	3,395,700
ASH Land Earnings Fund	2,859,000	1,596,600	1,596,600
Child Fatality Review Fund	169,800	196,500	196,500
Disease Control Research Fund	948,200	1,000,000	1,000,000
Emergency Medical Services Operating Fund	3,240,200	4,278,400	4,321,800
Environmental Laboratory Licensure Revolving Fund	720,300	1,013,100	1,032,400
Federal Child Care and Development Fund Block Grant	1,011,300	1,286,500	1,051,200
Health Services Licensing Fund	18,636,100	23,391,400	24,381,400
Health Services Lottery Monies Fund	0	2,000,000	2,600,000
Indirect Cost Fund	13,033,400	13,822,200	13,832,900
Newborn Screening Program Fund	10,398,100	15,631,200	16,491,600
Nursing Care Institution Resident Protection Revolving Fund	3,000	238,200	238,200
Tobacco Tax and Health Care Fund - Health Research Account	2,498,100	2,000,000	0
Tobacco Tax and Health Care Fund - Medically Needy Account	593,700	700,000	700,000
Vital Records Electronic Systems Fund	3,185,100	3,963,100	3,816,400
SUBTOTAL - Other Appropriated Funds	58,682,800	74,512,900	74,654,700
SUBTOTAL - Appropriated Funds	**174,418,900**	**202,084,200**	**200,314,300**
Other Non-Appropriated Funds	67,638,400	96,762,900	96,762,900
Federal Funds	480,075,300	415,001,700	415,001,700
TOTAL - ALL SOURCES	722,132,600	713,848,800	712,078,900

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/ 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, 2027, 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 2026-2027. (General Appropriations Act footnote)

2/ 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 Appropriations Act footnote)

3/ 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 Appropriations Act footnote)

4/ 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, 2028. (General Appropriations Act footnote)

5/ The amount appropriated in the cooling centers for heat relief line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until October 31, 2027. (General Appropriations 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 Appropriations Act footnote)

7/ The amount appropriated to the radiation protection system grants line item shall be used by the department to establish and administer a grant program to assist rural hospitals with the cost of installing radiation protection systems in cardiac catheterization procedure rooms in which real-time x-ray imaging procedure occur. (General Appropriations 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 must 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 Appropriations Act footnote)

9/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $67,694,800 and 409.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$19,329,800
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	4,321,800
Environmental Laboratory Licensure Revolving Fund	1,032,400
Federal Child Care and Development Fund (CCDF) Block Grant	1,051,200
Health Services Licensing Fund	23,653,400
DHS Indirect Cost Fund	13,832,900
Newborn Screening Program Fund	422,200
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,816,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $1,306,300 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	889,200
Emergency Medical Services (EMS) Operating Fund	43,400
Environmental Laboratory Licensure Revolving Fund	19,300
Federal Child Care and Development Fund (CCDF) Block Grant	(235,300)
Health Services Licensing Fund	722,600
DHS Indirect Cost Fund	10,700

Newborn Screening Program Fund	3,100
Vital Records Electronic Systems Fund	(146,700)

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes $84,249,300 and 616.5 FTE Positions in FY 2027 for the ASH operating budget. These amounts consist of:

General Fund	80,407,000
ASH Fund	2,245,700
ASH Land Earnings Fund	1,596,600

Adjustments are as follows:

One-Time Facility Improvement Funding
The budget includes an increase of $946,600 from the ASH Land Earnings Fund in FY 2027 for one-time technology-related facility improvement projects at ASH.

One-Time Operating Support
The budget includes a one-time increase of $2,115,300 from the General Fund in FY 2027 for ASH operating costs.

Remove One-Time Facility Improvement Funding
The budget includes a decrease of $(946,600) from the ASH Land Earnings Fund in FY 2027 to remove one-time funding for technology-related facility improvement projects at ASH, including replacement of patch cabling, the public-address system, key card system, and fire control system.

Remove One-Time Operating Support
The budget includes a decrease of $(1,807,900) from the General Fund in FY 2027 to remove one-time funding for ASH operating costs.

Statewide Adjustments
The budget includes an increase of $2,178,800 from the General Fund in FY 2027 for statewide adjustments.

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 2025, ASH had an average daily census of 113 patients in its civil commitment unit, 126 patients in its forensic unit, and 88 Sexually Violent Persons (SVPs), for a total of 327 patients.

ASH - Restoration to Competency

The budget includes $900,000 from the ASH Fund in FY 2027 for ASH - Restoration to Competency. This amount is unchanged from FY 2026.

Background – This line item funds direct costs associated with the Restoration to Competency (RTC) 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 2025, there was an average daily census of 2 RTC patients treated at ASH. RTC patients are treated in ASH's forensic unit.

The Health Care Budget Reconciliation Bill (BRB) continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The budget includes $13,268,100 and 112.5 FTE Positions from the General Fund in FY 2027 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	13,018,100
ASH Fund	250,000

Adjustments are as follows:

One-Time Rehabilitation Funding
The budget includes an increase of $1,480,200 from the General Fund in FY 2027 for one-time funding to support the operating costs of ASH's SVP program.

Remove One-Time Rehabilitation Funding
The budget includes a decrease of $(1,520,300) from the General Fund in FY 2027 to remove one-time funding to support the operating costs of ASH's SVP program.

Statewide Adjustments
The budget includes an increase of $328,000 from the General Fund in FY 2027 for statewide adjustments.

Background – This line item funds direct costs associated with the SVP 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 2025, ASH had an average daily census of 88 SVPs.

Public Health

Adult Cystic Fibrosis Care

The budget includes $105,200 from the General Fund in FY 2027 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2026.

In FY 2025, this line item provided contracted care and treatment services through Phoenix Children's Hospital for 57 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes $1,000,000 from the Disease Control Research Fund in FY 2027 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2026.

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 4,540 clients in FY 2025.

Alzheimer's Disease Research

The budget includes $4,125,000 from the General Fund in FY 2027 for Alzheimer's Disease Research. This amount is unchanged from FY 2026.

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 budget includes $2,000,000 from the General Fund in FY 2027 for Biomedical Research Support. Adjustments are as follows:

Remove Funding Shift

The budget includes an increase of $2,000,000 from the General Fund and a corresponding decrease of $(2,000,000) from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2027 to remove a one-time funding shift. The 3-year spending plan associated with the FY 2025 budget included this shift in both FY 2025 and FY 2026, with the appropriation shifting back to the General Fund in FY 2027.

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 has historically distributed 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 budget includes $1,369,400 and 1 FTE Position from the General Fund in FY 2027 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2026.

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.

Counseling Services for Parents of Deceased Children

The budget includes no funding in FY 2027 for Counseling Services for Parents of Deceased Children. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated $500,000 from the General Fund for one-time funding of counseling services for parents whose children have died as a result of violence. An FY 2026 budget footnote made this appropriation non-lapsing through June 30, 2026.

Cooling Centers for Heat Relief

The budget includes $400,000 from the Health Services Lottery Monies Fund in FY 2027 for Cooling Centers for Heat Relief. Adjustments are as follows:

One-Time Funding

The budget includes an increase of $400,000 from the Health Services Lottery Monies Fund in FY 2027 to support existing cooling centers.

An FY 2027 budget footnote makes the appropriation non-lapsing through October 31, 2027.

County Tuberculosis Provider Care and Control

The budget includes $590,700 from the General Fund in FY 2027 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2026.

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 budget includes no funding in FY 2027 for a Dementia Awareness Campaign. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(750,000) from the General Fund in FY 2027 to remove one-time funding for a dementia awareness campaign for rural and underserved urban areas in Arizona.

An FY 2026 budget footnote 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 November 1, 2026.

An FY 2026 budget footnote made these monies non-lapsing through June 30, 2027.

Dementia Services Program and Alzheimer's Disease State Plan

The budget includes $700,000 from the Health Services Lottery Monies Fund in FY 2027 for a Dementia Services Program and Alzheimer's Disease State Plan. Adjustments are as follows:

One-Time Funding

The budget includes an increase of $700,000 from the Health Services Lottery Monies Fund in FY 2027 for DHS to continue a dementia services program and Alzheimer's disease state plan, as required by the FY 2027 Health Care BRB.

Remove FTE Positions

The budget includes a decrease of (2) FTE Positions from the General Fund in FY 2027 to remove one-time FTE Positions funded in the FY 2024 budget. The associated funding was non-lapsing through FY 2026.

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 June 30, 2027, 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 budget included $964,100 for this program with an intent statement that the monies be spent over a 3-year period through FY 2026.

Enhanced Residential Treatment

The budget includes $250,000 from the Health Services Licensing Fund in FY 2027 for Enhanced Residential Treatment. Adjustments are as follows:

One-Time Licensing Costs

The budget includes a one-time increase of $250,000 from the Health Services Licensing Fund in FY 2027 for licensing costs associated with enhanced residential treatment facilities.

Laws 2026, Chapter 237 requires the Arizona Health Care Cost Containment System (AHCCCS) to establish and administer a 3-year Seriously Mentally Ill (SMI) Enhanced Residential Treatment pilot program. The Medicaid-funded pilot program, subject to federal approval, will cover standard AHCCCS physical/behavioral health services, as well as stays in enhanced residential treatment facilities, which provide continuous supervision and structured day-to-day supports. Eligibility is limited to individuals that: have an SMI designation; require an enhanced level of care; and have incomes up to 224% of the FPL, or $35,784 per year. The legislation establishes an enrollment cap of up to 60 qualifying SMI adults to be placed at one of these facilities. Additionally, AHCCCS may

choose to increase the number of enrollees in the program, subject to available funding and review by the JLBC. DHS is responsible for licensing and implementing standards for these facilities. *(Please see the AHCCCS narrative for additional details.)*

Funeral Services Regulation

The budget includes $478,000 and 4 FTE Positions from the Health Services Licensing Fund in FY 2027 for Funeral Services Regulation. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $17,400 from the Health Services Licensing Fund in FY 2027 for statewide adjustments.

Background – In 2023, the State Board of Funeral Directors and Embalmers was terminated, and its powers and duties were transferred to DHS beginning March 31, 2023. The funding in this line item is used to license, register, and regulate embalmers, prearranged funeral salespersons, crematories, and funeral homes.

Health Care Directives Registry

The budget includes no funding in FY 2027 for the Health Care Directives Registry. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(2,000,000) from the Health Services Lottery Monies Fund in FY 2027 to remove one-time funding to support operations of the state's healthcare directives registry.

Statute requires DHS to designate a health information exchange organization to operate a health care directives registry, subject to the availability of monies. Health care directives are documents drafted to address an individual's future health care decisions, such as living wills and healthcare power of attorney forms.

An FY 2026 budget footnote required DHS to submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives on or before December 31, 2025, and June 30, 2026, detailing health care directives registry operations.

Heat Mitigation in Southern Arizona

The budget includes no funding in FY 2027 for Heat Mitigation in Southern Arizona. This amount is unchanged from FY 2026.

The FY 2025 budget included $500,000 from the General Fund for one-time funding of heat mitigation programs in southern Arizona.

Ibogaine Clinical Research Grants

The budget includes no funding in FY 2027 for Ibogaine Clinical Research Grants. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(5,000,000) from the General Fund in FY 2027 to remove one-time funding for ibogaine clinical research grants.

An FY 2026 budget footnote instructed DHS to award a grant for a clinical research study on the use of ibogaine, a plant-based psychoactive compound, for the treatment of neurological diseases. The recipient entity must have a history of research and treatment of neurological diseases, have a neurosurgery program with the requisite facilities and staffing, and be able to facilitate research and innovation in diagnosis and treatment of neurological conditions.

An FY 2026 budget footnote made these monies non-lapsing.

Nonrenal Disease Management

The budget includes $198,000 from the General Fund in FY 2027 for Nonrenal Disease Management. This amount is unchanged from FY 2026.

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 budget includes $200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2027 for special projects related to long-term care facilities. This amount is unchanged from FY 2026.

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 budget includes $990,000 from the General Fund in FY 2027 for Poison Control Centers. This amount is unchanged from FY 2026.

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 2025. 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 each the University of Arizona (UA) Poison Control Information Center and a poison and drug information center in Maricopa County. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy did not report a transfer to the UA Poison Control Center in FY 2025.

Preventative Health Services for Low-Income, Underserved Women

The budget includes no funding in FY 2027 for Preventative Health Services for Low-Income, Underserved Women. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated $500,000 from the General Fund for one-time funding of preventative health care services for low-income and underserved women and their families.

An FY 2026 budget footnote made the FY 2025 appropriation non-lapsing through June 30, 2026.

Radiation Protection System Grants

The budget includes $1,500,000 from the Health Services Lottery Monies Fund in FY 2027 for Radiation Protection System Grants. Adjustments are as follows:

One-Time Funding

The budget includes an increase of $1,500,000 from the Health Services Lottery Monies Fund in FY 2027 to support radiation protection system installation grants.

An FY 2027 budget footnote specifies that DHS shall use the funding to administer grants to rural hospitals for the cost of installing radiation protection systems, as defined by Laws 2026, Chapter 142, in cardiac catheterization procedure rooms in which real-time x-ray imaging procedures occur.

Renal Dental Care and Nutrition Supplements

The budget includes $300,000 from the TTHCF - Medically Needy Account in FY 2027 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2026.

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 budget includes $183,000 from the General Fund in FY 2027 for Renal Transplant Drugs. This amount is unchanged from FY 2026.

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 2025, 97 people received anti-rejection medication assistance.

Senior Health Promotion in Santa Cruz County

The budget includes no funding in FY 2027 for Senior Health Promotion in Santa Cruz County. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated $1,000,000 from the General Fund for one-time funding for senior health promotion and coordination in Santa Cruz County.

An FY 2026 budget footnote made the FY 2025 appropriation non-lapsing through June 30, 2026.

Southern Arizona Counseling and Community Service Grants

The budget includes no funding in FY 2027 for Southern Arizona Counseling and Community Service Grants. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated $1,000,000 from the General Fund for one-time funding of counseling and community services in southern Arizona.

An FY 2026 budget footnote made the FY 2025 appropriation non-lapsing through June 30, 2026.

Trauma Recovery Center Fund Deposit

The budget includes no funding and 0 FTE Positions in FY 2027 for a Trauma Recovery Center Fund Deposit. Adjustments are as follows:

Remove FTE Positions
The budget includes a decrease of (1.5) FTE Positions from the General Fund in FY 2027 to remove one-time FTE Positions funded in the FY 2024 budget. The associated funding was non-lapsing through FY 2026.

The FY 2024 budget appropriated $7,000,000 from the General Fund on a one-time basis for deposit into the Trauma Recovery Center Fund. An FY 2024 budget footnote instructed 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

Advisory Committee on Maternal Mental Health Technical Assistance

The budget includes no funding in FY 2027 for Advisory Committee on Maternal Mental Health Technical Assistance. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(100,000) from the General Fund in FY 2027 to remove one-time technical assistance funding for an advisory committee on maternal mental health, established by Laws 2025, Chapter 201.

The committee is required to develop recommendations to enhance maternal health in rural hospitals and communities; develop recommendations to enhance access to evidence-based postpartum depression screening and referrals; and submit a report of its findings on or before December 31, 2026, to the Governor, President of the Senate, and Speaker of the House.

The committee is repealed after June 30, 2027.

Folic Acid Program

The budget includes $400,000 from the TTHCF - Medically Needy Account in FY 2027 for the Folic Acid Program. This amount is unchanged from FY 2026.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2025, 32,745 women received folic acid education and multivitamins.

High-Risk Perinatal Services

The budget includes $2,343,400 from the General Fund in FY 2027 for High-Risk Perinatal Services. This amount is unchanged from FY 2026.

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 budget includes $16,069,400 and 26.1 FTE Positions from the Newborn Screening Program Fund in FY 2027 for the Newborn Screening Program. Adjustments are as follows:

Duchenne Muscular Dystrophy Screening
The budget includes an increase of $754,900 and 2 FTE Positions from the Newborn Screening Program Fund in FY 2027 to add Duchenne Muscular Dystrophy to the newborn screening panel.

Statewide Adjustments
The budget includes an increase of $102,400 from the Newborn Screening Fund in FY 2027 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 65 disorders. In FY 2025, the program provided screening for 78,498 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.

The FY 2026 budget added MPS II, GAMT, and Krabbe Disease to the newborn screening panel. In addition to testing for all congenital disorders included on the federal Recommended Uniform Screening Panel, an FY 2026 Health Care BRB provision required DHS to add Duchenne Muscular Dystrophy to the newborn screening panel.

Nurse-Family Partnership Programs

The budget includes no funding in FY 2027 for Nurse-Family Partnership Programs. This amount is unchanged from FY 2026.

The FY 2024 budget appropriated $2,500,000 from the General Fund on a one-time basis to fund nurse-family partnership programs. An FY 2025 budget footnote made the FY 2024 appropriation for this line item non-lapsing through FY 2027.

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

Behavioral Health Care Provider Loan Repayment Program

The budget includes $1,000,000 from the General Fund in FY 2027 for the Behavioral Health Care Provider Loan Repayment Program. This amount is unchanged from FY 2026.

A.R.S. § 36-2175 established 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.

Clinical Health Training Program

The budget includes no funding in FY 2027 for a Clinical Health Training Program. Adjustments are as follows:

Remove One-Time Program Funding
The budget includes a decrease of $(100,000) from the General Fund in FY 2027 to remove a one-time grant to a public or private university to operate a clinical health training program.

An FY 2026 budget footnote required that the program provide health care services to the working poor and hand-on learning experiences for Arizona students. The program is also required to incorporate, at a minimum, medical students, physician assistant students, nursing students, physical therapy students, and pharmacy students.

International Medical School Collaboration

The budget includes no funding in FY 2027 for International Medical School Collaboration. Adjustments are as follows:

Remove One-Time Program Funding
The budget includes a decrease of $(125,000) from the General Fund in FY 2027 to remove a one-time grant for a public or private medical school in Arizona to establish a collaboration with an international medical school.

An FY 2026 budget footnote required that the collaboration with the international medical school provide international hands-on learning opportunities for Arizona students.

Arizona Nurse Education Investment Pilot Program

The budget includes no funding in FY 2027 for the Arizona Nurse Education Investment Pilot Program. Adjustments are as follows:

Remove One-Time Program Funding
The budget includes a decrease of $(1,500,000) from the General Fund in FY 2027 to remove one-time funding to expand the capacity of nursing education programs at community colleges in Arizona.

The 3-year spending plan associated with the enacted FY 2023 budget included $15,000,000 from the General Fund for the pilot program in FY 2023, FY 2024, and FY 2025. The FY 2025 budget eliminated the final year of funding. The FY 2026 budget subsequently added back $1,500,000.

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, with DHS allocating these monies to the Arizona Board of Regents (ABOR) and community college districts based on the number of nursing students graduating in FY 2022. 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 FY 2026 Health Care Budget BRB extended the repeal date of the program from January 1, 2027, to June 30, 2027, to reflect an additional year of funding in FY 2026.

The BRB also removed ABOR as a recipient of Nurse Education Investment Program funding and directed the FY 2026 appropriation to community colleges.

Any monies remaining in the fund at the end of FY 2027 will revert to the General Fund.

Preceptor Grant Program for Graduate Students

The budget includes no funding in FY 2027 for a Preceptor Grant Program for Graduate Students. This amount is unchanged from FY 2026.

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 FY 2025 budget included 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

This section includes information on the following topics:

- Reduce Vacant FTE Positions
- Statutory Changes
- Long-Term Budget Impacts

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for DHS by (40) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate the reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Statutory Changes

The Health Care BRB makes the following statutory changes:

- As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As session law, continues the Dementia Services Program within DHS in FY 2027 and continues to require the Department to develop an Alzheimer's Disease State Plan. Requires DHS to review and submit an updated state plan to the Legislature on or before June 30, 2027.

Long-Term Budget Impacts

As part of the FY 2027 budget's 3-year spending plan, DHS's General Fund costs are projected to decrease by $(4,295,500) in FY 2028 below FY 2027. The FY 2028 estimate is based on:

- $(2,115,300) to remove one-time ASH operating funding.
- $(1,480,200) to remove one-time ASH SVP program support.
- $(700,000) to remove one-time funding for dementia services.

Arizona Historical Society

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	50.9	54.9	54.9
Personal Services	1,395,000	1,296,700	1,296,700
Employee Related Expenditures	547,700	642,400	705,100
Professional and Outside Services	(100)	800	800
Travel - In State	4,100	5,300	5,300
Travel - Out of State	0	1,800	1,800
Other Operating Expenditures	397,100	447,900	475,100
OPERATING SUBTOTAL	**2,343,800**	**2,394,900**	**2,484,800**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(59,900)
Field Services and Grants	64,300	66,900	68,000
Flagstaff Pioneer Museum	0	1,079,100	0
Papago Park Museum	567,900	572,600	584,500
AGENCY TOTAL	**2,976,000**	**4,113,500**	**3,077,400** 1/2/
FUND SOURCES			
General Fund	2,976,000	4,113,500	3,077,400
SUBTOTAL - Appropriated Funds	**2,976,000**	**4,113,500**	**3,077,400**
Other Non-Appropriated Funds	1,116,000	0	0
Federal Funds	2,300	0	0
TOTAL - ALL SOURCES	4,094,300	4,113,500	3,077,400

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 Flagstaff, Tucson, and Tempe (Papago Park).

FOOTNOTES

1/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

2/ If the Arizona historical society donations fund unrestricted balance is less than $300,000 in fiscal year 2026-2027, the Arizona historical society may use not more than $549,600 from the state parks revenue fund established in section 41-511.21, Arizona Revised Statutes, for operating expenditures. The Arizona historical society shall notify the joint legislative budget committee if the balance of the Arizona historical society donations fund is less than $300,000 in fiscal year 2026-2027 and shall submit a report to the joint legislative budget committee on the intended uses of any monies from the state parks revenue fund before spending any monies for operating expenditures. (General Appropriations Act footnote)

Operating Budget

The budget includes $2,484,800 and 40.4 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $89,900 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(59,900) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Field Services and Grants

The budget includes $68,000 and 0.5 FTE Positions from the General Fund in FY 2027 for Field Services and Grants. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $1,100 from the General Fund in FY 2027 for statewide adjustments.

Flagstaff Pioneer Museum

The budget includes no funding in FY 2027 for the re-opening of the Flagstaff Pioneer Museum. Adjustments are as follows:

One-Time Support for Reopening Museum

The budget includes a decrease of $(1,079,100) from the General Fund in FY 2027 for one-time support for the reopening of the Flagstaff Pioneer Museum.

This line item supports reopening the Flagstaff Pioneer Museum. The museum has not been open on a regular basis since 2020. As of fall 2025, the museum has not reopened. A FY 2026 budget footnote allows the agency to use the $1,079,100 through June 30, 2028. The budget continues the authority for the associated 4 FTE Positions through FY 2028.

Papago Park Museum

The budget includes $584,500 and 10 FTE Positions from the General Fund in FY 2027 for the operation and maintenance of the Papago Park Museum. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $11,900 from the General Fund in FY 2027 for statewide adjustments.

The Papago Park Museum, known as the Arizona Heritage Center at Papago Park, is closed for renovations from May 17, 2026 to June 2027 for work on the building foundation, fire systems, and exhibit galleries. The FY 2027 budget includes a footnote that allows for the use of up to $594,600 from the State Parks Revenue Fund (SPRF) administered by Arizona State Parks and Trails for Arizona Historical Society's operating expenditures in FY 2027 if the AHS Donations Fund - Unrestricted balance is less than $300,000 in FY 2027. If this occurs, the Arizona Historical Society shall notify the JLBC of the balance. Before spending any monies, the Arizona Historical Society shall submit a report to the JLBC on the intended uses of any monies.

Prescott Historical Society of Arizona

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	13.0	13.0	13.0
Personal Services	591,000	619,800	619,800
Employee Related Expenditures	242,500	265,300	306,700
Other Operating Expenditures	150,400	189,200	146,900
OPERATING SUBTOTAL	**983,900**	**1,074,300**	**1,073,400**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(26,900)
Territorial Governor's Mansion Restoration	0	500,000	0
AGENCY TOTAL	**983,900**	**1,574,300**	**1,046,500** 1/
FUND SOURCES			
General Fund	983,900	1,574,300	1,046,500
SUBTOTAL - Appropriated Funds	**983,900**	**1,574,300**	**1,046,500**
Other Non-Appropriated Funds	1,344,000	1,433,200	1,433,200
TOTAL - ALL SOURCES	2,327,900	3,007,500	2,479,700

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Territorial 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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $1,073,400 and 13 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of $(900) from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(26,900) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Territorial Governor's Mansion Restoration

The budget includes no funding in FY 2027 for the Territorial Governor's Mansion Restoration line item. Adjustments are as follows:

Remove One-Time Restoration Funding

The budget includes a decrease of $(500,000) from General Fund in FY 2027 to remove a one-time appropriation for Territorial Governor's Mansion restoration efforts. Per a FY 2026 budget footnote, these monies are non-lapsing.

The Territorial Governor's Mansion is a log cabin built in 1864. The state purchased the building in 1917, and the building has been used as part of the Sharlot Hall Museum since 1928. Restoration entails replacing deteriorating chinking and daubing. These are the materials that constitute the fill between logs.

Arizona Department of Homeland Security

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	20.0	26.0	26.0
OPERATING SUBTOTAL	**0**	**0**	**0**
SPECIAL LINE ITEMS			
Cybersecurity Programs	196,000	0	0
Federal Cybersecurity Grant Matching Monies	0	107,800 1/	0
Multi-factor Authentication	0	550,000	850,000
Statewide Information Security and Privacy Operations and Controls	10,494,200	11,145,200	11,257,700
Cyber Ready Arizona	9,741,300	10,000,000	11,515,900 2/
AGENCY TOTAL	**20,431,500**	**21,803,000**	**23,623,600 3/**
FUND SOURCES			
General Fund	9,937,300	10,107,800	10,015,900
Other Appropriated Funds			
Arizona Highway Patrol Fund	0		1,500,000
Information Technology Fund	10,494,200	11,695,200	12,107,700
SUBTOTAL - Other Appropriated Funds	10,494,200	11,695,200	13,607,700
SUBTOTAL - Appropriated Funds	**20,431,500**	**21,803,000**	**23,623,600**
Federal Funds	32,319,900	33,312,300	33,312,300
TOTAL - ALL SOURCES	52,751,400	55,115,300	56,935,900

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. Additionally, the department is responsible for Statewide Information Security and Privacy Operations and Controls.

FOOTNOTES

1/ The amount appropriated for the federal cybersecurity grant matching monies line item is exempt from section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2028. (FY 2026 General Appropriations Act footnote)

2/ Of the amount appropriated for the cyber ready Arizona line item, the Arizona department of homeland security may spend up to $515,900 for administration and not more than $11,000,000 to purchase cybersecurity tool licenses. With the exception of the $515,900 allowed for administration, monies in the cyber ready Arizona line item may not be used to support permanent FTE positions at any state agency or political subdivision of this state. In addition to any existing recipient class, the department may consider grant applications from water and wastewater facilities. (General Appropriations Act footnote, as adjusted for statewide allocations)

3/ General Appropriations Act funds are appropriated as a Lump Sum with Special Line Items by Agency.

Cybersecurity Programs

The budget includes no funding in FY 2027 for cybersecurity programs. This amount is unchanged from FY 2026.

Federal Cybersecurity Grant Matching Monies

The budget includes no funding in FY 2027 for Federal Cybersecurity Grant Matching Monies. Adjustments are as follows:

Remove One-Time Federal Grant Match
The budget includes a decrease of $(107,800) from the General Fund in FY 2027 to eliminate one-time funding for a Federal Cybersecurity Grant Match.

As part of the Federal Infrastructure Investment and Jobs Act, the U.S. Department of Homeland Security created the State and Local Cybersecurity Grant Program (SLCGP). The goal of SLCGP is to assist state, local, and tribal governments with managing and reducing systemic cybersecurity risks. This line item provides the necessary state matching monies to draw down approximately $5,000,000 in federal SLCGP funding.

To receive monies under the SLCGP, a state must 1) establish a "Cybersecurity Planning Committee" that can organize statewide cybersecurity efforts and 2) develop a cybersecurity plan that addresses the entire jurisdiction and incorporates cybersecurity best practices. Federal grant requirements stipulate that the department must pass through at least 80% of the grant funding to local governments, with at least 25% of the 80% benefiting rural areas with populations of 50,000 or less.

The FY 2026 budget included an appropriation of $107,800 for this line item, which is exempt from lapsing through FY 2028.

Multi-factor Authentication

The budget includes $850,000 from the Information Technology (IT) Fund in FY 2027 for Multi-Factor Authentication technologies. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(550,000) from the IT Fund in FY 2027 to eliminate one-time funding for multi-factor authentication technologies.

Additional Funding
The budget includes an increase of $850,000 from the IT Fund in FY 2027 to provide an additional funding for the implementation multi-factor authentication technologies. Of this amount, $300,000 is for one-time costs associated with the purchase of physical tokens for state agencies unable to use mobile or application-based multifactor authentication.

Arizona State Nonprofit Security Grant Program Fund Deposit

The budget includes no funding in FY 2027 for an Arizona State Nonprofit Security Grant Program Fund Deposit. This amount is unchanged from FY 2026.

The FY 2024 Criminal Justice Budget Reconciliation Bill (BRB) established the non-appropriated 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 FY 2024 budget included a one-time deposit of $5,000,000 from the General Fund into the fund. The FY 2025 Criminal Justice BRB limited grant eligibility to those entities that have not received federal funding for the last 3 cycles and establishes a review panel to ensure eligibility.

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 each of FY 2025 – FY 2028 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.

As of July 7, 2026, the department had distributed $2,366,500, from this allocation. These monies are exempt from lapsing.

Statewide Information Security and Privacy Operations and Controls

The budget includes $11,257,700 and 26 FTE Positions from the IT Fund in FY 2027 for Statewide Information Security and Privacy Operations and Controls. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $112,500 from the IT Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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.

Cyber Ready Arizona

The budget includes $11,515,900 in FY 2027 for Cyber Ready Arizona (formerly "Statewide Cybersecurity Grants"). This amount consists of:

	FY 2027
General Fund	$10,015,900
Arizona Highway Patrol Fund	1,500,000

Adjustments are as follows:

Additional One-Time Funding
The budget includes a one-time increase of $1,500,000 from the Arizona Highway Patrol Fund in FY 2027 to provide additional cybersecurity support to public sector organizations, local governments, and state agencies.

Statewide Adjustments
The budget includes an increase of $15,900 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

This line item was previously "Statewide Cybersecurity Grants" but was re-titled by the FY 2027 budget. 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 $515,900 of the appropriation to administer the grant program, restricts total expenditures on cybersecurity software licenses, and allows the department to additionally consider grant applications from water and wastewater facilities.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	22,100	22,000	22,000
Employee Related Expenditures	12,900	14,700	16,800
Professional and Outside Services	0	2,500	2,500
Other Operating Expenditures	26,300	25,000	25,400
Equipment	200	0	0
AGENCY TOTAL	**61,500**	**64,200**	**66,700** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Homeopathic and Integrated Medicine Examiners' Fund	61,500	64,200	66,700
SUBTOTAL - Other Appropriated Funds	61,500	64,200	66,700
SUBTOTAL - Appropriated Funds	**61,500**	**64,200**	**66,700**
TOTAL - ALL SOURCES	61,500	64,200	66,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $66,700 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $2,500 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Housing

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	3.0	3.0	3.0
Personal Services	234,900	228,400	228,400
Employee Related Expenditures	96,900	85,800	69,200
Professional and Outside Services	17,400	1,600	1,600
Travel - In State	3,900	7,600	7,600
Other Operating Expenditures	31,400	36,200	209,800
Equipment	4,300	1,100	1,100
OPERATING SUBTOTAL	**388,800**	**360,700**	**517,700**
SPECIAL LINE ITEMS			
Housing Trust Fund Deposit	15,000,000	0	0
AGENCY TOTAL	**15,388,800**	**360,700**	**517,700** 1/
FUND SOURCES			
General Fund	15,000,000	0	0
Other Appropriated Funds			
Housing Trust Fund	388,800	360,700	517,700
SUBTOTAL - Other Appropriated Funds	388,800	360,700	517,700
SUBTOTAL - Appropriated Funds	**15,388,800**	**360,700**	**517,700**
Other Non-Appropriated Funds	25,439,300	18,926,900	18,926,900
Federal Funds	161,703,600	140,029,200	140,029,200
TOTAL - ALL SOURCES	202,531,700	159,316,800	159,473,800

AGENCY DESCRIPTION — The department annually administers approximately $159 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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $517,700 and 3 FTE Positions from the Housing Trust Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $157,000 from the Housing Trust Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Housing Trust Fund Deposit

The budget includes no funding in FY 2027 for a Housing Trust Fund deposit. This amount is unchanged from FY 2026.

Background - The Housing Trust Fund develops projects and programs providing housing opportunities for low- and moderate-income households and housing affordability programs.

The fund had an FY 2026 ending balance of $37,109,700 including encumbrances.

Other Issues

Statutory Changes

The FY 2027 Human Services BRB makes the following statutory changes:

- As permanent law, revises the existing order of priority for Housing Trust Fund awards that occur during the first 4 months of each fiscal year to make the first priority state matching of monies for various federally funded housing programs.
- As permanent law, allows tenants to receive payment from the Mobile Home Relocation Fund when moving anywhere within the state and increases the maximum payment amount from $12,500 to $22,500 for single-section mobile homes and from $20,000 to $30,000 for multi-section mobile homes.

Independent Correctional Oversight Office

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	0.0	0.0	0.0
Operating Budget	**0**	**0**	**0**
AGENCY TOTAL	**0**	**0**	**0**
FUND SOURCES			
Other Non-Appropriated Funds	0	0	0
TOTAL - ALL SOURCES	0	0	0

AGENCY DESCRIPTION — The Independent Correctional Oversight Office (ICOO) monitors the conditions of confinement and assesses the Arizona Department of Corrections' (ADC) compliance with any applicable federal and state rules, policies and best practices that relate to inmate health, safety, welfare, and rehabilitation.

The budget includes no funding and no FTE Positions for the Independent Correctional Oversight Office (ICOO) in FY 2027.

Laws 2025, Chapter 258 established ICOO with a director and outlining several ICOO responsibilities related to the Arizona Department of Corrections (ADC), including:

- Monitoring the conditions of confinement at ADC facilities.
- Providing information to inmates and their families about inmate rights.
- Promoting public awareness about inmate rights and responsibilities.
- Creating a secure telephone hotline and online form for ADC employees, contractors, and inmates to make complaints.
- Setting office priorities, participating in ADC related issues at the Legislature, and establishing a statewide reporting system for complaints against ADC.
- Inspecting each correctional facility at least once every 2 years.
- Gathering stakeholder input and setting quarterly stakeholder meetings.
- Submitting an annual report to the Governor and Legislature regarding the office's operations, findings, and key indicators about inmate wellbeing.
- Investigating at its discretion complaints concerning the treatment of inmates.

Chapter 258 also established the non-appropriated Corrections Oversight Fund. The fund does not have its own revenue source, but can receive legislative appropriations, donations, federal monies, and private grants in order to carry out the office's duties.

Independent Redistricting Commission

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Other Operating Expenditures	500	0	0
AGENCY TOTAL	**500**	**0**	**0**
FUND SOURCES			
General Fund	500	0	0
SUBTOTAL - Appropriated Funds	**500**	**0**	**0**
TOTAL - ALL SOURCES	500	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.

Operating Budget

The budget includes no funding in FY 2027 for the operating budget. This amount is unchanged from FY 2026.

The budget includes no new funding for the Independent Redistricting Commission (IRC) in FY 2027 and subsequent years given that the Commission has completed its constitutional duties for the 10-year redistricting cycle that began in CY 2020 and has no outstanding litigation. The Commission approved the current redistricting maps in December 2021.

For the CY 2020 redistricting cycle, the IRC 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.)* These monies paid for the operational costs of the IRC as well as funding the staff, legal counsel, and vendors that provided technical and administrative support for the Commission's redistricting duties.

A FY 2025 General Appropriations Act footnote required monies remaining in the appropriation made in Laws 2021, Chapter 408 as of June 30, 2024 revert to the General Fund. Through June 2026, the Commission has expended $8,386,300 of the $8,400,000 in funding for the CY 2020 redistricting cycle.

The agency does not maintain a permanent staff. New commissioners will begin the next redistricting process in CY 2030.

Table 1
CY 2020 Redistricting Cycle Appropriations

Fiscal Year	Appropriation
FY 2021 (Laws 2020, Ch. 58)	$ 500,000
FY 2022 (Laws 2021, Ch. 408)	7,900,000
Subtotal	**$8,400,000**

Industrial Commission of Arizona

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	236.6	250.6	215.6
Personal Services	9,640,900	11,246,300	11,246,300
Employee Related Expenditures	3,689,000	4,212,200	4,598,000
Professional and Outside Services	1,012,500	1,412,700	1,412,700
Travel - In State	164,000	209,600	209,600
Travel - Out of State	44,700	53,500	53,500
Other Operating Expenditures	5,115,900	5,843,000	5,812,200
Equipment	380,300	239,300	239,300
OPERATING SUBTOTAL	**20,047,300**	**23,216,600**	**23,571,600**
SPECIAL LINE ITEMS			
Municipal Firefighter Reimbursement Administration	78,100	90,100	91,900 1/
AGENCY TOTAL	**20,125,400**	**23,306,700**	**23,663,500** 2/
FUND SOURCES			
General Fund	78,100	90,100	91,900
Other Appropriated Funds			
Administrative Fund	20,047,300	23,216,600	23,571,600
SUBTOTAL - Other Appropriated Funds	20,047,300	23,216,600	23,571,600
SUBTOTAL - Appropriated Funds	**20,125,400**	**23,306,700**	**23,663,500**
Other Non-Appropriated Funds	23,115,400	28,620,200	28,620,200
Federal Funds	5,016,300	4,891,100	3,976,500
TOTAL - ALL SOURCES	48,257,100	56,818,000	56,260,200

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/ 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 to this state. (General Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $23,571,600 and 249.6 FTE Positions from the Administrative Fund in FY 2027 for the operating budget. Adjustments are as follows:

Named Claimants

The budget includes a decrease of $(3,500) from the Administrative Fund in FY 2027 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

Statewide Adjustments

The budget includes an increase of $358,500 from the Administrative Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Municipal Firefighter Reimbursement Administration

The budget includes $91,900 and 1 FTE Position from the General Fund in FY 2027 for the Municipal Firefighter Reimbursement Administration line item. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $1,800 from the General Fund in FY 2027 for statewide adjustments.

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.

Other Issues

- FY 2026 Supplementals
- Fund Transfers
- Reduce Vacant FTE Positions

FY 2026 Supplementals

The FY 2027 budget includes an FY 2026 supplemental appropriation of $3,532.96 from the Administrative Fund for a one-time named claimants appropriation. *(Please see Operating Budget for further details.)*

Fund Transfers

The budget includes the following transfers from this agency's fund to the General Fund:

	FY 2026
Administrative Fund	$6,700,000

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for the Industrial Commission of Arizona by (35) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Department of Insurance and Financial Institutions

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	156.4	147.4	141.4
Personal Services	7,747,600	7,867,400	9,542,300
Employee Related Expenditures	3,005,000	3,012,900	4,398,400
Professional and Outside Services	327,400	340,400	404,500
Travel - In State	17,200	16,000	15,800
Travel - Out of State	51,000	44,700	69,300
Other Operating Expenditures	912,100	1,466,900	1,812,700
Equipment	56,200	29,400	40,000
Transfers	0	0	7,400
OPERATING SUBTOTAL	**12,116,500**	**12,777,700**	**16,290,400** 1/
SPECIAL LINE ITEMS			
Insurance Fraud Unit	1,631,300	0	0 2/
Reimbursable Programs	0	50,000	50,000 3/
Local Grants	1,387,100	1,388,900	1,388,900 4/
Arizona Vehicle Theft Task Force	4,452,600	4,452,600	4,552,600 5/
ATA Operating Budget	534,200	797,100	706,200
AGENCY TOTAL	**20,121,700**	**19,466,300**	**22,988,100** 6/7/8/
FUND SOURCES			
General Fund	7,810,300	6,321,200	1,580,300
Other Appropriated Funds			
Automobile Theft Authority Fund	6,658,900	6,837,300	6,846,400
Financial Services Fund	5,602,200	6,257,500	6,483,100
Financial Surveillance Fund	0	0	8,028,000
Revolving Fund	50,300	50,300	50,300
SUBTOTAL - Other Appropriated Funds	12,311,400	13,145,100	21,407,800
SUBTOTAL - Appropriated Funds	**20,121,700**	**19,466,300**	**22,988,100**
Other Non-Appropriated Funds	41,793,700	45,454,200	44,929,000
Federal Funds	17,900	0	0
TOTAL - ALL SOURCES	61,933,300	64,920,500	67,917,100

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/ The operating lump sum appropriation includes a $1,000,000 increase from the financial surveillance fund for the department's financial institutions division. (General Appropriations Act footnote)

2/ The department levies an assessment on all licensed insurers to operate the Insurance Fraud Unit. In previous years, this assessment was deposited into the General Fund prior to being appropriated to the Fraud Unit. Beginning in FY 2026, revenues from this assessment are instead being deposited into the non-appropriated Fraud Unit Assessment Fund and the Fraud Unit will is no longer receiving appropriations from the General Fund.

3/ 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 Appropriations Act footnote)

4/ 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 Appropriations Act footnote)
5/ 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 and one hundred percent of overtime expenditures for city, town and county sworn officers who participate in the Arizona vehicle theft task force. (General Appropriations Act footnote)
6/ Of the department fees required by statute to be deposited in the financial surveillance fund established by section 20-156, Arizona Revised Statutes, the legislature intends that the department of insurance and financial institutions assess and set the fees at a level to ensure that the available resources in the financial surveillance fund, including any carryforward balance, will equal or exceed the amount appropriated from the financial surveillance fund. (General Appropriations Act footnote)
7/ Of the department fees required by statute to be deposited in the state general fund, the legislature intends that the department assess and set the fees at rates that equal or exceed those expended in fiscal year 2025-2026. (General Appropriations Act footnote)
8/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

The FY 2027 budget revised the budget structure of the department.

- DIFI's current fee authority is expanded from domestic (Arizona) insurers to foreign (non-Arizona) insurers. These fees will be deposited into the Financial Surveillance Fund. These changes are effective in September 2026.
- The collection of these additional fees will allow the elimination of DIFI's $6.3 million General Fund appropriation. In FY 2027, however, DIFI will retain a portion of its General Fund appropriation as a transition to the September 2026 effective date.
- The budget appropriates $8.0 million from the Financial Surveillance Fund in FY 2027. A footnote states that the legislature intends that DIFI set its insurers fees at a level such that revenues at least equal its appropriation.

Operating Budget

The budget includes $16,290,400 and 141.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$1,580,300
Financial Services Fund	6,483,100
Financial Surveillance Fund	8,028,000
Automobile Theft Authority (ATA) Fund	148,700
Department Revolving Fund	50,300

Adjustments are as follows:

Shift Agency to Financial Surveillance Fund

The budget includes an ongoing increase of $6,995,200 from the Financial Surveillance Fund and a decrease of $(6,321,200) from the General Fund in FY 2027 to shift the agency from the General Fund to the newly appropriated Financial Surveillance Fund. This represents a 1-for-1 shift from the General Fund to Financial Surveillance Fund, along with an increase of $674,000 to account for ongoing expenditures from the previously non-appropriated version of the Financial Surveillance Fund.

Ongoing Funding Increase

The budget includes an increase of $2,000,000 from the Financial Surveillance Fund in FY 2027 for operating expenditures. Of this amount, $1,000,000 is allocated to the Financial Institutions Division via a footnote.

One-Time Transitional Support Fund Shift

The budget includes an increase of $1,580,300 from the General Fund and a corresponding decrease of $(1,580,300) from the Financial Surveillance Fund for a one-time, net-zero offset In FY 2027 to provide General Fund support as the department begins its shift to the Financial Surveillance Fund.

Statewide Adjustments

The budget includes an increase of $838,700 in FY 2027 for statewide adjustments. This amount consists of:

Financial Services Fund	225,600
Financial Surveillance Fund	613,100

(Please see the Agency Detail and Allocations section.)

Insurance Fraud Unit

The budget includes no funding in FY 2027 for the Insurance Fraud Unit. This amount is unchanged from FY 2026. (*Please see the FY 2026 Appropriations Report for additional information on this line item.)*

Reimbursable Programs

The budget includes $50,000 from the ATA Fund in FY 2027 for Reimbursable Programs. This amount is unchanged from FY 2026.

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 budget includes $1,388,900 from the ATA Fund in FY 2027 for Local Grants. This amount is unchanged from FY 2026.

This line item provides funding for the 4 categories of local grants that the department 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 budget includes $4,552,600 from the ATA Fund in FY 2027 for the Arizona Vehicle Theft Task Force. Adjustments are as follows:

ATA Fund Line Item Shift
The budget includes an increase of $100,000 from the ATA Fund in FY 2027 to reflect an ATA Fund line item shift from the ATA Operating Budget line item to the Arizona Vehicle Theft Task Force line item.

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 budget includes $706,200 and 6 FTE Positions from the ATA Fund in FY 2027 for the Automobile Theft Authority Operating Budget. Adjustments are as follows:

ATA Fund Line Item Shift
The budget includes a decrease of $(100,000) from the ATA Fund in FY 2027 to reflect an ATA Fund line item shift from the ATA Operating Budget line item to the Arizona Vehicle Theft Task Force line item.

Statewide Adjustments
The budget includes an increase of $9,100 from the Automobile Theft Authority Fund in FY 2027 for statewide adjustments.

Monies in this line item cover the operating expenditures of the Automobile Theft Authority, which works to combat auto theft-related crime.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Fund Transfers
- Reduce Vacant FTE Positions

Statutory Changes

The Commerce Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, expands the department's authority to levy annual assessments from domestic (Arizona) insurers to all foreign insurers (any insurer domiciled outside of Arizona). The foreign insurers are to be assessed at the current statutory fee schedule that now applies to just domestic insurers. Further makes the Financial Surveillance Fund an appropriated fund.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Automobile Theft Authority Fund	$3,800,000
Financial Services Fund	3,300,000

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for the Department of Insurance and Financial Institutions by (6) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Judiciary - Court of Appeals

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
PROGRAM BUDGET			
Division I	16,044,200	16,662,200	17,249,500
Division II	8,345,200	8,646,500	8,927,200
Operating Budget Lump Sum Reduction	0	0	(638,800)
AGENCY TOTAL	**24,389,400**	**25,308,700**	**25,537,900**
OPERATING BUDGET			
Full Time Equivalent Positions	162.8	163.8	163.8 1/
Personal Services	14,557,700	15,621,100	15,911,400
Employee Related Expenditures	7,219,900	7,797,700	8,462,400
Professional and Outside Services	409,900	36,600	36,600
Travel - In State	159,900	211,000	211,000
Travel - Out of State	14,600	15,600	15,600
Other Operating Expenditures	2,027,400	1,616,700	1,539,700
Equipment	0	10,000	0
OPERATING SUBTOTAL	**24,389,400**	**25,308,700**	**26,176,700** 2/ 3/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(638,800)
AGENCY TOTAL	**24,389,400**	**25,308,700**	**25,537,900**
FUND SOURCES			
General Fund	24,389,400	25,308,700	25,537,900
SUBTOTAL - Appropriated Funds	**24,389,400**	**25,308,700**	**25,537,900**
TOTAL - ALL SOURCES	24,389,400	25,308,700	25,537,900

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 163.8 FTE positions for fiscal year 2026-2027, 112.3 FTE positions are for division one and 51.5 FTE positions are for division two. (General Appropriations Act footnote)

2/ Pursuant to section 41-1904, Arizona Revised Statutes, as of January 1, 2027, the annual salary for a judge of the court of appeals is $220,000. (General Appropriations Act footnote)

3/ General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The budget includes $26,176,700 and 163.8 FTE Positions from the General Fund in FY 2027 for the operating budget. These amounts include $17,249,500 and 112.3 FTE Positions for Division I and $8,927,200 and 51.5 FTE Positions for Division II. Adjustments are as follows:

FY 2025 Judicial Salary Increase

The budget includes an increase of $252,200 from the General Fund in FY 2027 for full implementation of a pay increase for Court of Appeals judges.

The FY 2025 General Appropriations Act increased the Court of Appeals judge's salary from $190,000 to $200,000 on January 1, 2025 and to $210,000 on January 1, 2026. The FY 2025 budget's 3-year spending plan

included an additional $252,200 in FY 2027 for full implementation.

FY 2027 Judicial Salary Increase

The budget includes an increase of $243,400 from the General Fund in FY 2027 for a pay increase for Court of Appeals judges. The FY 2027 General Appropriations Act increases Court of Appeals judges salaries from $210,000 to $220,000 on January 1, 2027.

The FY 2027 budget's 3-year spending plan increases this appropriation to $486,800 in FY 2028 for full year implementation.

Remove One-Time Equipment Funding

The budget includes a decrease of $(10,000) from the General Fund in FY 2027 to remove one-time equipment funding.

Statewide Adjustments

The budget includes an increase of $382,400 from the General Fund in FY 2027 for statewide adjustments *(Please see Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(638,800) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Judiciary - Superior Court

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	240.5	241.5	241.5 1/
Personal Services	2,831,500	2,781,900	2,781,900
Employee Related Expenditures	1,003,600	986,100	986,100
Professional and Outside Services	9,500	20,000	20,000
Travel - In State	22,800	23,500	23,500
Travel - Out of State	13,400	6,200	6,200
Other Operating Expenditures	1,411,600	1,490,300	1,492,500
OPERATING SUBTOTAL	**5,292,400**	**5,308,000**	**5,310,200** 2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(123,000)
Judges Compensation			
Judges Compensation	30,198,600	32,468,500	34,104,200 3/ 4/
Administrative Costs			
Centralized Service Payments	4,204,800	4,687,600	4,690,700 5/
Probation Programs			
Adult Standard Probation	21,207,100	22,297,500	29,108,300 6/
Adult Intensive Probation	11,868,600	13,150,200	16,362,300 6/
Community Punishment	1,437,800	2,310,300	2,310,300 6/
Interstate Compact	469,300	513,700	605,100 6/
Drug Court	1,096,400	1,096,400	1,096,400
Juvenile Standard Probation	3,631,800	3,781,800	4,001,500 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	9,088,500	9,088,500	9,215,300 6/ 7/
Juvenile Crime Reduction	1,400,500	3,313,000	3,312,900 6/
Probation Incentive Payments	1,000,000	1,000,000	1,000,000
Other Programs			
Special Water Master	511,100	511,100	511,100
General Adjudication Personnel and Support Fund Deposit	2,000,000	2,000,000	2,000,000
Court-Ordered Removals	315,000	315,000	315,000
AGENCY TOTAL	**121,112,100**	**129,231,800**	**141,210,500** 8/-11/
FUND SOURCES			
General Fund	114,878,800	117,217,300	129,196,100
Other Appropriated Funds			
Criminal Justice Enhancement Fund	2,645,900	5,494,900	5,494,800
Drug Treatment and Education Fund	499,200	504,200	504,200
Judicial Collection Enhancement Fund	3,088,200	6,015,400	6,015,400
SUBTOTAL - Other Appropriated Funds	6,233,300	12,014,500	12,014,400
SUBTOTAL - Appropriated Funds	**121,112,100**	**129,231,800**	**141,210,500**
Other Non-Appropriated Funds	14,502,300	14,496,100	14,496,100
Federal Funds	2,665,300	1,320,500	1,320,500
TOTAL - ALL SOURCES	138,279,700	145,048,400	157,027,100

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 241.5 FTE positions, 183 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 Appropriations Act footnote)

2/ 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 Appropriations Act footnote)

3/ 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 Appropriations Act footnote)

4/ Pursuant to section 41-1904, Arizona Revised Statutes, as of January 1, 2027, the annual salary for a superior court judge is $210,000. (General Appropriations 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 Appropriations 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 Appropriations Act footnote)

7/ Monies appropriated to juvenile treatment services and juvenile diversion consequences line items shall be deposited in the juvenile probation services fund established by section 8-322, Arizona Revised Statutes. (General Appropriations 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 Appropriations Act footnote)

9/ On or before November 1, 2026, 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 2025-2026 actual, fiscal year 2026-2027 estimated and fiscal year 2027-2028 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 Appropriations Act footnote)

10/ On or before November 1, 2026, 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, 2025. 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 Appropriations Act footnote)

11/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $5,310,200 and 55.5 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$4,921,000
Criminal Justice Enhancement Fund (CJEF)	371,800
Drug Treatment and Education Fund	4,000
Judicial Collection Enhancement Fund (JCEF)	13,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $2,200 from the General Fund in FY 2027 for statewide adjustments *(Please see Agency Detail and Allocations section.)*

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.

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(123,000) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Judges Compensation

Judges Compensation

The budget includes $34,104,200 and 183 FTE Positions from the General Fund in FY 2027 for Judges Compensation. Adjustments are as follows:

FY 2025 Judicial Salary Increase

The budget includes an increase of $819,600 from the General Fund in FY 2027 for full implementation of a pay increase for Superior Court judges.

The FY 2025 General Appropriations Act increased the Superior Court judge salary from $180,000 to $190,000 on January 1, 2025 and to $200,000 on January 1, 2026. The FY 2025 budget's 3-year spending plan includes an additional $819,600 in FY 2027 for full implementation.

FY 2027 Judicial Salary Increase

The budget includes an increase of $803,900 from the General Fund in FY 2027 for a pay increase for Supreme Court justices. The FY 2027 General Appropriation Act increases Superior Court judges salaries from $200,000 to $210,000 on January 1, 2027.

The FY 2027 budget's 3-year spending plan increases this appropriation to $1,607,800 in FY 2028 for full year implementation.

Statewide Adjustments

The budget includes an increase of $12,200 from the General Fund in FY 2027 for statewide adjustments.

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 benefit 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 budget includes $4,690,700 in FY 2027 for Centralized Service Payments. This amount consists of:

General Fund	4,240,800
JCEF	449,900

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $3,100 from the General Fund in FY 2027 for statewide adjustments.

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 Appropriations 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 budget includes $29,108,300 in FY 2027 for Adult Standard Probation. This amount consists of:

General Fund	25,334,200
JCEF	3,774,100

Adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes a one-time increase of $6,810,800 from the General Fund in FY 2027 to pay for non-Maricopa County approved salary and benefits increases. This funding is intended to cover the state's share of prior year probation officer salary and benefits increases approved by county boards of supervisors and previously funded with American Rescue Plan Act (ARPA) dollars. In the FY 2027 budget's 3-year plan, this issue would be funded again in FY 2029 as ongoing. The total FY 2027 General Fund funding across all probation line items is $10,460,800 with the same provision concerning FY 2029.

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 budget includes $16,362,300 in FY 2027 for Adult Intensive Probation. This amount consists of:

General Fund	14,827,100
JCEF	1,535,200

Adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes a one-time increase of $3,212,100 from the General Fund in FY 2027 to pay for non-Maricopa County approved salary and benefits increases. *(See Adult Standard probation).*

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 budget includes $2,310,300 in FY 2027 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2026.

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 budget includes $605,100 in FY 2027 for Interstate Compact. This amount consists of:

General Fund	512,300
JCEF	92,800

Adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes a one-time increase of $91,400 from the General Fund in FY 2027 to pay for non-Maricopa

county approved salary and benefits increases. *(See Adult Standard probation).*

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.

Drug Court

The budget includes $1,096,400 from the General Fund in FY 2027 for Drug Court programs. This amount is unchanged from FY 2026.

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 budget includes $4,001,500 in FY 2027 for Juvenile Standard Probation. This amount consists of:

General Fund	3,851,500
JCEF	150,000

Adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes a one-time increase of $219,700 from the General Fund in FY 2027 to pay for non-Maricopa County approved salary and benefits increases. *(See Adult Standard probation).*

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 budget includes $6,087,200 from the General Fund in FY 2027 for Juvenile Intensive Probation. This amount is unchanged from FY 2026.

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 budget includes $20,803,000 from the General Fund in FY 2027 for Juvenile Treatment Services. This amount is unchanged from FY 2026.

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 budget includes $500,000 from the General Fund in FY 2027 for Juvenile Family Counseling. These amounts are unchanged from FY 2026.

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 budget includes $9,215,300 from the General Fund in FY 2027 for Juvenile Diversion Consequences. Adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes a one-time increase of $126,800 from the General Fund in FY 2027 to pay for non-Maricopa County approved salary and benefits increases. *(See Adult Standard probation).*

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 7,135 juveniles diverted from formal court proceedings in FY 2025. Monies in this line item are distributed to all counties.

Juvenile Crime Reduction

The budget includes $3,312,900 from CJEF in FY 2027 for Juvenile Crime Reduction. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of $(100) from CJEF in FY 2027 for statewide adjustments.

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 budget includes $1,000,000 from the General Fund in FY 2027 for probation incentive payments. This amount is unchanged from FY 2026.

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.

Other Programs

Special Water Master

The budget includes $511,100 and 3 FTE Positions from the General Fund in FY 2027 for the Special Water Master line item. These amounts are unchanged from FY 2026.

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 2025, 553 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 2025 Actual	FY 2026 Estimated[1/]	FY 2027 Estimated[1/]
Gila River			
Beginning Balance	$318,800	$397,500	$457,500
Revenues [2/]	453,700	460,000	460,000
Expenditures	375,000	400,000	400,000
Ending Balance	**$397,500**	**$457,500**	**$517,500**
Little Colorado River			
Beginning Balance	$205,600	$219,300	$231,000
Revenues [2/]	79,900	81,700	81,700
Expenditures	66,200	70,000	70,000
Ending Balance	**$219,300**	**$231,000**	**$242,700**

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 budget includes $2,000,000 from the General Fund in FY 2027 for a General Adjudication Personnel and Support Fund Deposit. This amount is unchanged from FY 2026.

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 budget includes $315,000 from the General Fund in FY 2027 for Court-Ordered Removals. This amount is unchanged from FY 2026.

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

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Juvenile Probation Services Fund	$4,000,000

CORP Employer Contribution Increase

For most Corrections Officer Retirement Plan (CORP) employees hired after 7/1/2018 (Tier 3 employees), the retirement plan includes an annual employer contribution that consists of: 1) a fixed 5% deposited into the employee's defined contribution retirement account; 2) actuarial rates associated with disability and post-retirement health coverage; and 3) an actuarial rate associated with paying down the unfunded liabilities of CORP employees hired before 7/1/2018.

The FY 2026 Criminal Justice Budget Reconciliation Bill (BRB) increased the fixed employer contribution rate for Tier 3 employees from 5.0% to 5.5% beginning in FY 2027. The BRB states that the Legislature intends to fully cover the cost of this increase for both state agencies and local governments beginning in FY 2027. The budget funds this retirement rate increase by including retirement funding in statewide adjustments in the department's operating budget.

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 0.06% from June 2024 to June 2025. The JLBC Staff estimates total FY 2026 and 2027 caseloads of 20,348 and 20,775 from all categories, respectively. This would represent an increase of 2.1% in FY 2026 and FY 2027. (*Please see Table 2)*

Table 2

End of Year Non-Maricopa Probation Caseloads 1/

Probation Category	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Estimate	FY 2027 Estimate
Adult Standard 2/	16,474	17,671	17,613	17,982	18,374
Adult Intensive	1,260	1,174	1,124	1,088	1,042
Juvenile Standard	945	913	1,019	1,093	1,168
Juvenile Intensive	169	168	181	185	191
Total Caseload	**18,848**	**19,926**	**19,937**	**20,348**	**20,775**

1/ Numbers represent June probation caseloads. FY 2026 and FY 2027 represent JLBC Staff estimates.
2/ Does not include Interstate Compact participants.

Judiciary - Supreme Court

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	205.0	208.0	208.0
Personal Services	8,459,700	8,911,400	8,984,400
Employee Related Expenditures	3,724,100	4,655,800	5,385,300
Professional and Outside Services	240,200	539,300	539,300
Travel - In State	208,700	169,900	169,900
Travel - Out of State	35,400	40,400	40,400
Other Operating Expenditures	4,384,900	4,994,300	5,035,800
OPERATING SUBTOTAL	**17,053,000**	**19,311,100**	**20,155,100** 1/ 2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(364,000)
Automation	19,126,900	25,114,100	25,692,700 3/ 4/
Child and Family Representation Pilot Program	0	600,000	0
County Reimbursements	187,900	187,900	187,900 5/
Court Appointed Special Advocate and Vulnerable Persons	6,575,700	6,840,800	6,898,200
Courthouse Security	751,700	752,100	755,800
Commission on Judicial Conduct	618,000	802,800	835,700
Digital Evidence Software	280,000	0	0
Domestic Relations	685,900	726,700	763,100
Fair Jury Improvement Fund Deposit	1,620,000	1,620,000	1,620,000
Judicial Nominations and Performance Review	572,600	641,900	669,200
Juvenile Monetary Sanctions Funding Backfill	250,000	250,000	0
Model Court	660,800	660,800	660,800
Probation Electronic Monitoring System Operating Costs	0	0	1,300,000 6/
State Aid	4,209,400	5,962,100	6,021,800
State Foster Care Review Board	3,507,700	3,680,500	3,829,400
AGENCY TOTAL	**56,099,600**	**67,150,800**	**69,025,700** 7/
FUND SOURCES			
General Fund	29,459,000	31,325,600	31,353,400
Other Appropriated Funds			
Confidential Intermediary and Fiduciary Fund	256,000	702,400	721,800
Court Appointed Special Advocate and Vulnerable Persons Fund	6,774,200	7,048,600	8,411,200
Criminal Justice Enhancement Fund	3,961,800	4,779,700	4,869,600
Defensive Driving School Fund	2,616,600	4,498,500	4,552,500
Judicial Collection Enhancement Fund	11,371,100	15,849,400	16,169,700
State Aid to the Courts Fund	1,660,900	2,946,600	2,947,500
SUBTOTAL - Other Appropriated Funds	26,640,600	35,825,200	37,672,300
SUBTOTAL - Appropriated Funds	**56,099,600**	**67,150,800**	**69,025,700**
Other Non-Appropriated Funds	32,641,000	40,487,400	40,487,400
TOTAL - ALL SOURCES	88,740,600	107,638,200	109,513,100

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/ 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 Appropriations Act footnote)

2/ Pursuant to section 41-1904, Arizona Revised Statutes, as of January 1, 2027, the annual salary for the chief justice of the supreme court is $242,000 and the annual salary for the other justices of the supreme court is $235,000. (General Appropriations Act footnote)

3/ On or before September 1, 2026, 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 Appropriations Act footnote)

4/ 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 Appropriations Act footnote)

5/ 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 Appropriations Act footnote)

6/ The amount appropriated for probation electronic monitoring system operating costs in fiscal year 2026-2027 shall be used for the continued operation of a statewide mobile electronic monitoring system for sex offenders on probation supervision and may only be used for contracted statewide mobile electronic monitoring platform services, including:

1. Approved mobile devices and data services.
2. Software licensing and maintenance.
3. Officer training.
4. Contractor compliance intervention services directly related to operation of the program.

The administrative office of the courts may authorize participating criminal justice and supervision agencies to use the statewide mobile electronic monitoring platform and related services, which may include the state department of corrections, county sheriff's offices, probation departments, pretrial services, diversion programs and specialty courts. Beginning in fiscal year 2026-2027, the administrative office of the courts shall submit quarterly expenditure, enrollment, compliance and utilization reports for the system to the governor, the president of the senate and the speaker of the house of representatives. If any monies remain from the appropriation from the probation electronic monitoring system operating costs line item in fiscal year 2026-2027 after satisfying all obligations pursuant to this section, the administrative office of the courts may use the remaining monies to operate the system for other violent offender populations. (General Appropriations Act footnote)

7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $20,155,100 and 109.7 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$15,248,000
Confidential Intermediary and Fiduciary Fund	721,800
Criminal Justice Enhancement Fund (CJEF)	12,200
Defensive Driving School Fund	918,800
Judicial Collection Enhancement Fund (JCEF)	3,254,300

Adjustments are as follows:

FY 2025 Judicial Salary Increase

The budget includes an increase of $63,000 from the General Fund in FY 2027 for full implementation of a pay increase for Supreme Court justices.

The FY 2025 General Appropriations Act increased the Supreme Court Chief Justice salary from $212,000 to $222,000 on January 1, 2025 and to $232,000 on January 1, 2026. Additionally, the FY 2025 General Appropriation Act increased the Supreme Court Associate Justice salary from $205,000 to $215,000 on January 1, 2025 and to $225,000 on January 1, 2026. The FY 2025 budget's 3-year spending plan included an additional $63,000 in FY 2027 for full implementation.

2027 Judicial Salary Increase

The budget includes an increase of $60,900 from the General Fund in FY 2027 for a pay increase for Supreme Court justices. The FY 2027 General Appropriations Act increases the Supreme Court Chief Justice salary from $232,000 to $242,000 on January 1, 2027. Additionally, the FY 2027 General Appropriations Act increases the Supreme Court Associate Justice salary from $225,000 to $235,000 on January 1, 2027.

The FY 2027 budget's 3-year spending plan increases this appropriation to $121,800 in FY 2028 for full year implementation.

Statewide Adjustments

The budget includes an increase of $720,100 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	626,100
Confidential Intermediary and Fiduciary Fund	19,400
Defensive Driving School Fund	16,300
JCEF	58,300

(Please see Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(364,000) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Automation

The budget includes $25,692,700 and 15 FTE Positions in FY 2027 for Automation. These amounts consist of:

General Fund	7,903,300
Court Appointed Special Advocate and Vulnerable Persons Fund (CASAVP)	213,000
CJEF	1,783,100
Defensive Driving School Fund	3,633,700
JCEF	12,159,600

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $578,600 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	246,300
CJEF	31,100
CASAVP	5,200
Defensive Driving School Fund	37,700
JCEF	258,300

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 Appropriations 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.

Child and Family Representation Pilot Program

The budget includes no funding and 1 FTE Position in FY 2027 for the Child and Family Representation Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(600,000) from the General Fund in FY 2027 to remove one-time funding for the 3-year Child and Family Representation Pilot Program.

The FY 2026 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2025, Chapter 237) established a 3-year program in the AOC to improve legal representation by attorneys appointed to represent juveniles, parents and guardians during juvenile court proceedings. The FY 2026 appropriation is non-lapsing.

County Reimbursements

The budget includes $187,900 from the General Fund in FY 2027 for County Reimbursements. This amount is unchanged from FY 2026.

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 Appropriations Act footnote limits the appropriation for the State Grand Jury to $97,900 and for Capital Postconviction Relief to $90,000.

Court Appointed Special Advocate and Vulnerable Persons

The budget includes $6,898,200 and 23.5 FTE Positions from the CASAVP Fund in FY 2027 for Court Appointed Special Advocate (CASA) and Vulnerable Persons. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $57,400 from the CASAVP Fund in FY 2027 for statewide adjustments.

This line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System and to review conservatorship filings for vulnerable persons.

Courthouse Security

The budget includes $755,800 from JCEF in FY 2027 for Courthouse Security. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $3,700 from JCEF in FY 2027 for statewide adjustments.

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.

Commission on Judicial Conduct

The budget includes $835,700 and 5 FTE Positions from the General Fund in FY 2027 for the Commission on Judicial Conduct. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $32,900 from the General Fund in FY 2027 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Digital Evidence Software

The budget includes no funding in FY 2027 for the Digital Evidence Software line item. This amount is unchanged from FY 2026.

Monies in this line item fund digital evidence software portal costs for all case types.

Domestic Relations

The budget includes $763,100 and 4.9 FTE Positions from the General Fund in FY 2027 for Domestic Relations. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $36,400 from the General Fund in FY 2027 for statewide adjustments.

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.

Fair Jury Improvement Fund Deposit

The budget includes $1,620,000 from the General Fund in FY 2027 for the Fair Jury Improvement Fund Deposit line item. This amount is unchanged from FY 2026.

Laws 2025, Chapter 55 changed the name of the fund from the Arizona Trial and Digital Evidence Fund to the Fair Jury Improvement Fund and extended the repeal date to June 30, 2031.

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.

Judicial Nominations and Performance Review

The budget includes $669,200 and 4.6 FTE Positions from the General Fund in FY 2027 for Judicial Nominations and Performance Review. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $27,300 from the General Fund in FY 2027 for statewide adjustments.

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.

Juvenile Monetary Sanctions Funding Backfill

The budget includes no funding in FY 2027 for the Juvenile Monetary Sanctions Funding Backfill line item. Adjustments are as follows:

Remove Backfill Funding

The budget includes a decrease of $(250,000) from the General Fund in FY 2027 to remove one-time funding for a juvenile monetary sanctions backfill.

The FY 2024 3-year spending plan originally included one-time funding for this project in FY 2024 and continued this one-time appropriation in FY 2025 and FY 2026. A General Appropriations Act footnote specified 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.

Model Court

The budget includes $660,800 from the General Fund in FY 2027 for Model Court. These amounts are unchanged from FY 2026.

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.

Probation Electronic Monitoring System Operating Costs

The budget includes $1,300,000 in FY 2027 for the Probation Electronic Monitoring System Operating Costs line item. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of $1,300,000 from the CASAVP Fund in FY 2027 for operating costs for the Judiciary's community supervision electronic monitoring system.

The budget includes a footnote that requires that this funding be used for the operation of an electronic monitoring system for sex offenders on probation supervision and specifies that monies may be expended on platform services directly related to the operation of the system. Additionally, the footnote allows the courts to authorize participating criminal justice and supervision agencies to utilize the system and requires courts to submit quarterly reports on expenditures, enrollment, compliance, and utilization to the Governor, President of the Senate, and Speaker of the House of Representatives. Any remaining monies in the appropriation may be used to operate the system for other violent offender populations.

State Aid

The budget includes $6,021,800 and 3.3 FTE Positions in FY 2027 for State Aid. These amounts consist of:

CJEF	3,074,300
State Aid to the Courts Fund	2,947,500

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $59,700 in FY 2027 for statewide adjustments. This amount consists of:

CJEF	58,800
State Aid to the Courts Fund	900

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.

State Foster Care Review Board

The budget includes $3,829,400 and 40 FTE Positions from the General Fund in FY 2027 for the State Foster Care Review Board. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $148,900 from the General Fund in FY 2027 for statewide adjustments.

The State Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Fund Transfers
- Court Surcharges and Assessments

Statutory Changes

The FY 2027 Criminal Justice BRB makes the following changes:

- As permanent law, requires the Administrative Office of the Courts to submit an annual report to the Governor, Speaker of House, President of the Senate, JLBC, OSPB, and Secretary of State by December 1 on the enforcement and collection of restitution, fines, fees, surcharges, and assessments under A.R.S. § 13-810, including detail on amounts ordered and collected, collection rates, and instances in which a person was incarcerated due to nonpayment.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
CASAVP Fund	$3,000,000
JCEF	1,000,000

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.

Department of Juvenile Corrections

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	738.5	738.5	583.5
Personal Services	25,000,400	27,481,800	27,494,900
Employee Related Expenditures	8,478,500	9,888,900	11,059,900
Professional and Outside Services	853,800	1,227,800	1,227,800
Travel - In State	370,200	556,200	556,200
Travel - Out of State	68,000	15,200	15,200
Other Operating Expenditures	6,296,200	5,496,300	6,514,000
Equipment	496,000	17,400	17,400
AGENCY TOTAL	**41,563,100**	**44,683,600**	**46,885,400** 1/2/3/
FUND SOURCES			
General Fund	29,749,400	31,085,800	33,594,300
Other Appropriated Funds			
Criminal Justice Enhancement Fund	515,600	528,000	1,028,200
Department of Juvenile Corrections Local Cost Sharing Fund	6,724,000	6,724,000	6,712,200
State Charitable, Penal and Reformatory Institutions Land Fund	3,219,800	4,854,400	4,058,400
State Education Fund for Committed Youth	1,354,300	1,491,400	1,492,300
SUBTOTAL - Other Appropriated Funds	11,813,700	13,597,800	13,291,100
SUBTOTAL - Appropriated Funds	**41,563,100**	**44,683,600**	**46,885,400**
Other Non-Appropriated Funds	126,200	117,200	117,200
Federal Funds	1,320,700	3,368,600	725,400
TOTAL - ALL SOURCES	43,010,000	48,169,400	47,728,000

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

2/ 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 Appropriations Act footnote)

3/ The department's lump sum appropriation includes funding to convert the onetime stipend for youth correctional officers equal to four percent of the annual salary appropriated in fiscal year 2025-2026 into a four percent annual salary increase in fiscal year 2026-2027. (General Appropriations Act footnote)

Operating Budget

The budget includes $46,885,400 and 583.5 FTE Positions in FY 2027 for the operating budget.

These amounts consist of:

	FY 2027
General Fund	$33,594,300
Criminal Justice Enhancement Fund (CJEF)	1,028,000
Department of Juvenile Corrections Local Cost Sharing Fund	6,712,200
State Charitable, Penal and Reformatory Institutions Land Fund	4,058,400
State Education Fund for Committed Youth	1,492,300

Adjustments are as follows:

Operating Budget Fund Shift
The budget includes an increase of $900,000 from the General Fund in FY 2027 and a corresponding decrease of $(800,000) from the Land Trust Fund and $(100,000) from the Criminal Justice Enhancement Fund for a fund shift.

The FY 2025 and FY 2026 budgets included this temporary shift in operating costs, and the budget restores the General Fund Appropriation.

Remove One-Time Correctional Officer Stipend
The budget includes a decrease of $(542,200) from the General Fund in FY 2027 to remove funding for a one-time stipend for youth correctional officers equal to 4% of their annual salary.

Correctional Officer 4% Salary Increase
The budget includes an increase of $764,400 from the General Fund in FY 2027 for an ongoing 4% salary increase for all department youth correctional officers that would replace a one-time 4% FY 2026 stipend.

One-Time Additional Operational Support
The budget includes a one-time increase of $1,200,000 in FY 2027 to offset the loss of land trust revenue. This amount consists of:

General Fund	600,000
CJEF	600,000

Statewide Adjustments
The budget includes an increase of $779,600 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	$786,300
CJEF	200
Department of Juvenile Corrections Local Cost Sharing Fund	(11,800)
State Charitable, Penal and Reformatory Institutions Land Fund	4,000
State Education Fund for Committed Youth	900

(Please see Agency Detail and Allocations section.)

Other Issues

This section includes information on the following topics:
- Long-Term Budget Impacts
- CORP Employer Contribution Increase
- Reduce Vacant FTE Positions
- Population Counts

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the department's General Fund costs are projected to decrease by $(600,000) in FY 2028 over FY 2027 and increase by $6,724,000 in FY 2029 over FY 2028. These estimates are based on:

- Removing one-time FY 2027 General Fund operational support of $600,000 in FY 2028.
- Backfilling the loss of $6,724,000 from the DJC Local Cost Sharing Fund with General Fund monies starting in FY 2029. The FY 2026 Criminal Justice Budget Reconciliation Bill (BRB) eliminated the requirement that Maricopa County pay this amount into the fund in FY 2029. No other county currently is required to pay into the fund.

CORP Employer Contribution Increase

For most Corrections Officer Retirement Plan (CORP) employees hired after 7/1/2018 (Tier 3 employees), the retirement plan includes an annual employer contribution that consists of: 1) a fixed 5% deposited into the employee's defined contribution retirement account; 2) actuarial rates associated with disability and post-retirement health coverage; and 3) an actuarial rate associated with paying down the unfunded liabilities of CORP employees hired before 7/1/2018.

The FY 2026 Criminal Justice Budget Reconciliation Bill (BRB) increased the fixed employer contribution rate for Tier 3 employees from 5.0% to 5.5% beginning in FY 2027. The BRB states that the Legislature intends to fully cover the cost of this increase for both state agencies and local governments beginning in FY 2027. The budget funds this retirement rate increase by including retirement funding in statewide adjustments in the department's operating budget.

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for the Department of Juvenile Corrections by (155) FTE Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Population Counts

Table 1 lists the Department of Juvenile Corrections population by category since FY 2022. From FY 2022 to FY 2025 the housed population increased from 144 to 158, or 9.7% while the parole population has increased from 115 to 120, or 4.3 %.

As shown in *Table 1*, the Department of Juvenile Corrections as of May 2026 has a year-to-date average population of housed youth of 156.

Table 1

Department of Juvenile Corrections Census

	FY 2022 Average Population	FY 2023 Average Population	FY 2024 Average Population	FY 2025 Average Population	FY 2026 YTD Average Population (May 2026)
Housed Population					
Adobe Mountain	144	133	141	158	156
Parole Population					
Parole	45	31	25	30	28
Interstate Compact (Inside Arizona) 1/	70	84	76	90	70
Parole Population	115	114	102	120	98
Total DJC Population	**259**	**247**	**243**	**278**	**254**

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. As of May 2026, there was an average of 2 reported Arizona parolees outside of Arizona each month.

State Land Department

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	136.7	145.7	145.7
Personal Services	7,450,800	10,491,300	10,491,300
Employee Related Expenditures	2,935,700	4,214,000	4,529,400
Professional and Outside Services	1,723,900	1,800,000	1,800,000
Travel - In State	283,600	18,200	18,200
Travel - Out of State	9,100	13,100	13,100
Other Operating Expenditures	3,454,200	3,324,400	3,360,900
Equipment	85,400	0	0
OPERATING SUBTOTAL	**15,942,700**	**19,861,000**	**20,212,900**
SPECIAL LINE ITEMS			
Operating Lump Sum Reduction	0	0	(265,600)
CAP User Fees	1,521,500	1,577,900	1,408,000 1/
Due Diligence Program	159,600	5,000,000	5,000,000
Natural Resource Conservation Districts	175,000	0	0
AGENCY TOTAL	**17,798,800**	**26,438,900**	**26,355,300** 2/
FUND SOURCES			
General Fund	11,998,500	12,199,900	12,089,000
Other Appropriated Funds			
Due Diligence Fund	159,600	5,000,000	5,000,000
Environmental Special Plate Fund	175,000	0	0
Off-Highway Vehicle Recreation Fund	138,800	177,600	177,600
Trust Land Management Fund	5,326,900	9,061,400	9,088,700
SUBTOTAL - Other Appropriated Funds	5,800,300	14,239,000	14,266,300
SUBTOTAL - Appropriated Funds	**17,798,800**	**26,438,900**	**26,355,300**
Other Non-Appropriated Funds	1,266,100	591,500	591,500
Federal Funds	7,000,000	0	0
TOTAL - ALL SOURCES	26,064,900	27,030,400	26,946,800

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 $1,408,000 for CAP user fees in fiscal year 2026-2027. For fiscal year 2026-2027, 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 Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $20,212,900 and 145.7 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$10,946,600
Off-Highway Vehicle Recreation Fund	177,600
Trust Land Management Fund	9,088,700

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $351,900 from in FY 2027 for statewide adjustments. This consists of the following amounts:

General Fund	$ 324,600
Trust Land Management Fund	27,300

(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(265,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

CAP User Fees

The budget includes $1,408,000 from the General Fund in FY 2027 for Central Arizona Project (CAP) User Fees. Adjustments are as follows:

CAP Rate Adjustment

The budget includes a decrease of $(169,900) from the General Fund in FY 2027 for revised CAP water allocations. Based on action by the CAP Board in June 2025, the department was expected to be billed for "capital charges" of $58 per acre foot on 24,276 acre feet of water in FY 2027. The FY 2027 appropriation was based on this total charge of $1,408,000.

In June 2026, the CAP Board set the FY 2027 rate at $52 per acre foot. Based on the 24,276 acre feet estimate, the total FY 2027 cost is now expected to be $1,262,400.

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. Most recently, in January 2025, the department signed an agreement to release 3,900 acre-feet to the City of Phoenix. As a result, the department's FY 2027 total CAP allocation is 24,276 acre-feet, or a decrease of (3,900) acre-feet below the 28,176 funded in FY 2026.

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 Appropriations Act footnote.)*

Due Diligence Program

The budget includes $5,000,000 from the Due Diligence Fund in FY 2027 for the Due Diligence Program. This amount is unchanged from FY 2026.

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 budget includes no funding in FY 2027 for Natural Resource Conservation Districts (NRCDs). This amount is unchanged from FY 2026.

Laws 2024, Chapter 258 established a new state agency, the NRC Board, and transferred the authority over the NRCDs, including grants to the districts and the administration of the Environmental Special Plate Fund, from the State Land Department to the NRC Board as of January 1, 2025. *(Please see the Natural Resource Conservation Board section for more information.)*

Other Issues

This section includes information on the following topics:

- Fund Transfers
- Proposition 123

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Trust Land Management Fund	9,000,000

Permanent Land Trust Beneficiaries

As approved by voters at the May 2016 election, Proposition 123 increased 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 was not subsequently extended and the distribution rate has reverted back to 2.5%. *(Please see the Department of Education narrative in the FY 2017 Appropriations Report for more information.)* *Table 1* provides revenue information for each beneficiary.

Table 1

State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority

Beneficiary/Fund	FY 2026 Total Revenue 1/	FY 2026 Ending Balance	FY 2027 Total Revenue 2/	FY 2027 Appropriation
Universities 3/				
Military Institute	$ 202,900		$ 203,500	
Normal Schools ASU/NAU	1,057,700		1,077,700	
A & M Colleges	2,280,600		2,292,900	
School of Mines	713,800		728,000	
University Fund	2,085,600		2,316,500	
U of A Land - 1881	5,840,000		5,975,600	
Subtotal	**$ 12,180,600**		**$ 12,594,200**	
Schools for the Deaf and the Blind 4/	$ 675,500		$ 684,900	
Dept. of Health Services – State Hospital	$ 806,700	$ 3,187,400	938,400	$ 1,596,600
Legislative, Executive, & Judicial Buildings 5/	$ 539,400	$ 4,053,100	550,300	$ 0
Dept. of Corrections				
Penitentiaries	$ 2,901,100	$ 4,598,200	$ 2,926,300	$ 3,482,900
State Charitable (25%)	1,740,000	4,083,800	1,847,400	1,670,800
Subtotal	**$ 4,641,100**	**$ 8,682,000**	**$ 4,773,700**	**$ 5,153,700**
Pioneers' Home				
Miners' Hospital	$ 3,595,600	$ 20,960,000	$ 3,645,100	$ 2,811,500
State Charitable (50%)	3,479,900	$ 22,105,200	3,694,700	6,466,600
Subtotal	**$ 7,075,500**	**$ 43,065,200**	**$ 7,339,800**	**$ 9,278,100**
Dept. of Juvenile Corrections (State Charitable 25%)	$ 1,739,900	$ 1,591,400	$ 1,847,400	$ 4,058,400
Non-K-12 Beneficiaries Total	**$ 27,658,700**		**$ 28,728,700**	

1/ Includes actual Treasurer's distributions and lease revenues. The FY 2026 revenues reflect the first year reverting back to the 2.5% distribution from the higher 6.9% distribution formula implemented by Proposition 123.

2/ Includes both Treasurer's distributions and lease revenues for FY 2027. The Treasurer's distributions are known numbers based on the 2.5% distribution formula. Projected FY 2027 lease revenues reflect actual FY 2026 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 2027 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 2027 budget allows monies in this fund to be expended in excess of the appropriated amount. As a result, budget appropriations and balance 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 Appropriations 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.

Legislature - Auditor General

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	224.8	236.8	236.8
Personal Services	15,666,700	17,314,000	17,314,000
Employee Related Expenditures	5,322,000	6,664,500	7,356,600
Professional and Outside Services	3,263,000	1,381,500	1,381,500
Travel - In State	86,300	112,800	112,800
Travel - Out of State	25,900	5,500	5,500
Other Operating Expenditures	1,559,900	6,495,700	1,197,900
Equipment	244,200	35,000	35,000
OPERATING SUBTOTAL	**26,168,000**	**32,009,000**	**27,403,300** 1/
SPECIAL LINE ITEMS			
Parents as Paid Caregivers Program Special Audit	0	0	0
State Employee Health Plan Special Audit	0	0	500,000 2/
AGENCY TOTAL	**26,168,000**	**32,009,000**	**27,903,300** 3/4/
FUND SOURCES			
General Fund	26,168,000	32,009,000	27,403,300
Other Appropriated Funds			
Special Employee Health Insurance Trust Fund	0	0	500,000
SUBTOTAL - Other Appropriated Funds	0	0	500,000
SUBTOTAL - Appropriated Funds	**26,168,000**	**32,009,000**	**27,903,300**
Other Non-Appropriated Funds	2,001,400	1,289,200	1,289,200
TOTAL - ALL SOURCES	28,169,400	33,298,200	29,192,500

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 operating lump sum appropriation, the auditor general shall use $3,300,000 for additional agency performance audits and school district audits. (General Appropriations Act footnote)

2/ The auditor general shall use the monies in the state employee health plan special audit line item for a special audit of the state employee health plan. The auditor general shall contract with an independent third party to conduct the special audit. The special audit must include the state employee health plan's application of best practices in health insurance cost containment and must include a forensic audit of a sample of claims from fiscal year 2025 2026. (General Appropriations Acts footnote)

3/ 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 Appropriations Acts footnote)

4/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $27,403,300 and 236.8 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(5,300,000) from the General Fund in FY 2027 to remove a one-time appropriation for the Auditor General to conduct special audits and procedural reviews of county treasurers' offices per Laws 2025, Chapter 250. The budget continues the authority for the 12 FTE Positions associated with these non-lapsing funds.

Statewide Adjustments

The budget includes an increase of $694,300 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Parents as Paid Caregivers Program Special Audit

The budget includes no funding in FY 2027 for the Parents as Paid Caregivers Program Special Audit line item. This amount is unchanged from FY 2026.

Laws 2025, Chapter 93 included a FY 2025 supplemental appropriation of $355,000 from the Prescription Drug Rebate Fund for a special audit of the Parents as Paid Caregivers Program and Department of Economic Security (DES)'s implementation of a new assessment tool. This appropriation is exempt from lapsing. The Auditor General did not report any expenditures for FY 2025. The Auditor General contracted with a vendor for this special audit of the assessment tool in June 2025. Requirements of this audit include: 1) review of the DES's implementation of the assessment tool added by Chapter 93; 2) comparison of the program to best practices of other states; 3) and a report of findings by August 1, 2026.

DES implemented the assessment tool on October 1, 2025. On October 16, 2025, the Executive suspended use of the tool. The contractor's work has essentially been suspended pending the restart of the assessment tool.

State Employee Health Plan Special Audit

The budget includes $500,000 from the Special Employee Health Insurance Trust Fund in FY 2027 for the State Employee Health Plan Special Audit line item. Adjustments are as follows:

One-Time Special Audit Funding

The budget includes an increase of $500,000 from the Special Employee Health Insurance Trust Fund in FY 2027 for the Auditor General to contract with an independent third-party to conduct a special audit of the state employee health plan.

The audit is to include assessment of the state's application of best practices in health insurance cost containment and a forensic audit of sample claims from FY 2026. *(Please see the Department of Administration – Other Issues narrative for a comprehensive discussion of changes that the FY 2027 budget makes to the state employee health plan.)*

Legislature - House of Representatives

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	25,296,500	22,545,300	22,396,800 1/2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(544,900)
AGENCY TOTAL	**25,296,500**	**22,545,300**	**21,851,900** 3/
FUND SOURCES			
General Fund	25,296,500	22,545,300	21,851,900
SUBTOTAL - Appropriated Funds	**25,296,500**	**22,545,300**	**21,851,900**
TOTAL - ALL SOURCES	25,296,500	22,545,300	21,851,900

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 Appropriations Act footnote)

2/ Included in the lump sum appropriation of $22,396,800 for fiscal year 2026-2027 is $5,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote, as adjusted for statewide allocations)

3/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $22,396,800 from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(750,000) from the General Fund in FY 2027 to remove one-time operating expenses.

Statewide Adjustments

The budget includes an increase of $601,500 from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(544,900) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Legislature - Joint Legislative Budget Committee

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	29.0	29.0	29.0
Personal Services	2,019,300	2,088,400	2,088,400
Employee Related Expenditures	634,500	840,600	889,000
Professional and Outside Services	89,700	90,000	90,000
Travel - In State	500	500	500
Travel - Out of State	800	0	0
Other Operating Expenditures	55,900	49,500	50,100
Equipment	17,100	2,000	2,000
OPERATING SUBTOTAL	**2,817,800**	**3,071,000**	**3,120,000**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(76,800)
AGENCY TOTAL	**2,817,800**	**3,071,000**	**3,043,200** 1/2/
FUND SOURCES			
General Fund	2,817,800	3,071,000	3,043,200
SUBTOTAL - Appropriated Funds	**2,817,800**	**3,071,000**	**3,043,200**
TOTAL - ALL SOURCES	2,817,800	3,071,000	3,043,200

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 Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $3,120,000 and 29 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $49,000 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(76,800) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Legislature - Legislative Council

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	63.0	63.0	63.0
Personal Services	5,155,700	5,500,100	5,500,100
Employee Related Expenditures	1,876,700	2,003,000	2,229,800
Professional and Outside Services	52,500	350,100	350,100
Travel - In State	0	3,000	3,000
Travel - Out of State	0	1,700	1,700
Other Operating Expenditures	1,563,700	1,564,500	1,562,500
Equipment	179,200	0	0
OPERATING SUBTOTAL	**8,827,800**	**9,422,400**	**9,647,200**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(235,600)
AGENCY TOTAL	**8,827,800**	**9,422,400**	**9,411,600** 1/2/
FUND SOURCES			
General Fund	8,827,800	9,422,400	9,411,600
SUBTOTAL - Appropriated Funds	**8,827,800**	**9,422,400**	**9,411,600**
Other Non-Appropriated Funds	75,900	75,900	75,900
TOTAL - ALL SOURCES	8,903,700	9,498,300	9,487,500

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 Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $9,647,200 and 63 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $224,800 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(235,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Other Issues

Statutory Changes

The State Properties Management Budget Reconciliation Bill makes the following statutory changes:

As session law, allows for a plaque in the governmental mall recognizing the service of the Arizona America 250 Commission. This includes a repeal date of September 30, 2029, and prohibits use of state monies for the plaque or for associated fund-raising.

Legislature - Ombudsman-Citizens Aide Office

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	12.0	12.0	12.0
Personal Services	948,500	992,000	992,000
Employee Related Expenditures	363,600	393,000	445,300
Professional and Outside Services	43,900	31,000	31,000
Travel - In State	0	500	500
Travel - Out of State	5,800	6,900	6,900
Other Operating Expenditures	172,000	180,500	180,800
Equipment	7,400	5,000	5,000
OPERATING SUBTOTAL	**1,541,200**	**1,608,900**	**1,661,500** 1/
SPECIAL LINE ITEMS			
Lump Sum Reduction	0	0	(40,200)
AGENCY TOTAL	**1,541,200**	**1,608,900**	**1,621,300** 2/3/4/
FUND SOURCES			
General Fund	1,541,200	1,608,900	1,621,300
SUBTOTAL - Appropriated Funds	**1,541,200**	**1,608,900**	**1,621,300**
TOTAL - ALL SOURCES	1,541,200	1,608,900	1,621,300

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/ 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 Appropriations Act footnote)

2/ The legislature intends that the ombudsman-citizens aide prioritize investigating and processing complaints relating to the department of child safety. (General Appropriations Act footnote)

3/ 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 Appropriations Act footnote)

4/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $1,661,500 and 12 FTE Positions from the General Fund in FY 2027. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $52,600 from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(40,200) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Legislature - Senate

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	16,708,500	18,814,300	18,537,800 1/2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(451,600)
AGENCY TOTAL	**16,708,500**	**18,814,300**	**18,086,200** 3/
FUND SOURCES			
General Fund	16,708,500	18,814,300	18,086,200
SUBTOTAL - Appropriated Funds	**16,708,500**	**18,814,300**	**18,086,200**
TOTAL - ALL SOURCES	16,708,500	18,814,300	18,086,200

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 Appropriations Act footnote)

2/ Included in the lump sum appropriation of $18,537,800 for fiscal year 2026-2027 is $5,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote, as adjusted for statewide allocations)

3/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $18,537,800 from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(750,000) from the General Fund in FY 2027 to remove one-time operating expenses.

Statewide Adjustments

The budget includes an increase of $473,500 from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(451,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Department of Liquor Licenses and Control

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	58.2	58.2	59.2
Personal Services	2,882,600	3,247,500	3,247,500
Employee Related Expenditures	1,113,600	1,326,000	1,467,000
Professional and Outside Services	184,600	192,000	192,000
Travel - In State	408,000	455,000	455,000
Travel - Out of State	5,700	18,000	18,000
Other Operating Expenditures	1,167,200	1,314,300	1,683,100
Equipment	63,800	0	0
OPERATING SUBTOTAL	**5,825,500**	**6,552,800**	**7,062,600**
SPECIAL LINE ITEMS			
Records Management System Modernization	0	0	0 1/
AGENCY TOTAL	**5,825,500**	**6,552,800**	**7,062,600 2/**
FUND SOURCES			
Other Appropriated Funds			
Liquor Licenses Fund	5,825,500	6,552,800	7,062,600
SUBTOTAL - Other Appropriated Funds	5,825,500	6,552,800	7,062,600
SUBTOTAL - Appropriated Funds	**5,825,500**	**6,552,800**	**7,062,600**
Other Non-Appropriated Funds	1,311,100	1,782,100	1,782,100
Federal Funds	654,200	769,800	769,800
TOTAL - ALL SOURCES	7,790,800	9,104,700	9,614,500

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

1/ The $2,900,000 appropriated to the department of liquor licenses and control by Laws 2025, chapter 233, section 109 in fiscal year 2025-2026 to modernize the department's records system is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2028. The department may use the monies in this paragraph for the implementation of regulations for alternative nicotine products. (General Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $7,062,600 and 59.2 FTE Positions from the Liquor Licenses Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Operations Funding

The budget includes a decrease of $(100,000) from the Liquor Licenses Fund in FY 2027 to remove one-time funding for increased agency operations funding.

Add Ongoing IT Funding

The budget includes an increase of $600,000 and 1 FTE Position from the Liquor Licenses Fund in FY 2027 to provide funding for IT staff and systems maintenance. This funding was included in the FY 2026 budget's 3-year funding plan.

Statewide Adjustments

The budget includes an increase of $9,800 from the Liquor Licenses Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Records Management System Modernization

The budget includes no funding in FY 2027 for records management system modernization. This amount is unchanged from FY 2026.

An FY 2026 General Appropriations Act footnote stipulates that the $2,900,000 FY 2025 supplemental appropriation for this line item is non-lapsing through June 30, 2026. An FY 2027 General Appropriations Act footnote extends this lapsing date through June 30, 2028 and allows the Department to spend the monies on the implementation of new regulations related to alternative nicotine products. *(Please see Other Issues.)*

Other Issues

Statutory Changes

The Amusements Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, amends A.R.S. § 4-120(c) to require that monies in excess of $700,000 be transferred from the Liquor Licenses Fund to the General Fund by December 31 of each fiscal year.

Alternative Nicotine Products Legislation

Laws 2026, Chapter 124 requires the department to issue licenses beginning on January 1, 2028 for the manufacture or distribution of alternative nicotine products (ANPs) in Arizona. The legislation establishes the department's responsibilities for enforcing these new requirements. ANPs are noncombustible products, such as vapes and heated tobacco products, that contain nicotine and are intended for human consumption whether chewed, absorbed, dissolved, ingested or inhaled by any means.

Arizona State Lottery Commission

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	98.8	98.8	98.8
Personal Services	4,099,900	5,218,300	5,218,300
Employee Related Expenditures	1,543,200	2,351,400	2,447,600
Professional and Outside Services	649,300	386,800	386,800
Travel - In State	29,600	271,600	271,600
Travel - Out of State	43,000	16,800	16,800
Other Operating Expenditures	1,395,500	1,909,000	1,923,600
Equipment	8,300	0	0
OPERATING SUBTOTAL	**7,768,800**	**10,153,900**	**10,264,700**
SPECIAL LINE ITEMS			
Advertising	13,748,700	15,500,000	15,500,000
Charitable Commissions 1/	1,916,100	1,900,000	1,976,000 2/
Instant Tickets 1/	31,248,000	39,878,000	41,473,100 3/
On-Line Vendor Fees 1/	14,302,500	16,754,100	17,424,200 4/
Retailer Commissions 1/	92,144,800	103,397,100	107,533,000 5/
AGENCY TOTAL	**161,128,900**	**187,583,100**	**194,171,000** 6/
FUND SOURCES			
Other Appropriated Funds			
State Lottery Fund	161,128,900	187,583,100	194,171,000
SUBTOTAL - Other Appropriated Funds	161,128,900	187,583,100	194,171,000
SUBTOTAL - Appropriated Funds	**161,128,900**	**187,583,100**	**194,171,000**
Other Non-Appropriated Funds	949,486,200	1,078,459,600	1,122,624,200
TOTAL - ALL SOURCES	1,110,615,100	1,266,042,700	1,316,795,200

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 $1,976,000 in fiscal year 2026-2027. (General Appropriations 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 $41,473,100 in fiscal year 2026-2027. (General Appropriations Act footnote)

4/ An amount equal to a percentage of total ticket sales as determined by contract is appropriated to pay online vendor fees. This amount is currently estimated to be $17,424,200, or 1.079 percent of total ticket sales, in fiscal year 2026-2027. (General Appropriations 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 $107,533,000, or 6.7 percent of total ticket sales, in fiscal year 2026-2027. (General Appropriations Act footnote)

6/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $10,264,700 and 98.8 FTE Positions from the State Lottery Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $110,800 from the State Lottery Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Advertising

The budget includes $15,500,000 from the State Lottery Fund in FY 2027 for Advertising. This amount is unchanged from FY 2026.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes $1,976,000 from the State Lottery Fund in FY 2027 for Charitable Commissions. Adjustments are as follows:

Tab Ticket Increase

The budget includes an increase of $76,000 from the State Lottery Fund in FY 2027 to realign spending with projected revenues. This increase is after accounting for the April 2026 Finance Advisory Committee (FAC) revision to the Lottery Sales forecast. *(See Other Issues section for more information).*

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 budget includes $41,473,100 from the State Lottery Fund in FY 2027 for Instant Tickets. Adjustments are as follows:

Instant Ticket Sales Increase

The budget includes an increase of $1,595,100 from the State Lottery Fund in FY 2027 for Instant Tickets due to higher projected sales. This increase is after accounting for the April 2026 FAC revision to the Lottery Sales forecast. *(See Other Issues section for more information).*

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 budget includes $17,424,200 from the State Lottery Fund in FY 2027 for On-Line Vendor Fees. Adjustments are as follows:

On-Line Sales Increase

The budget includes an increase of $670,100 from the State Lottery Fund in FY 2027 to realign spending with projected revenues. This increase is after accounting for the April 2026 FAC revision to the Lottery Sales forecast. *(See Other Issues section for more information).*

Monies in this line item are used to pay the vendor that operates the on-line game computer system. Prior to FY 2025, Lottery's contract with on-line vendors stipulated that vendors receive 4.256% of on-line ticket sales. Beginning in FY 2025, a renegotiated contract grants on-line vendors 1.079% of total lottery sales each fiscal year.

Retailer Commissions

The budget includes $107,533,000 from the State Lottery Fund in FY 2027 for Retailer Commissions. Adjustments are as follows:

Retailer Commissions Increase

The budget includes an increase of $4,135,900 from the State Lottery Fund in FY 2027 for Retailer Commissions due to higher projected sales. *(See Table 1 for more information.)* This increase is after accounting for the April 2026 FAC revision to the Lottery Sales forecast. *(See Other Issues section 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 Appropriations 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

This section includes information on the following topics:

- Statutory Changes
- April FAC Forecast Update
- Lottery Forecast and Distributions

Statutory Changes

The Commerce Budget Reconciliation Bill makes the following statutory change:

- As session law, extend the current $1.75 million yearly distribution from the State Lottery Fund to the Arizona Commerce Authority through FY 2029. In FY 2030, the distribution will increase to its pre-FY 2025 level of $3.5 million.

Lottery Forecast

Certain Lottery appropriations are linked to a percentage of ticket sales (Charitable Commissions, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions). The revised FY 2026 budget and the new FY 2027 budget for these line items are based on the April Finance Advisory Committee's Lottery ticket sales forecast. Based on Lottery ticket sales through March 2026, FY 2026 sales were forecast to grow by 10.6%. The April FAC FY 2027 projected growth rate is 4.0%.

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 2025 and the JLBC Staff projected distributions for FY 2026 and FY 2027. For FY 2026 and FY 2027, the budget assumes overall Lottery ticket sales of $1,552,740,500 and $1,614,850,100, respectively. 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 $11,505,600 in both FY 2026 and FY 2027.

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 2026 and FY 2027 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 2026 and FY 2027, 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 $26,799,200 in FY 2026 and $27,589,100 in FY 2027. 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 2026 and FY 2027.

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 2026 and FY 2027.

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 2026 and FY 2027, the General Fund is estimated to receive its entire allocation of $15,490,000.

Arizona Competes Fund

Statute capped annual distributions to the Arizona Competes Fund at $3,500,000 through FY 2024. Laws 2024, Chapter 210 decreases this amount to $1,750,000 for FY 2025-FY 2027. The FY 2027 Commerce BRB continues this distribution amount through FY 2029. In FY 2030, the Arizona Competes Fund distribution becomes $3,500,000 again. 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 the $1,750,000 allocation in both FY 2026 and FY 2027.

University Capital Improvement (UCI) Fund

This fund serves as the source for up to 80% of the annual debt service associated with $1,125,000,000 of University Capital construction Stimulus Plan for Economic and Educational Development (SPEED) bonds. This fund received $42,252,400 in FY 2025. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require $43,508,400 in FY 2026 and $47,458,000 in FY 2027 to make the expected 80% level of debt service payments. *(For additional information on SPEED Bonds for universities, please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

The FY 2026 Higher Education BRB (Laws 2025, Chapter 240) increased the cap on allowed SPEED bonds from $800,000,000 to $1,125,000,000, with 50% of this increase made available in FY 2026 and the remaining 50% in FY 2027.

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 budget forecast assumes that for each forecast year's ticket sales (FY 2026 and FY 2027), 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 2026 distributions to the General Fund consist of the FY 2026 General Fund Part 1 and Part 2 plus the delayed prior year Part 3 profit transfer from FY 2025. With a FY 2026 Part 1 transfer of $84,150,000, a Part 2 FY 2026 transfer of $15,490,000, and a FY 2025 Part 3 delayed transfer of $71,703,300, total FY 2026 distributions to the General Fund would be $171,343,300.

Total FY 2027 distributions to the General Fund are forecast to be $190,834,500, which includes: a FY 2027 Part 1 transfer of $84,150,000, a Part 2 FY 2027 transfer of $15,490,000, and a FY 2026 Part 3 delayed transfer of $91,194,500. *(See Table 1 for more information).*

Table 1

Forecast of Lottery Revenue Distribution
($ in Millions) 1/

Sales	FY 2025	FY 2026	FY 2027
Instant Sales	$1,055.4	$1,107.7	$1,152.0
On-Line Sales	348.0	445.0	462.8
Total Sales	$1,403.4	$1,552.7	$1,614.8
Less:			
Operating Budget	$ 161.1	$ 187.6	$ 194.1
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer 2/	1.0	1.0	1.0
Prizes 3/	977.0	1,078.4	1,122.7
Net Profit 4/ 5/	**$263.9**	**$285.4**	**$296.7**
Profit Transfers 6/			
Maricopa County Mass Transit	11.5	11.5	11.5
General Fund - Part 1	84.2	84.2	84.2
Heritage	10.0	10.0	10.0
Health and Welfare Programs	26.1	26.8	27.5
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	1.8	1.8 7/	1.8
University Capital	42.3	43.5	47.5
Deferred General Fund - Part 3	71.7	91.2	97.9
Total Transfers	**$263.9**	**$285.4**	**$296.9**
General Fund			
Delayed Prior Year Transfer 6/	117.7	71.7	91.2
General Fund - Part 1	84.2	84.2	84.2
General Fund - Part 2	15.5	15.5	15.5
Total General Fund 8/	**$217.4**	**$171.3**	**$190.8**

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. We estimate $1.0 million will be distributed in both FY 2026 and FY 2027. *(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 19.0% in both FY 2026 and FY 2027.

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

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/ Laws 2024, Chapter 210 decreased the Arizona Competes Fund distribution to $1,750,000 for FY 2025-FY 2027. In FY 2028, the distribution will become $3,500,000 again.

8/ Under the forecast, total General Fund revenue in FY 2028 would be $197.6 million. This amount includes $97.9 million from the General Fund - Part 3 transfer deferred from FY 2027, $84.2 million for the FY 2028 General Fund - Part 1 and $15.5 million for the FY 2028 General Fund - Part 2. Total General Fund revenue in FY 2029 would be $208.2 million. This amount includes $108.5 million from the General Fund- Part 3 transfer deferred from FY 2028, $84.2 million for the FY 2029 General Fund- Part 1 and $15.5 million from the General Fund- Part 2.

Board of Massage Therapy

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	5.0	5.0	5.0
Personal Services	287,200	258,000	258,000
Employee Related Expenditures	107,000	142,900	155,400
Professional and Outside Services	35,100	111,000	111,000
Travel - In State	0	1,500	1,500
Other Operating Expenditures	122,300	87,800	88,700
Equipment	9,500	0	0
AGENCY TOTAL	**561,100**	**601,200**	**614,600** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Massage Therapy Fund	561,100	601,200	614,600
SUBTOTAL - Other Appropriated Funds	561,100	601,200	614,600
SUBTOTAL - Appropriated Funds	**561,100**	**601,200**	**614,600**
TOTAL - ALL SOURCES	561,100	601,200	614,600

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $614,600 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $13,400 from the Board of Massage Therapy Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Medical Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	63.5	63.5	63.5
Personal Services	3,520,500	3,794,800	3,794,800
Employee Related Expenditures	1,282,500	1,584,400	1,731,300
Professional and Outside Services	1,712,300	1,305,000	1,305,000
Travel - In State	8,800	13,000	13,000
Travel - Out of State	7,500	13,000	13,000
Other Operating Expenditures	1,525,100	1,541,500	1,549,400
Equipment	76,700	55,400	55,400
OPERATING SUBTOTAL	**8,133,400**	**8,307,100**	**8,461,900**
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	137,700	165,600	165,600
AGENCY TOTAL	**8,271,100**	**8,472,700**	**8,627,500** 1/
FUND SOURCES			
Other Appropriated Funds			
Arizona Medical Board Fund	8,271,100	8,472,700	8,627,500
SUBTOTAL - Other Appropriated Funds	8,271,100	8,472,700	8,627,500
SUBTOTAL - Appropriated Funds	**8,271,100**	**8,472,700**	**8,627,500**
TOTAL - ALL SOURCES	8,271,100	8,472,700	8,627,500

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician assistants.

FOOTNOTES

1/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $8,461,900 and 63.5 FTE Positions from the Arizona Medical Board Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $154,800 from the Arizona Medical Board Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Employee Performance Incentive Program

The budget includes $165,600 from the Arizona Medical Board Fund in FY 2027 for the Employee Performance Incentive Program. This amount is unchanged from FY 2026.

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 Appropriations 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.

Other Issues

Auditor General Report

In September 2025, the Auditor General published a performance audit and sunset review of the Arizona Regulatory Board of Physician Assistants, which operates in conjunction with the Arizona Medical Board. The review assessed licensing processes, complaint resolution, publication requirements, and conflict-of-interest rule compliance.

State Mine Inspector

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	22.0	22.0	22.0
Personal Services	569,600	802,700	802,700
Employee Related Expenditures	243,900	326,100	349,300
Professional and Outside Services	0	12,000	12,000
Travel - In State	129,700	121,200	121,200
Travel - Out of State	2,800	8,700	8,700
Other Operating Expenditures	190,700	301,700	329,500
Equipment	4,200	15,000	15,000
OPERATING SUBTOTAL	**1,140,900**	**1,587,400**	**1,638,400**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(39,700)
Abandoned Mines	647,600	844,000	852,700
Aggregate Mining Land Reclamation	56,600	112,800	113,000 1/
AGENCY TOTAL	**1,845,100**	**2,544,200**	**2,564,400** 2/
FUND SOURCES			
General Fund	1,788,500	2,431,400	2,451,400
Other Appropriated Funds			
Aggregate Mining Reclamation Fund	56,600	112,800	113,000
SUBTOTAL - Other Appropriated Funds	56,600	112,800	113,000
SUBTOTAL - Appropriated Funds	**1,845,100**	**2,544,200**	**2,564,400**
Federal Funds	485,000	660,100	660,100
TOTAL - ALL SOURCES	2,330,100	3,204,300	3,224,500

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/ All aggregate mining reclamation fund monies received by the state mine inspector in excess of $113,000 in fiscal year 2026-2027 are appropriated to the aggregate mining land reclamation line item. Before spending any aggregate mining reclamation fund monies in excess of $113,000 in fiscal year 2026-2027, 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 Appropriations Act footnote, as adjusted for statewide allocations)

2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $1,638,400 and 16 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $51,000 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

The FY 2024 operating budget included a one-time, non-lapsing $300,000 appropriation from the General Fund for additional operating expenses. As of June 2026, there are no expenditures reported from this appropriation.

Operating Budget Lump Sum Reduction

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(39,700) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will

apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Abandoned Mines

The budget includes $852,700 and 6 FTE Positions from the General Fund in FY 2027 for the Abandoned Mines line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $8,700 from the General Fund in FY 2027 for statewide adjustments.

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.

Aggregate Mining Land Reclamation

The budget includes $113,000 from the Aggregate Mining Reclamation Fund in FY 2027 for the Aggregate Mining Land Reclamation line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $200 from the Aggregate Mining Reclamation Fund in FY 2027 for statewide adjustments.

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.

State Natural Resource Conservation Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Other Operating Expenditures	0	100,000 1/	0
OPERATING SUBTOTAL	**0**	**100,000**	**0**
SPECIAL LINE ITEMS			
Groundwater Recharge Facilities	0	250,000	0
Natural Resource Conservation District Fund Deposit	0	650,000	650,000 2/
AGENCY TOTAL	**0**	**1,000,000**	**650,000**
FUND SOURCES			
General Fund	0	739,400	389,400
Other Appropriated Funds			
Environmental Special Plate Fund	0	260,600	260,600
SUBTOTAL - Other Appropriated Funds	0	260,600	260,600
SUBTOTAL - Appropriated Funds	**0**	**1,000,000**	**650,000**
TOTAL - ALL SOURCES	0	1,000,000	650,000

AGENCY DESCRIPTION — The Board coordinates the state's 32 Natural Resource Conservation Districts (NRCDs) and 26 NRCD Education Centers by facilitating information sharing between district supervisors, providing consultation services, and requiring each district to file annual audits. The Board also coordinates federal assistance for the districts and provides grants to each NRCD and each Soil and Water Conservation District.

FOOTNOTES

1/ The $100,000 appropriated to the natural resource conservation board by Laws 2025, chapter 233, section 60 in fiscal year 2025-2026 for the lump sum appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

2/ Of the amount appropriated for deposit in the natural resource conservation district fund established by section 41-6014, Arizona Revised Statutes, in fiscal year 2026-2027, $30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriations Act footnote)

Operating Budget

The budget includes no funding in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Operating Funding

The budget includes a decrease of $(100,000) from the General Fund in FY 2027 to remove one-time operating funding. An FY 2027 General Appropriations Act footnote makes the FY 2026 appropriation non-lapsing *(see above)*.

Groundwater Recharge Facilities

The budget includes no funding in FY 2027 for groundwater recharge facilities. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(250,000) from the General Fund in FY 2027 to remove funding to clean and restore groundwater recharge facilities that provide flood control benefits and that are located in a groundwater basin that has been designated as a Subsequent Active Management Area. An FY 2026 General Appropriations Act footnote made the FY 2026 appropriation non-lapsing.

Natural Resource Conservation District Fund Deposit

The budget includes $650,000 in FY 2027 for a deposit in the Natural Resource Conservation District (NRCD) Fund. This amount consists of:

General Fund	389,400
Environmental Special Plate Fund	260,600

This amount is unchanged from FY 2026.

Background – The NRC Board was established by Laws 2024, Chapter 258. Chapter 258 transfers the authority over the NRCDs, including grants to the districts and the administration of the Environmental Special Plate Fund, from the State Land Department to the NRC Board as of January 1, 2025. Chapter 258 also establishes the NRCD Fund, from which the NRC Board must distribute grants to the NRCDs and Tribal Soil and Water Conservation Districts (TSWCDs). These grants fund natural resource research, activities, and staff at the state's 32 NRCDs and 10 TSWCDs. The NRC Board may also use up to 10% of the monies in the fund for administrative expenses.

NRCDs and TSWCDs are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 41-6012 requires the board to include in its budget request up to $40,000 for each NRCD and each Tribal Soil and Water Conservation District (TSWCD), and $60,000 for each NRCD education center for a 2-year period.

The Land Department distributed the FY 2025 appropriation of $650,000 for grants to the 32 NRCDs prior to January 1, 2025. As a result, the NRC Board received no funding in FY 2025.

The budget continues a General Appropriations Act footnote that requires $30,000 of the total appropriation for NRCDs to be used to provide grants to NRCD 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 up to $10,000 each year from the Environmental Special Plate Fund, per A.R.S. § 41-6013.

After the foregoing amounts related to education centers are distributed, the remainder of the appropriation is distributed as grants to the 32 NRCDs and 10 TSWCDs. When this program was previously administered by the Land Department, the department was not required to distribute grants to the 10 TSWCDs.

Naturopathic Physicians Medical Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2.0	2.0	2.0
Personal Services	86,400	75,800	75,800
Employee Related Expenditures	37,200	37,200	41,900
Professional and Outside Services	20,400	21,000	21,000
Other Operating Expenditures	55,200	137,800	88,300
AGENCY TOTAL	**199,200**	**271,800**	**227,000** 1/
FUND SOURCES			
Other Appropriated Funds			
Naturopathic Physicians Medical Board Fund	199,200	271,800	227,000
SUBTOTAL - Other Appropriated Funds	199,200	271,800	227,000
SUBTOTAL - Appropriated Funds	**199,200**	**271,800**	**227,000**
TOTAL - ALL SOURCES	199,200	271,800	227,000

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $227,000 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Digitization Funding

The budget includes a decrease of $(50,000) from the Naturopathic Physicians Medical Board Fund in FY 2027 to remove one-time funding for digitization projects.

Statewide Adjustments

The budget includes an increase of $5,200 from the Naturopathic Physicians Medical Board Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Navigable Stream Adjudication Commission

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2.0	2.0	2.0
Personal Services	82,000	80,900	80,900
Employee Related Expenditures	40,900	45,600	50,900
Professional and Outside Services	0	200,000	200,000
Other Operating Expenditures	36,500	17,400	17,500
OPERATING SUBTOTAL	**159,400**	**343,900**	**349,300**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(3,600)
AGENCY TOTAL	**159,400**	**343,900**	**345,700** 1/
FUND SOURCES			
General Fund	140,400	143,900	145,700
Other Appropriated Funds			
Arizona Water Banking Fund	19,000	200,000	200,000
SUBTOTAL - Other Appropriated Funds	19,000	200,000	200,000
SUBTOTAL - Appropriated Funds	**159,400**	**343,900**	**345,700**
TOTAL - ALL SOURCES	159,400	343,900	345,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $349,300 and 2 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$149,300
Arizona Water Banking Fund	200,000

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $5,400 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(3,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

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

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the commission's General Fund costs are projected to remain the same in FY 2028 as in FY 2027 and to decrease by $(145,700) in FY 2029 compared to FY 2028. These estimates are based on:

- Pursuant to A.R.S. § 37-1121, the agency is scheduled to sunset at the end of FY 2028. All unexpended and unencumbered monies appropriated to the commission revert to the state general fund on July 1, 2028.

Background

The commission is responsible for determining the navigability of state watercourses at the time of statehood. As of October 2025, 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.

State Board of Nursing

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	63.0	64.0	70.0
Personal Services	4,322,200	4,354,700	4,795,900
Employee Related Expenditures	1,392,100	1,497,900	1,871,400
Professional and Outside Services	230,000	204,200	204,200
Travel - In State	6,400	6,400	6,400
Travel - Out of State	4,600	4,600	4,600
Other Operating Expenditures	516,400	466,200	471,600
Equipment	17,900	3,200	15,200
OPERATING SUBTOTAL	**6,489,600**	**6,537,200**	**7,369,300**
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	527,000	557,000	580,800
Student Registered Nurse Anesthetist Clinical Rotation Program	0	500,000	0
AGENCY TOTAL	**7,016,600**	**7,594,200**	**7,950,100** 1/
FUND SOURCES			
General Fund	0	500,000	0
Other Appropriated Funds			
Board of Nursing Fund	7,016,600	7,094,200	7,950,100
SUBTOTAL - Other Appropriated Funds	7,016,600	7,094,200	7,950,100
SUBTOTAL - Appropriated Funds	**7,016,600**	**7,594,200**	**7,950,100**
Other Non-Appropriated Funds	22,544,700	24,270,700	24,270,700
Federal Funds	414,700	414,700	414,700
TOTAL - ALL SOURCES	29,976,000	32,279,600	32,635,500

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

FOOTNOTES

1/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $7,369,300 and 70 FTE Positions from the Board of Nursing Fund in FY 2027 for the operating budget. Adjustments are as follows:

New Complaint Investigation Procedures

The budget includes an increase of $620,800 and 6 FTE Positions from the Board of Nursing Fund in FY 2027 for regulatory changes associated with Laws 2026, Chapter 251, including a 180-day investigation timeline, a new complaint prioritization process, and the creation of an expungement process. Of this amount, $12,000 is for one-time equipment purchases.

Statewide Adjustments

The budget includes an increase of $211,300 from the Board of Nursing Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Certified Nursing Assistant Credentialing Program

The budget includes $580,800 from the Board of Nursing Fund in FY 2027 for the Certified Nursing Assistant (CNA) Credentialing Program line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $23,800 from the Board of Nursing Fund in FY 2027 for statewide adjustments.

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 budget includes no funding in FY 2027 for the Student Registered Nurse Anesthetist Clinical Rotation Program line item. Adjustments are as follows:

Remove One-Time Program Funding
The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove one-time grants to health care institutions for student nurse anesthetist clinical training placements costs.

Other Issues

Healthcare Workforce Development Funding

The 3-year spending plan associated with the 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. The Board spent $4,551,200 in FY 2024, $22,905,000 in FY 2025, and, as of this writing, $29,708,500 in FY 2026. The final year of the grant program ended June 30, 2026.

In the most recent edition of its newsletter, the Board reported that nearly 8,000 nurses were trained as preceptors during the first two years of the program. Additionally, the Board stated that 10,000 other students received training in the program, and the retention rates of trainees increased by 10% over the course of the second year.

Auditor General Report

In September 2025, the Auditor General published a performance audit and sunset review of the Arizona State Board of Nursing.

The Auditor General made 44 recommendations to the Board, most of which concerned proper complaint resolution. Only 1 recommendation had a budget implication.

Specifically, the Auditor General recommended the Board continue to assess its investigator-to-case ratios to determine if additional staff are needed to investigate complaints in a timely manner and reduce the existing backlog.

The Board agreed to implement all 44 recommendations.

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	7.0	7.0	7.0
Personal Services	341,800	328,200	328,200
Employee Related Expenditures	132,300	175,300	193,500
Professional and Outside Services	15,800	15,100	15,100
Travel - In State	4,600	5,000	5,000
Travel - Out of State	600	2,000	2,000
Other Operating Expenditures	79,600	72,500	73,800
Equipment	1,600	13,500	13,500
AGENCY TOTAL	**576,300**	**611,600**	**631,100** 1/2/
FUND SOURCES			
Other Appropriated Funds			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	576,300	611,600	631,100
SUBTOTAL - Other Appropriated Funds	576,300	611,600	631,100
SUBTOTAL - Appropriated Funds	**576,300**	**611,600**	**631,100**
TOTAL - ALL SOURCES	576,300	611,600	631,100

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/ Of the amount appropriated in the lump sum appropriation, $30,000 may be used to pay outstanding costs of services provided by the department of administration-central services bureau in prior years. (General Appropriation Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $631,100 and 7 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $19,500 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Board of Occupational Therapy Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2.0	2.0	2.0
Personal Services	140,200	153,000	153,000
Employee Related Expenditures	48,500	78,100	85,100
Professional and Outside Services	32,600	0	0
Travel - In State	300	1,300	1,300
Other Operating Expenditures	74,300	63,600	64,700
Equipment	1,800	2,000	2,000
AGENCY TOTAL	**297,700**	**298,000**	**306,100** 1/
FUND SOURCES			
Other Appropriated Funds			
Occupational Therapy Fund	297,700	298,000	306,100
SUBTOTAL - Other Appropriated Funds	297,700	298,000	306,100
SUBTOTAL - Appropriated Funds	**297,700**	**298,000**	**306,100**
TOTAL - ALL SOURCES	297,700	298,000	306,100

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $306,100 and 2 FTE Positions from the Occupational Therapy Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $8,100 from the Occupational Therapy Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Dispensing Opticians

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	101,300	102,000	102,000
Employee Related Expenditures	32,300	33,300	65,800
Professional and Outside Services	300	0	0
Travel - In State	2,000	8,500	8,500
Other Operating Expenditures	43,100	55,900	56,200
AGENCY TOTAL	**179,000**	**199,700**	**232,500** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Dispensing Opticians Fund	179,000	199,700	232,500
SUBTOTAL - Other Appropriated Funds	179,000	199,700	232,500
SUBTOTAL - Appropriated Funds	**179,000**	**199,700**	**232,500**
TOTAL - ALL SOURCES	179,000	199,700	232,500

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $232,500 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2027 for the operating budget. Adjustments are as follows:

One-Time Retirement Payout and Onboarding Costs

The budget includes an increase of $30,000 from the Board of Dispensing Opticians Fund in FY 2027 for a one-time payout of accumulated sick leave to a retiring employee and onboarding costs associated with a new Executive Director.

Statewide Adjustments

The budget includes an increase of $2,800 from the Board of Dispensing Opticians Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Optometry

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2.0	2.0	2.0
Personal Services	166,100	173,000	173,000
Employee Related Expenditures	46,800	48,000	53,300
Professional and Outside Services	13,900	16,000	16,000
Other Operating Expenditures	49,300	51,000	51,400
AGENCY TOTAL	**276,100**	**288,000**	**293,700** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Optometry Fund	276,100	288,000	293,700
SUBTOTAL - Other Appropriated Funds	276,100	288,000	293,700
SUBTOTAL - Appropriated Funds	**276,100**	**288,000**	**293,700**
TOTAL - ALL SOURCES	276,100	288,000	293,700

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 which 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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $293,700 and 2 FTE Positions from the Board of Optometry Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $5,700 from the Board of Optometry Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	10.0	10.0	15.0
Personal Services	670,000	706,900	958,400
Employee Related Expenditures	253,200	327,300	486,300
Professional and Outside Services	127,900	200,000	200,000
Travel - In State	600	2,500	2,500
Travel - Out of State	11,700	10,000	10,000
Other Operating Expenditures	235,000	279,400	291,000
Equipment	36,000	0	12,500
AGENCY TOTAL	**1,334,400**	**1,526,100**	**1,960,700** 1/
FUND SOURCES			
Other Appropriated Funds			
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	1,334,400	1,526,100	1,960,700
SUBTOTAL - Other Appropriated Funds	1,334,400	1,526,100	1,960,700
SUBTOTAL - Appropriated Funds	**1,334,400**	**1,526,100**	**1,960,700**
TOTAL - ALL SOURCES	1,334,400	1,526,100	1,960,700

AGENCY DESCRIPTION — The Arizona Board of Osteopathic Examiners in Medicine and Surgery 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. The Board's Executive Director and staff are also responsible for the administrative duties of the Board of Genetic Counselors that licenses and regulates professionals providing genetic counseling.

FOOTNOTES

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

Operating Budget

The budget includes $1,960,700 and 15.0 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2027 for the operating budget. Adjustments are as follows:

Additional Staff

The budget includes an increase of $400,000 and 5 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2027 for additional staff.

Statewide Adjustments

The budget includes an increase of $34,600 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Board of Genetic Counselors

Laws 2026, Chapter 210 establishes a 9 member Board of Genetic Counselors for the purpose of licensing and regulating professionals who provide genetic counseling. Genetic counselors order and review genetic testing as well as medical records to provide a patient with insight into the likelihood of inherited or genetically influenced medical conditions. The Executive Director and the personnel of the Arizona Board of Osteopathic Examiners are to provide administrative support to the Board of Genetic Counselors. Chapter 210 establishes the appropriated Genetic Counselors Board Fund consisting of fees from licensure and civil penalties. Ten percent of revenue is to be deposited in the General Fund. The FY 2027 budget does not include an appropriation from this fund. The legislation requires rulemaking for the licensure and associated fees to be completed by October 1, 2026.

Arizona State Parks Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	167.0	169.0	180.0
Personal Services	7,203,400	7,176,700	7,754,900
Employee Related Expenditures	3,126,000	3,135,000	3,900,300
Professional and Outside Services	95,100	25,000	25,000
Travel - In State	835,300	14,000	14,000
Travel - Out of State	800	0	0
Other Operating Expenditures	5,070,300	7,301,800	6,849,700
Equipment	346,500	25,000	25,000
OPERATING SUBTOTAL	**16,677,400**	**17,677,500**	**18,568,900** 1/
SPECIAL LINE ITEMS			
Arizona State Parks Heritage Fund Deposit	0	1,000,000	0
Arizona Trail Fund Deposit	100,000	0	0
Broadband Infrastructure Operations and Maintenance	0	242,100	242,100
Kartchner Caverns State Park	2,484,300	2,587,700	2,659,300
State Lake Improvement Fund Deposit	0	1,500,000	0
State Parks Store	1,497,700	1,530,200	1,540,300
Veterans Memorial Park Feasibility Study	51,000	0	0
Veterans Memorial Park Purchase	0	0	0 2/
Water and Wastewater Infrastructure Operations and Maintenance	0	541,000	541,000
AGENCY TOTAL	**20,810,400**	**25,078,500**	**23,551,600** 3/4/5/
FUND SOURCES			
General Fund	100,000	2,500,000	0
Other Appropriated Funds			
Off-Highway Vehicle Recreation Fund	16,700	16,700	16,700
State Park Store Fund	1,497,700	1,530,200	1,540,300
State Parks Revenue Fund	19,196,000	21,031,600	21,994,600
SUBTOTAL - Other Appropriated Funds	20,710,400	22,578,500	23,551,600
SUBTOTAL - Appropriated Funds	**20,810,400**	**25,078,500**	**23,551,600**
Other Non-Appropriated Funds	8,146,400	20,481,200	20,481,200
Federal Funds	1,227,500	14,418,300	14,418,300
TOTAL - ALL SOURCES	30,184,300	59,978,000	58,451,100

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/ 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 and Catalina state park is appropriated to the Arizona state parks board from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes. (General Appropriations Act footnote)

2/ The $10,000,000 appropriated to the Arizona state parks board by Laws 2023, chapter 199, section 6 in fiscal year 2023-2024 for a veterans memorial state park is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2028. (General Appropriations Act footnote)

3/ If monies are available for land and water conservation grant funding to the Arizona state parks board for capital projects in fiscal year 2026-2027, the board shall report its revised expenditure plans to the joint committee on capital review and the governor's office of strategic planning and budgeting. (General Appropriations Act footnote)

4/ If federal historic preservation fund grant monies are unavailable to the state historic preservation office in federal fiscal year 2026-2027, the Arizona state parks board may spend up to $1,400,000 of the monies in the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes, to pay for the state historic preservation office's operating expenses. Before spending any monies from the state parks revenue fund for state historic preservation office operating expenses, the Arizona state parks board shall report its expenditure plan to the joint legislative budget committee. (General Appropriations Act footnote)

5/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $18,568,900 and 144.2 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
State Parks Revenue Fund (SPRF)	$18,552,200
Off-Highway Vehicle Recreation Fund	16,700

Adjustments are as follows:

Remove One-Time Family Campout Costs

The budget includes a decrease of $(231,000) from SPRF in FY 2027 for removal of one-time equipment costs associated with expanding the Family Campout Program, which teaches basic camping skills to families with little to no camping experience.

Hire New Parks Staff

The budget includes an increase of $996,600 and 11 FTE Positions from SPRF in FY 2027 to fill 6 park ranger FTE positions and 5 water operator FTE positions.

Statewide Adjustments

The budget includes an increase of $125,800 from SPRF in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Parks Heritage Fund Deposit

The budget includes no funding in FY 2027 for the Arizona State Parks Heritage Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 for removal of a one-time deposit into the Arizona State Parks Heritage Fund.

Pursuant to a General Appropriations Act footnote, FY 2026 monies in this line item may not be used to purchase property.

Arizona Trail Fund Deposit

The budget includes no funding in FY 2027 for the Arizona Trail Fund Deposit line item. This amount is unchanged from FY 2026.

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.

This project was funded on a one-time basis in FY 2022 through FY 2025 at varying levels.

Broadband Infrastructure Operations and Maintenance

The budget includes $242,100 from SPRF in FY 2027 for the Broadband Infrastructure Operations and Maintenance line item. This amount is unchanged from FY 2026.

Monies in this line item are used to pay ongoing operations and maintenance costs associated with broadband internet projects at several state parks. The projects were originally funded by federal American Rescue Plan Act (ARPA) monies.

Kartchner Caverns State Park

The budget includes $2,659,300 and 35.8 FTE Positions from SPRF in FY 2027 for Kartchner Caverns State Park. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $71,600 from SPRF in FY 2027 for statewide adjustments.

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 budget includes no funding in FY 2027 for the State Lake Improvement Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of $(1,500,000) from the General Fund in FY 2027 for removal of a one-time deposit into 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 budget includes $1,540,300 from the State Park Store Fund in FY 2027 for the State Parks Store line item. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $10,100 from the State Park Store Fund in FY 2027 for statewide adjustments.

Monies in the State Parks Store line item are used to operate and maintain state-owned giftshops.

Veterans Memorial Park Feasibility Study

The budget includes no funding in FY 2027 for a Veterans Memorial Park Feasibility Study. This amount is unchanged from FY 2026.

The FY 2024 budget included $10,000,000 from SPRF to purchase land for a new Arizona Veterans Memorial Park. Monies in this line item fund a study to evaluate the feasibility of constructing various proposed facilities on the land purchased with the FY 2024 appropriation.

Veterans Memorial Park Purchase

The budget includes no funding in FY 2027 for a Veterans Memorial Park Purchase. This amount is unchanged from FY 2026.

Laws 2023, Chapter 199 appropriated $10,000,000 from SPRF in FY 2024 to establish a new state park near the Arizona Veterans National Cemetery in Cave Creek. Chapter 199 also allows the board to enter into an Intergovernmental Agreement with Maricopa County for the maintenance and preservation of the park and requires ASPB to receive approval from the Joint Committee on Capital Review for the design and construction of the park.

An FY 2027 budget footnote extends the lapse date of the $10,000,000 appropriation to June 30, 2028.

Water and Wastewater Infrastructure Operations and Maintenance

The budget includes $541,000 from SPRF in FY 2027 for the Water and Wastewater Infrastructure Operations and Maintenance line item. This amount is unchanged from FY 2026.

Monies in this line item fund ongoing operations and maintenance costs associated with wastewater projects at several state parks. The projects were originally funded by federal ARPA monies.

Other Issues

State Parks Operations

As of July 2026, 30 state parks and natural areas are open to the public. Twenty-six 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.)*

Other Issues

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
State Parks Revenue Fund	$8,600,000

SPRF Support for the Arizona Historical Society

The FY 2027 budget for the Arizona Historical Society (AHS) includes a footnote allowing up to $549,600 from SPRF for AHS's operating expenses if the AHS Donations Fund-Unrestricted balance is less than $300,000 in FY 2027. (*For additional information and provisions, please see the narrative for the Arizona Historical Society.*

State Personnel Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2.0	2.0	2.0
Personal Services	130,500	144,900	144,900
Employee Related Expenditures	65,800	85,000	90,300
Professional and Outside Services	77,800	90,000	90,000
Other Operating Expenditures	41,600	50,000	55,500
AGENCY TOTAL	**315,700**	**369,900**	**380,700** 1/
FUND SOURCES			
Other Appropriated Funds			
Personnel Board Subaccount of the Personnel Division Fund	315,700	369,900	380,700
SUBTOTAL - Other Appropriated Funds	315,700	369,900	380,700
SUBTOTAL - Appropriated Funds	**315,700**	**369,900**	**380,700**
TOTAL - ALL SOURCES	315,700	369,900	380,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $380,700 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $10,800 from the Personnel Board Subaccount of the Personnel Division Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Arizona State Board of Pharmacy

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	21.0	26.4	26.4
Personal Services	1,881,300	2,084,200	2,264,100
Employee Related Expenditures	711,700	893,300	730,600
Professional and Outside Services	134,600	157,000	157,000
Travel - In State	87,000	65,200	65,200
Travel - Out of State	4,700	4,200	4,200
Other Operating Expenditures	317,900	516,800	472,800
Equipment	4,000	33,300	33,300
OPERATING SUBTOTAL	**3,141,200**	**3,754,000**	**3,727,200**
SPECIAL LINE ITEMS			
Annual Leave Payout	19,400	0	0
Prescriber Report Card	50,000	50,000	50,000
AGENCY TOTAL	**3,210,600**	**3,804,000**	**3,777,200** 1/
FUND SOURCES			
Other Appropriated Funds			
Arizona State Board of Pharmacy Fund	3,210,600	3,804,000	3,777,200
SUBTOTAL - Other Appropriated Funds	3,210,600	3,804,000	3,777,200
SUBTOTAL - Appropriated Funds	**3,210,600**	**3,804,000**	**3,777,200**
Other Non-Appropriated Funds	2,059,000	2,100,000	2,100,000
TOTAL - ALL SOURCES	5,269,600	5,904,000	5,877,200

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $3,727,200 and 26.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2027 for the operating budget. Adjustments are as follows:

Remove One-Time Investigator Costs

The budget includes a decrease of $(60,100) from the Arizona State Board of Pharmacy Fund in FY 2027 for the elimination of one-time field investigator costs.

Statewide Adjustments

The budget includes an increase of $33,300 from the Arizona State Board of Pharmacy Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

An FY 2026 budget footnote extended the use of $190,500 from the board's FY 2023 appropriation until June 30, 2026, for the purpose of e-licensing system upgrades.

Prescriber Report Card

The budget includes $50,000 from the Arizona State Board of Pharmacy Fund in FY 2027 for the Prescriber Report Card program. This amount is unchanged from FY 2026.

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.

Annual Leave Payout

The budget includes no funding from the Arizona State Board of Pharmacy Fund in FY 2027 for an Annual Leave Payout. These amounts are unchanged from FY 2026.

The FY 2025 appropriation of $64,600 for the annual leave payout is non-lapsing. As of FY 2026, $45,200 of the appropriation remains.

Other Issues

Auditor General Report

In September 2025, the Auditor General published a performance audit and sunset review of the Arizona State Board of Pharmacy. The audit evaluated the Board's licensing, investigations, appropriateness of fees, and availability of public information. As relates to budget implications, the Auditor General recommends the Board:

- perform a comprehensive analysis to see if individual fees align with costs of providing a regulatory service.
- refund permit or license fees when regulatory time frames are not met.

The Auditor General also evaluated the Board's Controlled Substances Prescription Monitoring Program (CSPMP) compliance. Statute requires prescribers of controlled substances to register with the CSPMP and utilize the database when prescribing such substances. The Auditor General found that the Board needs to improve the identification and reporting of CSPMP non-compliance to licensing boards. In addition, the report found that few licensing boards investigated or disciplined violators. As described in the *FY 2027 Baseline*, the Auditor General made recommendations with potential budget implications for improvements to the CSMPM processes. The Board agreed with the audit findings and plans to implement or implement in a different manner all the recommendations directed to it.

Laws 2026, Chapter 94 modified the CSPMP program requirements to improve compliance.

Board of Physical Therapy

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.5	4.5
Personal Services	249,900	235,600	235,600
Employee Related Expenditures	102,900	138,700	152,500
Professional and Outside Services	67,400	68,600	68,600
Travel - Out of State	0	2,100	2,100
Other Operating Expenditures	93,200	174,400	171,600
Equipment	31,900	5,000	5,000
AGENCY TOTAL	**545,300**	**624,400**	**635,400** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Physical Therapy Fund	545,300	624,400	635,400
SUBTOTAL - Other Appropriated Funds	545,300	624,400	635,400
SUBTOTAL - Appropriated Funds	**545,300**	**624,400**	**635,400**
TOTAL - ALL SOURCES	545,300	624,400	635,400

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $635,400 and 4.5 FTE Positions from the Board of Physical Therapy Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $11,000 from the Board of Physical Therapy Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Arizona Pioneers' Home

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	107.3	107.3	107.3
Personal Services	4,752,300	5,389,100	5,389,100
Employee Related Expenditures	1,792,700	1,971,900	2,172,200
Professional and Outside Services	81,800	244,500	244,500
Travel - In State	38,600	42,500	42,500
Other Operating Expenditures	1,188,800	1,493,400	1,410,400
Equipment	17,500	19,400	19,400
AGENCY TOTAL	**7,871,700**	**9,160,800**	**9,278,100** 1/2/
FUND SOURCES			
Other Appropriated Funds			
Miners' Hospital for Miners with Disabilities Land Fund	1,743,400	2,897,000	2,811,500
State Charitable Fund	6,128,300	6,263,800	6,466,600
SUBTOTAL - Other Appropriated Funds	7,871,700	9,160,800	9,278,100
SUBTOTAL - Appropriated Funds	**7,871,700**	**9,160,800**	**9,278,100**
Other Non-Appropriated Funds	19,100	22,100	22,100
TOTAL - ALL SOURCES	7,890,800	9,182,900	9,300,200

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 up to 125 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 Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $9,278,100 and 107.3 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
Miners' Hospital for Miners with Disabilities Land Fund	$2,811,500
State Charitable Fund	6,466,600

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $117,300 in FY 2027 for statewide adjustments. This amount consists of:

Miners' Hospital for Miners with Disabilities Land Fund	(85,500)
State Charitable Fund	202,800

(Please see the Agency Detail and Allocations section.)

State Board of Podiatry Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	108,500	95,400	95,400
Employee Related Expenditures	34,400	39,000	41,500
Professional and Outside Services	2,800	5,500	5,500
Travel - In State	500	2,200	2,200
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	38,200	60,600	60,800
AGENCY TOTAL	**184,400**	**204,200**	**206,900** 1/
FUND SOURCES			
Other Appropriated Funds			
Podiatry Fund	184,400	204,200	206,900
SUBTOTAL - Other Appropriated Funds	184,400	204,200	206,900
SUBTOTAL - Appropriated Funds	**184,400**	**204,200**	**206,900**
TOTAL - ALL SOURCES	184,400	204,200	206,900

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $206,900 and 1 FTE Position from the Podiatry Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $2,700 from the Podiatry Fund in FY 2027 for statewide adjustments.
(Please see Agency Detail and Allocations section.)

Arizona Power Authority

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	21,239,900	21,282,900	21,282,900
TOTAL - ALL SOURCES	21,239,900	21,282,900	21,282,900

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.

State Board for Private Postsecondary Education

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	252,400	248,000	248,000
Employee Related Expenditures	100,600	88,400	96,800
Professional and Outside Services	10,200	28,000	28,000
Travel - In State	900	1,000	1,000
Travel - Out of State	5,500	6,000	6,000
Other Operating Expenditures	30,700	146,100	146,400
Equipment	1,800	40,000	40,000
AGENCY TOTAL	**402,100**	**557,500**	**566,200** 1/
FUND SOURCES			
Other Appropriated Funds			
Board for Private Postsecondary Education Fund	402,100	557,500	566,200
SUBTOTAL - Other Appropriated Funds	402,100	557,500	566,200
SUBTOTAL - Appropriated Funds	**402,100**	**557,500**	**566,200**
Other Non-Appropriated Funds	298,900	298,900	298,900
TOTAL - ALL SOURCES	701,000	856,400	865,100

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $566,200 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $8,700 from the Board for Private Postsecondary Education Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

The spending plan associated with the FY 2026 budget included $100,000 each year beginning in FY 2026 and ending in FY 2030 for a record digitization project. The FY 2031 Baseline will remove this funding.

State Board of Psychologist Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4.5	5.5	5.5
Personal Services	319,000	456,600	456,600
Employee Related Expenditures	164,700	233,500	256,300
Professional and Outside Services	47,500	72,200	72,200
Travel - In State	400	500	500
Travel - Out of State	2,800	7,800	7,800
Other Operating Expenditures	74,300	81,200	82,100
Equipment	15,800	20,800	20,800
AGENCY TOTAL	**624,500**	**872,600**	**896,300** 1/
FUND SOURCES			
Other Appropriated Funds			
Behavior Analyst Licensing & Regulation Account	132,300	396,400	402,900
Board of Psychologist Examiners Fund	492,200	476,200	493,400
SUBTOTAL - Other Appropriated Funds	624,500	872,600	896,300
SUBTOTAL - Appropriated Funds	**624,500**	**872,600**	**896,300**
TOTAL - ALL SOURCES	624,500	872,600	896,300

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $896,300 and 5.5 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
Behavior Analyst Licensing & Regulation Account	$402,900
Board of Psychologist Examiners Fund	493,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $23,700 in FY 2027 for statewide adjustments. This amount consists of:

Behavior Analyst Licensing & Regulation Account	6,500
Board of Psychologist Examiners Fund	17,200

(Please see the Agency Detail and Allocations section.)

The FY 2027 budget includes the Board of Psychologist Examiners Fund and the Behavior Analyst Licensing and Regulation Account as 2 separate funds. Prior to the FY 2026 budget, the Behavior analyst sub-account was included within and appropriated from the Board of Psychologist Examiners Fund.

Department of Public Safety

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2,167.7	2,178.7	2,192.7
Personal Services	143,401,300	156,985,200	158,191,100
Employee Related Expenditures	58,388,800	66,991,800	71,933,100
Professional and Outside Services	5,037,900	5,424,300	5,058,300
Travel - In State	580,800	581,400	581,400
Travel - Out of State	658,100	657,800	657,800
Other Operating Expenditures	51,122,500	54,580,500	50,540,000
Equipment	12,586,000	13,952,800	13,952,800
OPERATING SUBTOTAL	**271,775,400**	**299,173,800** 1/	**300,914,500**
SPECIAL LINE ITEMS			
ACTIC	2,011,500	3,632,700	2,132,700
Anti-Human Trafficking Grant Fund Deposit	0	1,600,000	0
AZPOST	6,098,600	6,100,000	8,531,200
Border Drug Interdiction	1,963,800 2/	18,103,200	18,480,600
Civil Air Patrol Maintenance and Operations	144,000	250,000	250,000
DPS Crime Lab Assistance	200,000	200,000	0
Fentanyl Prosecution, Diversion and Testing Fund Deposit	0	0	0
GIITEM	20,991,200	26,014,800	26,565,000 3/4/
GIITEM Subaccount	1,608,700	2,396,400	2,430,700
Local Border Support	4,997,000 5/	18,232,900	13,232,900 6/7/
Major Incident Division	8,245,100	16,197,700	16,444,800 8/
Motor Vehicle Fuel	4,528,700	5,454,600	5,454,600
One-Time Vehicle Replacement	0	8,667,500	15,540,300 9/
Pharmaceutical Diversion and Drug Theft Task Force	638,600	668,400	691,200
Public Safety Equipment	2,015,600	2,890,000	2,890,900
Scrap Metal Dealer Enforcement and Compliance	0	0	250,000
Sex Offender Management Board Administration	0	400,000	0
Victims of Crimes Grants	0	0	9,300,000
Yuma County Family Advocacy Center Distribution	0	750,000 10/	0
AGENCY TOTAL	**325,218,200**	**410,732,000**	**423,109,400** 11/12/13/
FUND SOURCES			
General Fund	252,390,100	314,026,800	309,788,700
Other Appropriated Funds			
Arizona Highway Patrol Fund	26,962,900	32,726,400	60,258,000
Border Security Fund	0	10,900,000	0
Concealed Weapons Permit Fund	3,202,500	3,393,900	3,439,400
Criminal Justice Enhancement Fund	2,556,100	2,964,300	2,963,800
DPS Forensics Fund	19,093,300	22,512,400	22,510,700
Fingerprint Clearance Card Fund	1,884,100	2,046,400	2,044,700
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	1,608,700	2,396,400	2,430,700
Motor Vehicle Liability Insurance Enforcement Fund	1,003,300	968,300	964,600
Motorcycle Safety Fund	198,900	198,900	198,900
Parity Compensation Fund	3,156,800	4,549,000	4,532,400
Public Safety Equipment Fund	2,019,600	2,894,000	2,894,900
Risk Management Revolving Fund	1,141,900	1,155,200	1,082,600
State Highway Fund	10,000,000	10,000,000	10,000,000

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
SUBTOTAL - Other Appropriated Funds	72,828,100	96,705,200	113,320,700
SUBTOTAL - Appropriated Funds	**325,218,200**	**410,732,000**	**423,109,400**
Other Non-Appropriated Funds	65,495,500	64,055,900	64,655,900
Federal Funds	57,508,900	69,697,100	65,257,400
TOTAL - ALL SOURCES	448,222,600	544,485,000	553,022,700

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/ This appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. This footnote applies to the $4,750,000 FY 2026 supplemental appropriation from the Arizona Highway Patrol Fund included in the budget. (General Appropriations Act footnote)

2/ In addition to the $1,963,800 expended, Laws 2024, Chapter 209, Section 3 amends the FY 2023 General Appropriation Act to allocate $15,444,300 from the non-appropriated Border Security Fund to DPS in FY 2025 for Border Drug Interdiction.

3/ Of the $26,565,000 appropriated to the GIITEM line item, only $1,203,400 is deposited in the GIITEM fund established by section 41-1724, Arizona Revised Statutes, and is appropriated for the purposes of that section. The $1,203,400 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 Appropriations Act footnote, as adjusted for statewide allocations)

4/ Of the $26,565,000 appropriated to the GIITEM line item, $14,711,100 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 Appropriations Act footnote, as adjusted for statewide allocations)

5/ In addition to the $4,997,000 expended, Laws 2024, Chapter 209, Section 3 amends the FY 2023 General Appropriations Act to allocate $12,232,900 from the non-appropriated Border Security Fund to DPS in FY 2025 for Local Border Support.

6/ The $13,232,900 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 Appropriations Act footnote)

7/ On or before September 1, 2026, 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 Appropriations Act footnote)

8/ 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 Appropriations Act footnote)

9/ The appropriation made for the onetime vehicle replacement line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2029. (General Appropriations Act footnote)

10/ The appropriation made by Laws 2025, chapter 233, section 77 in fiscal year 2025-2026 for the Yuma county family advocacy center distribution line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. The department must enter into a new agreement with the recipient of the monies appropriated by the Yuma county family advocacy center line item to distribute any remaining funding from the appropriation. (General Appropriations Act footnote)

11/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

12/ Any monies remaining in the department of public safety joint account on June 30, 2027 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriations Act footnote)

13/ Of the amount appropriated in the total appropriation for the department of public safety, $190,242,200 is designated for personal services and $88,349,700 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 Appropriations Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes $300,914,500 and 1,899.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$223,901,300
Arizona Highway Patrol Fund	29,406,400
Concealed Weapons Permit Fund	3,439,400
Criminal Justice Enhancement Fund (CJEF)	2,829,500
DPS Forensics Fund	22,510,700
Fingerprint Clearance Card Fund	2,044,700
Motor Vehicle Liability Insurance Enforcement Fund	964,600
Motorcycle Safety Fund	198,900
Parity Compensation Fund	4,532,400
Public Safety Equipment Fund	4,000
Risk Management Revolving Fund	1,082,600
State Highway Fund	10,000,000

Adjustments are as follows:

Emergency Management Grant Support Staff

The budget includes an increase of $472,600 and 5 FTE Positions from the Arizona Highway Patrol Fund in FY 2027 to add grant support staff for emergency management grants. These new positions will provide additional capacity and support to the Department of Emergency and Military Affairs (DEMA) for processing new federal reimbursements.

Lieutenant Governor Security Staff

The budget includes an increase of $705,300 and 2 FTE Positions from the General Fund in FY 2027 to add security personnel for the Office of the Lieutenant Governor. This position was created by a 2024 ballot proposition effective January 1, 2027. Of this amount, $281,300 is one-time for equipment related costs.

Named Claimants

The budget includes a decrease of $(366,000) from the General Fund in FY 2027 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

One-Time Aircraft Maintenance Funding

The budget includes a one-time increase of $2,079,200 from the Arizona Highway Patrol Fund in FY 2027 for one-time aircraft maintenance funding. The funding will be used to cover additional aircraft maintenance needs, including rescue hoist, mast, and bleed valve overhauls, engine overhauls, propeller overhauls, and landing gear overhauls for department aircraft.

Redaction Processing Staff

The budget includes an increase of $446,800 and 5 FTE Positions from the Arizona Highway Patrol Fund in FY 2027 to add staff to assist with processing redaction requests. Of this amount, $131,700 is one-time for equipment related costs.

Wellness Care Program Funding

The budget includes an increase of $1,595,300 from the Arizona Highway Patrol Fund in FY 2027 to establish a wellness and crisis care program intended to provide tailored mental health support for law enforcement. Of this amount, $57,500 is one-time for equipment related costs.

Remove One-Time Microwave Backbone Northern Loop Funding

The budget includes a decrease of $(1,300,000) from the Arizona Highway Patrol Fund in FY 2027 to remove one-time funding for an inflationary increase in costs to upgrade the microwave backbone northern loop.

Remove One-Time Aircraft Maintenance Funding

The budget includes a decrease of $(693,000) from the Arizona Highway Patrol Fund in FY 2027 to remove one-time funding for aircraft maintenance funding.

Remove One-Time Recruitment Funding
The budget includes a decrease of $(150,000) from the General Fund in FY 2027 to remove one-time funding for recruitment.

Remove One-Time Supplemental Increase
The budget includes a decrease of $(4,750,000) from the Arizona Highway Patrol Fund in FY 2027 for the removal of an FY 2026 supplemental increase. *(Please see the Other Issues section for further details.)*

Statewide Adjustments
The budget includes an increase of $3,700,500 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	2,950,200
Arizona Highway Patrol Fund	801,600
Concealed Weapons Permit Fund	45,500
Criminal Justice Enhancement Fund (CJEF)	(500)
DPS Forensics Fund	(1,700)
Fingerprint Clearance Card Fund	(1,700)
Motor Vehicle Liability Insurance Enforcement Fund	(3,700)
Parity Compensation Fund	(16,600)
Risk Management Revolving Fund	(72,600)

(Please see the Agency Detail and Allocations section.)

ACTIC

The budget includes $2,132,700 from the General Fund in FY 2027 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). Adjustments are as follows:

Remove One-Time ACTIC Increase
The budget includes a decrease of $(1,500,000) from the General Fund in FY 2027 to remove one-time additional ACTIC funding.

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.

Anti-Human Trafficking Grant Fund Deposit

The budget includes no funding in FY 2027 for the Anti-Human Trafficking Grant Fund Deposit. Adjustments are as follows:

Remove One-Time Anti-Human Trafficking Grant Fund Deposit
The budget includes a decrease of $(1,600,000) from the General Fund in FY 2027 to remove one-time funding for a deposit into the Anti-Human Trafficking Grant Fund.

In the FY 2023 budget, the Anti-Human Trafficking Grant Fund was established and received a $10,000,000 deposit from the Border Security Fund. Those dollars were allocated as follows: 1) $2,000,000 to DPS for the ACTIC line item, and 2) $8,000,000 as grants to local law enforcement agencies.

In the FY 2024 budget, the Anti-Human Trafficking Grant Fund received a $10,000,000 deposit from the General Fund. Those dollars were allocated as follows: 1) $2,000,000 to DPS for the ACTIC line item, and 2) $8,000,000 as grants to local law enforcement agencies, not to exceed $500,000 per agency.

The FY 2026 budget added $1,600,000 from the General Fund to the Anti-Human Trafficking Grant Fund, totaling $21,600,000 in deposited funding since the fund's inception.

The FY 2026 Criminal Justice Budget Reconciliation Bill (BRB) transferred the administration of the Anti-Human Trafficking Grant Fund from DEMA to DPS. The fund is used for grants to local entities for anti-human trafficking efforts.

AZPOST

The budget includes $8,531,200 and 31 FTE Positions from the General Fund in FY 2027 for the Arizona Peace Officer Standards and Training Board (AZPOST). Adjustments are as follows:

One-Time AZPOST Reimbursement Funding
The budget includes a one-time increase of $2,045,000 from the Arizona Highway Patrol Fund in FY 2027 for statewide reimbursements to cadets who complete their peace officer certification training.

Statewide Adjustments
The budget includes an increase of $386,200 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $18,480,600 and 58.5 FTE Positions in FY 2027 for Border Drug Interdiction. These amounts consist of:

General Fund	7,580,600
Arizona Highway Patrol Fund	10,900,000

Adjustments are as follows:

One-Time Arizona Highway Patrol Fund Budget Shift
The budget includes a one-time increase of $10,900,000 from the Arizona Highway Patrol Fund and a corresponding decrease of $(10,900,000) from the Border Security Fund in FY 2027 for an Arizona Highway Patrol Fund budget shift. This fund shift is intended to continue General Fund savings in FY 2027. The budget's 3-year spending plan restores the General Fund amount in FY 2028.

Statewide Adjustments
The budget includes an increase of $377,400 from the General Fund in FY 2027 for statewide adjustments.

The FY 2026 budget included an increase of $10,900,000 from the Border Security Fund and a corresponding decrease of $(10,900,000) from the General Fund in FY 2026 for a two-year fund shift. As noted above, the shift continues in FY 2027 but with a different fund.

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 Maintenance and Operations

The budget includes $250,000 in FY 2027 for funding of the Civil Air Patrol (CAP) Maintenance and Operations. These amounts consist of:

General Fund	144,000
Arizona Highway Patrol Fund	106,000

Adjustments are as follows:

One-Time Civil Air Patrol Maintenance Increase
The budget includes a one-time increase of $106,000 from the Arizona Highway Patrol Fund in FY 2027 for additional civil air patrol maintenance and operations funding.

Remove One-Time Civil Air Patrol Maintenance Increase
The budget includes a decrease of $(106,000) from the General Fund in FY 2027 to remove one-time additional civil air patrol maintenance and operations funding.

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 budget includes no funding in FY 2027 for DPS Crime Lab Assistance. Adjustments are as follows:

Remove One-Time DPS Crime Lab Assistance
The budget includes a decrease of $(200,000) from the General Fund in FY 2027 to remove one-time funding for DPS crime lab assistance. The FY 2024 budget's 3-year spending plan funded this line item on a one-time basis from FY 2024 through FY 2026.

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 budget includes no funding in FY 2027 for the Fentanyl Prosecution, Diversion and Testing Fund Deposit. This amount is unchanged from FY 2026.

Created by the FY 2024 Criminal Justice Budget Reconciliation Bill (BRB), the non-appropriated 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. The FY 2026 Criminal Justice BRB extends the fund until June 30, 2027. The FY 2024 budget deposited $3,000,000 into the fund from the General Fund. The department reports expenditures of $2,642,000 from the fund through FY 2025. Since the fund is non-appropriated, these expenditures do not appear in the table above.

GIITEM

The budget includes $26,565,000 and 136.8 FTE Positions in FY 2027 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

General Fund	26,182,000
Arizona Highway Patrol Fund	383,000

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $550,200 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	535,200
Arizona Highway Patrol Fund	15,000

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) $14,711,100 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) $1,203,400 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 enforcement efforts, 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 $703,400 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 budget includes $2,430,700 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2027 for the GIITEM Subaccount, to be used for equipment and supplies for border security. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $34,300 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2027 for statewide adjustments.

The GIITEM Border Security and Law Enforcement Subaccount receives $4 of a $13 criminal fee. These revenues are estimated to total $1,863,200 in FY 2027. 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 2026 GIITEM Subaccount expenditure plan. The plan includes $420,000 for detention liaison officers, $576,400 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit, and $800,000 for grants to county sheriffs for border security.

Local Border Support

The budget includes $13,232,900 from the General Fund in FY 2027 for the costs of Local Border Support. Adjustments are as follows:

Remove One-Time Local Border Support Funding

The budget includes a decrease of $(5,000,000) from the General Fund in FY 2027 to remove one-time funding for additional Local Border 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 budget includes $16,444,800 and 60 FTE Positions from the General Fund in FY 2027 for the Major Incident Division (MID). Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $247,100 from the General Fund in FY 2027 for statewide adjustments.

MID 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. Monies from this line item are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The FY 2025 Criminal Justice BRB shifted the MID effective date from FY 2026 to FY 2028. The FY 2027 Criminal Justice BRB shifts the MID effective date from FY 2028 to FY 2029. The department has already hired positions for the new division and the delayed effective date will allow the department to train the personnel in preparation for these duties.

Motor Vehicle Fuel

The budget includes $5,454,600 in FY 2027 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
Arizona Highway Patrol Fund	936,100
CJEF	134,300

This amount is unchanged from FY 2026.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

One-Time Vehicle Replacement

The budget includes $15,540,300 from the Arizona Highway Patrol Fund in FY 2027 for the One-Time Vehicle Replacement line item. Adjustments are as follows:

One-Time Vehicle Replacement Funding
The budget includes a one-time increase of $15,540,300 from the Arizona Highway Patrol Fund in FY 2027 to replace vehicles. This funding is expected to replace at least 183 vehicles. The department intends to purchase 47 Highway Patrol vehicles and 136 vehicles for other department functions.

Remove One-Time Vehicle Replacement Funding
The budget includes a decrease of $(8,667,500) from the General Fund in FY 2027 to remove one-time funding to replace vehicles.

The FY 2027 appropriation is exempt from lapsing through FY 2029.

Pharmaceutical Diversion and Drug Theft Task Force

The budget includes $691,200 and 3 FTE Positions from the Arizona Highway Patrol Fund in FY 2027 for the Pharmaceutical Diversion and Drug Theft Task Force. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $22,800 from the Arizona Highway Patrol Fund in FY 2027 for statewide adjustments.

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The budget includes $2,890,900 from the Public Safety Equipment Fund in FY 2027 for sworn officers. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $900 from the Public Safety Equipment Fund in FY 2027 for statewide adjustments.

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.

Scrap Metal Dealer Enforcement and Compliance

The budget includes $250,000 and 2 FTE Positions from the Arizona Highway Patrol Fund in FY 2027 for the Scrap Metal Dealer Enforcement and Compliance line item. Adjustments are as follows:

Scrap Metal Dealer Enforcement Staffing Funding
The budget includes an increase of $250,000 and 2 FTE Positions from the Arizona Highway Patrol Fund in FY 2027 for funding to staff the enforcement and compliance of scrap metal dealers.

This line item provides funding for the department to staff the enforcement and compliance of scrap metal dealers. A.R.S. 44-1641.03 requires the department to register scrap metal dealers in the state. Funding in this line item is intended to assist with costs associated with reviewing and ensuring scrap metal dealers are in compliance with state laws and regulations.

Sex Offender Management Board Administration

The budget includes no funding and 2 FTE Positions in FY 2027 for the Sex Offender Management Board Administration line item. Adjustments are as follows:

Remove One-Time Board Administration Funding
The budget includes a decrease of $(400,000) from the General Fund in FY 2027 to remove one-time funding to administer the Sex Offender Management Board.

This line item provides funding for the department to administer the Sex Offender Management Board. The board is charged with developing and prescribing standard procedures for evaluating, monitoring and treating sex offenders in the criminal justice system. The appropriation is exempt from lapsing through FY 2027.

Victims of Crimes Grants

The budget includes $9,300,000 from the General Fund in FY 2027 for the Victims of Crimes Grants line item. Adjustments are as follows:

Victims of Crimes Grants Funding
The budget includes an increase of $9,300,000 from the General Fund in FY 2027 to provide additional grant funding for Victims of Crime Act (VOCA) program.

This line item provides funding for the department to backfill the decline in federal funding received from the Victims of Crime Act (VOCA) program. The department grants monies received from the VOCA program to local governments and non-profit organizations that provide assistance to victims of crime through services such as domestic violence shelters and rape crisis centers.

In prior years, this program received one-time federal funds.

Yuma County Family Advocacy Center Distribution

The budget includes no funding in FY 2027 for the Yuma County Family Advocacy Center Distribution line item. Adjustments are as follows:

Remove One-Time Yuma County Advocacy Center Distribution
The budget includes a decrease of $(750,000) from the General Fund in FY 2027 to remove one-time funding to distribute to Yuma County for a family advocacy center.

This line item included a footnote stating the monies shall be allocated to an advocacy center in Yuma County that has provided support for domestic violence, sexual assault, child abuse and elderly abuse for at least twenty-five years. The funding is intended to backfill federal funding cuts to the victims of crime act of 1984 (P.L. 98-473; 98 Stat.2170).

The department required the family advocacy center to return any unused FY 2026 monies by the end of the fiscal year. The original intent was for these monies to be distributed to the center without a lapsing requirement. As a result, the FY 2027 budget includes a footnote which makes the FY 2026 appropriation non-lapsing. In addition, the footnote requires the department to enter into a new agreement with the recipient of the monies to distribute the remaining funds available from the FY 2026 appropriation.

Other Issues

This section includes information on the following topics:

- FY 2026 Supplementals
- Statutory Changes
- Long-Term Budget Impacts

FY 2026 Supplemental

The FY 2027 budget includes the following FY 2026 supplemental appropriations:

- $366,040.81 from the General Fund for a one-time named claimants appropriation. *(Please see the operating budget for further details.)*
- $4,750,000 from the Arizona Highway Patrol Fund for one-time operating expenses. A footnote makes this appropriation non-lapsing. *(Please see the operating budget for further details.)*

Statutory Changes

The Criminal Justice BRB makes the following statutory change:

- As permanent law, delays the full implementation of the Major Incident Division to FY 2029.

Long-Term Budget Impacts

As part of the FY 2027 budget's 3-year spending plan, the Department of Public Safety's General Fund costs are projected to increase by $10,616,900 in FY 2028 above FY 2027 and remain unchanged in FY 2029 relative to FY 2028. These estimates are based on the removal of one-time funding in FY 2028 and a shift from the Arizona Highway Patrol Fund to the General Fund in the Border Drug Interdiction line item in FY 2028. *(Please see the Border Drug Interdiction line item for further details.)*

Public Safety Personnel Retirement System

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
SPECIAL LINE ITEMS			
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	0 2/
AGENCY TOTAL	**6,000,000**	**6,000,000**	**5,000,000**
FUND SOURCES			
General Fund	6,000,000	6,000,000	5,000,000
SUBTOTAL - Appropriated Funds	**6,000,000**	**6,000,000**	**5,000,000**
Other Non-Appropriated Funds	27,055,300	33,815,100	33,815,100
TOTAL - ALL SOURCES	33,055,300	39,815,100	38,815,100

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 Appropriations 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 (Statutory Appropriation)

The budget includes $5,000,000 from the General Fund in FY 2027 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2026. *(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 are not included in the General Appropriations Act.

Prescott Fire Employer Group Deposit

The budget includes no funding in FY 2027 for deposit into the employer account of the Prescott Fire Department group. Adjustments are as follows:

Remove Fund Deposit

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove funding for deposit into the employer account of the Prescott Fire Department group.

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 are not included in the General Appropriations 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 was intended to offset these increased pension liabilities.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.

State Real Estate Department

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	37.0	37.0	37.0
Personal Services	1,660,600	1,782,200	1,782,200
Employee Related Expenditures	584,400	770,900	809,600
Professional and Outside Services	240,000	210,000	210,000
Travel - In State	800	10,000	10,000
Travel - Out of State	12,500	30,000	30,000
Other Operating Expenditures	492,700	316,200	457,600
Equipment	9,100	0	0
OPERATING SUBTOTAL	**3,000,100**	**3,119,300**	**3,299,400** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(78,000)
AGENCY TOTAL	**3,000,100**	**3,119,300**	**3,221,400** 2/
FUND SOURCES			
General Fund	3,000,100	3,119,300	3,221,400
SUBTOTAL - Appropriated Funds	**3,000,100**	**3,119,300**	**3,221,400**
Other Non-Appropriated Funds	119,100	6,500	6,500
TOTAL - ALL SOURCES	3,119,200	3,125,800	3,227,900

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/ The state real estate department's lump sum appropriation includes an ongoing increase of $140,100 beginning in fiscal year 2026-2027 for maintenance and operations expenses relating to the department's IT system. The legislature intends that this amount not be included in the calculation of the department's total appropriated budget for the purposes of section 32-2103, Arizona Revised Statutes, or otherwise result in the increase of any fee or assessment levied by the department.

2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $3,299,400 and 37 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Ongoing IT System Maintenance

The budget includes an increase of $140,100 from the General Fund in FY 2027 for the ongoing maintenance and operations expenses of the department's new IT system.

Statewide Adjustments

The budget includes an increase of $40,000 from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(78,000) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Residential Utility Consumer Office

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	12.0	14.5	14.5
Personal Services	870,000	1,086,300	1,086,300
Employee Related Expenditures	325,100	470,200	508,600
Professional and Outside Services	11,200	0	0
Travel - In State	800	7,000	7,000
Travel - Out of State	3,600	8,000	8,000
Other Operating Expenditures	192,800	230,700	230,900
Equipment	3,700	4,000	4,000
OPERATING SUBTOTAL	**1,407,200**	**1,806,200**	**1,844,800**
SPECIAL LINE ITEMS			
Professional Witnesses	134,900	145,000	145,000 1/
AGENCY TOTAL	**1,542,100**	**1,951,200**	**1,989,800** 2/
FUND SOURCES			
Other Appropriated Funds			
Residential Utility Consumer Office Revolving Fund	1,542,100	1,951,200	1,989,800
SUBTOTAL - Other Appropriated Funds	1,542,100	1,951,200	1,989,800
SUBTOTAL - Appropriated Funds	**1,542,100**	**1,951,200**	**1,989,800**
TOTAL - ALL SOURCES	1,542,100	1,951,200	1,989,800

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 Appropriations Act footnote)

2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $1,844,800 and 14.5 FTE Positions from the RUCO Revolving Fund in FY 2027 for the operating budget. These amounts are unchanged from FY 2026.

Statewide Adjustments

The budget includes an increase of $38,600 from the RUCO Revolving Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Professional Witnesses

The budget includes $145,000 from the RUCO Revolving Fund in FY 2027 for Professional Witnesses. This amount is unchanged from FY 2026.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

Board of Respiratory Care Examiners

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	181,700	197,400	197,400
Employee Related Expenditures	75,700	89,400	96,300
Professional and Outside Services	6,300	6,500	6,500
Travel - In State	700	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	62,400	123,700	124,600
Equipment	300	0	0
AGENCY TOTAL	**327,100**	**420,500**	**428,300** 1/
FUND SOURCES			
Other Appropriated Funds			
Board of Respiratory Care Examiners Fund	327,100	420,500	428,300
SUBTOTAL - Other Appropriated Funds	327,100	420,500	428,300
SUBTOTAL - Appropriated Funds	**327,100**	**420,500**	**428,300**
TOTAL - ALL SOURCES	327,100	420,500	428,300

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $428,300 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2027 for the operating budget.

Statewide Adjustments

The budget includes an increase of $7,800 from the Board of Respiratory Care Examiners Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Arizona State Retirement System

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	240.9	240.9	222.9
Personal Services	14,350,200	15,144,700	15,144,700
Employee Related Expenditures	5,781,600	5,959,000	6,618,000
Professional and Outside Services	3,388,800	3,584,500	3,584,500
Travel - In State	4,900	30,000	30,000
Travel - Out of State	21,500	49,000	49,000
Other Operating Expenditures	3,134,100	3,809,400	3,826,800
Equipment	103,000	389,500	389,500
AGENCY TOTAL	**26,784,100**	**28,966,100**	**29,642,500** 1/
FUND SOURCES			
Other Appropriated Funds			
Arizona State Retirement System Administration Account	25,458,800	27,166,100	27,842,500
Long-Term Disability Trust Fund Administration Account	1,325,300	1,800,000	1,800,000
SUBTOTAL - Other Appropriated Funds	26,784,100	28,966,100	29,642,500
SUBTOTAL - Appropriated Funds	**26,784,100**	**28,966,100**	**29,642,500**
Other Non-Appropriated Funds	354,607,700	300,680,600	314,504,000
TOTAL - ALL SOURCES	381,391,800	329,646,700	344,146,500

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $29,642,500 and 222.9 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
Arizona State Retirement System Administration Account	$27,842,500
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $676,400 from the Arizona State Retirement System Administration Account in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Other Issues

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for the Arizona State Retirement System by (18) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

Department of Revenue

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	892.8	892.8	892.8
Personal Services	29,464,600	32,517,800	32,517,800
Employee Related Expenditures	12,641,000	14,065,200	15,473,200
Professional and Outside Services	10,210,500	10,640,700	10,640,700
Travel - In State	94,400	117,100	117,100
Travel - Out of State	38,300	52,600	52,600
Other Operating Expenditures	15,212,700	16,773,200	16,878,400
Equipment	933,700	221,600	221,600
OPERATING SUBTOTAL	**68,595,200**	**74,388,200**	**75,901,400** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(1,255,500)
Proposition 312 - Property Tax Refund Administration Costs	0	500,000	0
BRITS Operational Support	7,440,900	8,005,200	8,088,200
E-Commerce Compliance and Outreach	937,000	981,200	1,015,300
Tax Fraud Prevention	3,144,300	3,170,800	3,182,800 2/3/
TPT Simplification	758,100	1,085,400	1,116,500
Unclaimed Property Administration and Audit	1,762,600	1,473,900	1,473,900 4/5/
AGENCY TOTAL	**82,638,100**	**89,604,700**	**89,522,600** 6/7/
FUND SOURCES			
General Fund	56,262,300	60,871,900	60,708,600
Other Appropriated Funds			
Department of Revenue Administrative Fund	24,244,100	27,077,000	27,074,700
Liability Setoff Program Revolving Fund	1,488,000	939,100	1,022,700
Tobacco Tax and Health Care Fund	643,700	716,700	716,600
SUBTOTAL - Other Appropriated Funds	26,375,800	28,732,800	28,814,000
SUBTOTAL - Appropriated Funds	**82,638,100**	**89,604,700**	**89,522,600**
Other Non-Appropriated Funds	1,649,000	1,652,600	1,652,600
TOTAL - ALL SOURCES	84,287,100	91,257,300	91,175,200

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/ The operating lump sum appropriation includes $2,000,000 and 25 FTE positions for additional audit and collections staff. (General Appropriations Act footnote)

2/ 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 Appropriations Act footnote)

3/ On or before November 1, 2026, the department shall report the results of private fraud prevention investigation services during fiscal year 2025-2026 to the joint legislative budget committee. The report must include the total number of fraudulent returns prevented and the total dollar amount of fraudulent returns prevented during fiscal year 2025-2026. (General Appropriations Act footnote)

4/ 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 costs and fees for contract auditors and for preparing and delivering notices and communications to holders and property owners under the unclaimed property program. (General Appropriations Act footnote)

5/ If the department of revenue incurs legal expenses to protect the unclaimed property program from legal challenges, the amount of unclaimed property legal expenses 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 unclaimed property legal expenses. The department may not transfer more than $1,500,000 from the general fund in fiscal year 2026 - 2027 for unclaimed property legal expenses. (General Appropriations Act footnote)

6/ The department of revenue shall report the department's general fund revenue enforcement goals for fiscal year 2026- 2027 to the joint legislative budget committee on or before September 30, 2026. On or before September 30, 2027, 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 2026- 2027. The reports must compare projected and actual state general fund, total state tax, total county tax and total municipal tax revenue enforcement collections for fiscal year 2025- 2026 and fiscal year 2026 -2027, including the amount of projected and actual enforcement collections for all tax types. The reports must 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 2025- 2026. (General Appropriations Act footnote)

7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $75,901,400 and 820.8 FTE Positions in FY 2027 for the operating budget. This amount consists of:

	FY 2027
General Fund	$51,652,600
DOR Administrative Fund	22,509,500
Liability Setoff Program Revolving Fund	1,022,700
Tobacco Tax and Health Care Fund	716,600

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $1,513,200 from the General Fund in FY 2027 for statewide adjustments. This amount consists of:

General Fund	1,432,000
DOR Administrative Fund	(2,300)
Liability Setoff Program Revolving Fund	83,600
Tobacco Tax and Health Care Fund	(100)

(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(1,255,500) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Proposition 312 – Property Tax Refund Administration Costs

The budget includes no funding in FY 2027 for the Proposition 312 – Property Tax Refund Administration Costs. Adjustments are as follows:

Remove One-Time Administration Funds

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove funding for one-time initial costs of administering property tax refunds under Proposition 312. Pursuant to a FY 2026 budget footnote, this appropriation lapses on June 30, 2027.

Proposition 312 allows a property owner once per tax year to apply for a refund of primary property taxes as reimbursement of documented, reasonable expenses incurred to mitigate the effects of certain public nuisances.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes $8,088,200 and 51 FTE Positions in FY 2027 for operational support of BRITS. This amount consists of:

General Fund	4,996,900
DOR Administrative Fund	3,091,300

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $83,000 from the General Fund in FY 2027 for statewide adjustments.

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. *(Please see the Arizona Department of Administration – Automation Projects Fund narrative for more information.)*

E-Commerce Compliance and Outreach

The budget includes $1,015,300 from the General Fund in FY 2027 for E-Commerce Compliance and Outreach (ECCO) administrative costs. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $34,100 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $3,182,800 from the General Fund in FY 2027 for Tax Fraud Prevention. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $12,000 in FY 2027 for statewide adjustments.

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 $75,506,300 being paid to filers of fraudulent returns in Individual Income Tax returns in FY 2025.

TPT Simplification

The budget includes $1,116,500 and 19 FTE Positions from the General Fund in FY 2027 for TPT Simplification responsibilities. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $31,100 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $1,473,900 and 2 FTE Positions from the DOR Administrative Fund in FY 2027 for Unclaimed Property Administration and Audit.

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.

A footnote allows the Department of Revenue to transfer up to $1,500,000 from the General Fund to the DOR Administrative Fund for incurred legal expenses regarding the unclaimed property program. A separate footnote appropriates the total value of properties retained by unclaimed contractors over $1,473,900, for contract auditor fees and for costs of communicating with holders of unclaimed property and property owners.

Other Issues

Please see the Department of Revenue Subaccount section of the Department of Administration – Automation Projects Fund narrative for more information on DOR IT projects.

Department of State - Secretary of State

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	146.1	144.1	144.1
Personal Services	7,137,500	6,851,800	6,851,800
Employee Related Expenditures	2,770,500	2,874,300	3,196,500
Professional and Outside Services	2,603,600	1,527,200	1,527,200
Travel - In State	20,300	5,100	5,100
Travel - Out of State	48,800	33,300	33,300
Other Operating Expenditures	3,535,000	3,714,500	3,931,400
Equipment	84,700	138,600	138,600
OPERATING SUBTOTAL	**16,200,400**	**15,144,800**	**15,683,900** 1/-5/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(338,500)
Access Voter Information Database	214,600	999,500	2,000,000 6/
Address Confidentiality Program Fund Deposit	0	400,000	400,000 7/
Election Services	7,119,000	4,000,000 8/-11/	4,000,000 12/-15/
Electronic Records Repository 16/	70,000	70,300	72,500
Help America Vote Act Projects	1,387,300	0	0
Library Grants-in-Aid	642,300	651,400	651,400 17/
Special Election Expenses	500,000	8,000,000	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
Uniform State Laws Commission	80,100	99,000	99,000
AGENCY TOTAL	**26,310,700**	**29,462,000**	**22,665,300** 18/
FUND SOURCES			
General Fund	23,306,600	26,857,100	18,818,600
Other Appropriated Funds			
Election Systems Improvement Fund	1,601,900	999,500	2,000,000
Records Services Fund	1,402,200	1,605,400	1,846,700
SUBTOTAL - Other Appropriated Funds	3,004,100	2,604,900	3,846,700
SUBTOTAL - Appropriated Funds	**26,310,700**	**29,462,000**	**22,665,300**
Other Non-Appropriated Funds	1,869,700	3,026,900	3,026,900
Federal Funds	8,115,800	4,217,800	4,217,800
TOTAL - ALL SOURCES	36,296,200	36,706,700	29,910,000

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/ Included in the operating lump sum appropriation of $15,683,900 for fiscal year 2026-2027 is $5,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote, as adjusted for statewide allocations)

2/ The operating lump sum appropriation includes $100,000 for additional support for the talking book library. (General Appropriations Act footnote)

3/ The operating lump sum appropriation includes $250,000 for additional support for the address confidentiality program. (General Appropriations Act footnote)

4/ 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, to hire one FTE position to serve

as legal advisor to the secretary of state or for legal expenses for conflict counsel. The secretary of state may make expenditures or incur indebtedness to employ outside or private attorneys if all of the following are true:
1. The secretary of state is named as a defendant.
2. The secretary of state believes a conflict exists that prevents the attorney general from representing the secretary of state.
3. The secretary of state either remains a nominal party or is defending the constitutionality of a law or referendum enacted by the legislature. (General Appropriations Act footnote)

5/ Included in the operating lump sum appropriation of $15,683,900 for fiscal year 2026-2027 is $1,846,700 from the records services fund established by section 41-151.12, Arizona Revised Statutes. This appropriation may be used for the payment of obligations incurred in fiscal year 2025-2026. (General Appropriations Act footnote, as adjusted for statewide allocations)

6/ 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 Appropriations Act footnote)

7/ Monies for the address confidentiality program fund deposit line item may not be transferred to another line item. (General Appropriations Act footnote)

8/ In addition to any other appropriation made in fiscal year 2025-2026, the sum of $4,000,000 is appropriated from the state general fund in fiscal year 2025-2026 to the secretary of state for costs of the 2026 primary election and 2026 general election. (General Appropriations Act footnote, Section 112)

9/ Before spending the FY 2026 supplemental appropriation made to the secretary of state for costs of the 2026 primary election and 2026 general election, the secretary of state shall submit a report on the expected amount and purpose of expenditures for the costs of the 2026 primary election and 2026 general election to the president of the senate, the speaker of the house of representatives, the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting (General Appropriations Act footnote, Section 112)

10/ On or before January 31, 2027, the secretary of state shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting detailing the actual expenditures from the FY 2026 supplemental appropriation to the secretary of state for costs of the 2026 primary election and the 2026 general election. The report must include the actual expenditures by purpose. (General Appropriations Act footnote, Section 112)

11/ This appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered on June 30, 2027 revert to the state general fund. (General Appropriations Act footnote, Section 112)

12/ 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 Appropriations Act footnote)

13/ Before spending monies from the election services line item, the secretary of state shall submit a report on the expected amount and purpose of expenditures for the costs of the 2026 primary election and 2026 general election to the president of the senate, the speaker of the house of representatives, the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. (General Appropriations Act footnote)

14/ The secretary of state may use not more than $250,000 from the election services line item for direct costs. (General Appropriations Act footnote)

15/ On or before January 31, 2027, the secretary of state shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting detailing the actual expenditures from the election services line item for the 2026 primary election and the 2026 general election. The report must include the actual expenditures by purpose. (General Appropriations Act footnote)

16/ Of the amount appropriated to the secretary of state for the electronic records repository line item in fiscal year 2024-2025 by Laws 2024, chapter 209, section 90, $450,000 from the record services fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

17/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriations Act footnote)

18/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $15,683,900 and 143.1 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$13,837,200
Record Services Fund	1,846,700

Adjustments are as follows:

Increase Record Services Funding

The budget includes an increase of $194,600 from the Record Services Fund in FY 2027 to align the appropriation with the costs of operating the record services management program.

Statewide Adjustments

The budget includes an increase of $344,500 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	297,800
Record Services Fund	46,700

(Please see the Agency Detail and Allocations section.)

FY 2027 budget footnotes continue to specify that the Secretary of State (SOS) allocate certain amounts from the operating lump sum in FY 2027 *(see footnotes 2, 3, and 4 above).*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(338,500) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Access Voter Information Database

The budget includes $2,000,000 from the Election Systems Improvement Fund in FY 2027 for the Access Voter Information Database (AVID) line item. Adjustments are as follows:

One-Time FY 2027 County Share of AVID Costs

The budget includes an increase of $1,000,500 from the Election Systems Improvement Fund in FY 2027 to pay for the counties 50% cost share of the state's voter registration system in FY 2027. While the AVID system has previously been funded with a 50%/50% state/county cost share, in recent years the state and counties have paid differing proportions of annual AVID costs.

These monies pay for the annual development and administration costs of AVID. A budget footnote specifies that monies in this line item may not be transferred to another line item.

The FY 2026 budget included $999,500 for the state's share of AVID costs. In March 2026, the JLBC favorably reviewed the transfer of $1,000,000 in surplus monies from the Special Election Expenses line item to the operating budget for the county 50% share of FY 2026 AVID payments.

Address Confidentiality Program Fund Deposit

The budget includes $400,000 from the General Fund in FY 2027 for the Address Confidentiality Program (ACP) Fund Deposit line item. Adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of $(400,000) from the General Fund in FY 2027 for removing a one-time deposit in FY 2026 for the ACP Fund.

Continue One-Time Deposit

The budget includes an increase of $400,000 from the General Fund in FY 2027 for a one-time deposit in FY 2027 for the ACP Fund.

Monies in this line item are for a deposit to the ACP Fund. The ACP Fund's statutory source of revenue is $47.50 from a $50 surcharge imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses. A budget footnote specifies that monies in this line item may not be transferred to another line item.

This fund supports a program for persons who have been subjected to domestic violence offenses, sexual offenses, or stalking. Participants in the ACP program receive a substitute address that becomes the participant's lawful address of record and the program forwards mail to the participants free of charge.

Election Services

The budget includes $4,000,000 from the General Fund in FY 2027 for the Election Services line item. Adjustments are as follows:

Remove One-Time 2026 Election Supplemental

The budget includes a decrease of $(4,000,000) from the General Fund in FY 2027 for removing a one-time FY 2026

supplemental for traditional state election costs associated with the 2026 Primary Election and 2026 General Election. These monies from the $4,000,000 supplemental are available for use through June 30, 2027.

Continue 2026 Election Funding
The budget includes an increase of $4,000,000 from the General Fund in FY 2027 for traditional state election costs associated with the 2026 Primary Election and 2026 General Election.

With the $4,000,000 FY 2026 supplemental and the $4,000,000 appropriated in FY 2027, the budget includes total funding of $8,000,000 for traditional state election costs of the 2026 Primary Election and 2026 General Election.

A footnote specifies that the Secretary of State may not use more than $250,000 from the FY 2027 Election Services line item for direct costs.

Pursuant to a budget footnote, the Secretary of State submitted expenditure plans for both appropriations in June 2026. Under the proposed $8,000,000 in spending, the Secretary of State reporting the following amounts by purpose: Logic & Accuracy Testing: $700,000; Publicity Pamphlet: $3,600,000; Petition Processing: $1,400,000; Signature Validation Reimbursement: $50,000; Sample Ballots: $1,600,000; Recount Expenses: $150,000; and SOS Direct Costs: $500,000.

The SOS has also allocated additional monies to the 2026 state election cycle from JLBC-reviewed transfers from the Special Election Expenses line item (*see that line item below for more information*).

This line item received no funding in the original FY 2026 budget since no traditional state primary or general elections were scheduled between July 2025 and June 2026.

The FY 2025 budget's total funding for the 2024 Primary Election and 2024 General Election was $8,000,000. The SOS reported spending of $7,119,000 for the 2024 Primary Election and 2024 General Election.

Background – This line item is intended to cover variable traditional state primary and general election costs in an election year. In years with state election costs, a standard budget footnote specifies that before transferring monies in or out of the Election Services line item, the SOS must submit a report for review by the JLBC. Ongoing annual elections services costs are funded out of the agency's operating budget.

For traditional state elections (excluding the PPE or special elections), statute requires the 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.

Electronic Records Repository

The budget includes $72,500 and 1 FTE Positions from the General Fund in FY 2027 for the Electronic Record Repository line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $2,200 from the General Fund in FY 2027 for statewide adjustments.

A FY 2027 budget footnote extends the use of the FY 2025 one-time appropriation of $450,000 from the Record Services Fund until June 30, 2027. This appropriation was for initial costs of the program.

When the Election Records Repository Program is fully operational, SOS plans to charge agencies to cover SOS operating costs and for the cost of digital storage. The Electronic Records Repository Fund is intended to be the recipient of fees and to be used for operating expenses of the program. At this time, the SOS is developing the program and no charges have been established.

Help America Vote Act Projects

The budget includes no funding in FY 2027 for the Help America Vote Act (HAVA) Projects line item. This amount is unchanged from FY 2026.

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. Federal HAVA monies are deposited in the Election Systems Improvement Fund and require legislative appropriation.

The FY 2024 budget included a non-lapsing appropriation that provides authority for the spending of $5,000,000 for HAVA projects subject to JLBC review. The $5,000,000 appropriation authority was intended to include all current unencumbered HAVA monies and a portion of any future federal HAVA grants.

The Joint Legislative Budget Committee gave a favorable review at the October 10, 2023 meeting to an expenditure plan totaling $3,664,300. As of June 2026, $1,783,900 has been spent on the approved projects from the FY 2024 appropriation.

FY 2021 HAVA County Allocation Appropriation

The FY 2026 budget extended the availability of a FY 2021 appropriation of $5,352,200 of HAVA funding until the end of FY 2026. These monies were to be distributed to counties for election systems improvements. The legislature previously extended the availability of these monies in FY 2023, FY 2024, and FY 2025. As of June 2026, an estimated $84,100 remains available from the original county appropriation. These monies lapsed on June 30, 2026. (*For additional HAVA appropriations, see the AVID line item.*)

Library Grants-in-Aid

The budget includes $651,400 from the General Fund in FY 2027 for Library Grants-in-Aid. This amount is unchanged from FY 2026.

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.

Special Election Expenses

The budget includes no funding in FY 2027 for the Special Election Expenses line item. Adjustments are as follows:

Remove One-Time Special Election County Support

The budget includes a decrease of $(8,000,000) from the General Fund in FY 2027 to remove one-time special election funding.

Monies in this line item in FY 2026 were for reimbursing county costs of the special election occurring in FY 2026 to fill the vacant Arizona's 7th Congressional District seat in the United States House of Representatives.

The FY 2026 budget included a total of $8,500,000 from the General Fund for costs related to the special election. This is comprised of a FY 2025 supplemental of $500,000 from the General Fund for SOS direct costs for the special election and $8,000,000 from the General Fund in FY 2026 for county special election expenses. The supplemental monies lapse on June 30, 2026.

The Secretary of State reported $3,644,800 in county reimbursements. The SOS made the following reimbursements to counties: Cochise: $117,700; Maricopa: $555,800; Pima: $2,350,300; Pinal: $66,100; Santa Cruz: $240,600; and Yuma: $314,300.

An FY 2026 budget footnote required the SOS to submit a report for review by the JLBC before transferring monies in or out of the Special Election Expenses line item. The JLBC favorably reviewed $3,140,000 in transfers of surplus monies from this line item to the operating budget in FY 2026 including support for the 2026 state election cycle.

At the January 2026 meeting, the JLBC approved the transfer of $650,000 for temporary cybersecurity monitoring and active cybersecurity management.

At the March 2026 meeting, the JLBC approved the transfer of $2,490,000 for 10 projects. This included $250,000 for Secretary of State personal security costs, $500,000 for 4 agency initiatives, and $1,750,000 for 5 initiatives for counties.

Statewide Radio Reading Service for the Blind

The budget includes $97,000 from the General Fund in FY 2027 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2026.

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 budget includes $99,000 from the General Fund in FY 2027 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2026.

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.

Other Issues

FY 2026 Supplementals

The FY 2027 budget includes an FY 2026 supplemental appropriation of $4,000,000 from the General Fund to the Secretary of State for costs of the 2026 Primary Election and 2026 General Election. These monies are non-lapsing until the end of FY 2027. (*Please see the Election Services line item for further details.)*

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Secretary of State's General Fund costs are projected to remain unchanged in FY 2028 and FY 2029. These estimates are based on:

- For FY 2028, the state's Election Services funding amount would be zero (due to there being no scheduled Primary Election or General Election during July 1, 2027 through June 30, 2028). However, the $4,000,000 amount would instead be used in FY 2028 to fund the 2028 Presidential Preference Election line item for that election in spring 2028.
- For FY 2029, the General Fund amount allocated to the Election Services line item would be funded at the base level of $4,000,000, to be used for the state's costs associated with the 2028 Primary Election and 2028 General Election.

State Board of Tax Appeals

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	173,800	186,600	186,600
Employee Related Expenditures	64,000	73,200	81,000
Travel - In State	0	400	400
Other Operating Expenditures	49,000	59,000	58,900
Equipment	0	100	100
OPERATING SUBTOTAL	**286,800**	**319,300**	**327,000**
SPECIAL LINE ITEMS			
Operating Lump Sum Reduction	0	0	(8,000)
AGENCY TOTAL	**286,800**	**319,300**	**319,000** 1/
FUND SOURCES			
General Fund	286,800	319,300	319,000
SUBTOTAL - Appropriated Funds	**286,800**	**319,300**	**319,000**
TOTAL - ALL SOURCES	286,800	319,300	319,000

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $327,000 and 4 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $7,700 from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(8,000) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

State Board of Technical Registration

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	25.0	26.0	26.0
Personal Services	1,335,500	1,287,600	1,287,600
Employee Related Expenditures	519,100	652,800	707,300
Professional and Outside Services	205,300	191,600	268,600
Travel - In State	2,100	5,000	5,000
Travel - Out of State	18,600	17,200	17,200
Other Operating Expenditures	423,200	414,000	418,900
Equipment	60,500	167,700	167,700
AGENCY TOTAL	**2,564,300**	**2,735,900**	**2,872,300** 1/
FUND SOURCES			
Other Appropriated Funds			
Technical Registration Fund	2,564,300	2,735,900	2,872,300
SUBTOTAL - Other Appropriated Funds	2,564,300	2,735,900	2,872,300
SUBTOTAL - Appropriated Funds	**2,564,300**	**2,735,900**	**2,872,300**
TOTAL - ALL SOURCES	2,564,300	2,735,900	2,872,300

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

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

Operating Budget

The budget includes $2,872,300 and 26.0 FTE Positions from the Technical Registration Fund in FY 2027 for the operating budget. Adjustments are as follows:

Renew E-Licensing Contract.

The budget includes an increase of $77,000 from the Technical Registration Fund in FY 2027 for e-licensing costs.

Statewide Adjustments

The budget includes an increase of $59,400 from the Technical Registration Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Office of Tourism

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	31.0	31.0	31.0
Personal Services	2,093,900	2,093,900	2,093,900
Employee Related Expenditures	724,000	601,700	601,300
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	2,173,800	2,173,800	2,173,800
Equipment	30,500	30,500	30,500
OPERATING SUBTOTAL	**7,406,000**	**7,283,700**	**7,283,300**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(182,100)
Arizona Promotion	819,000	819,000	819,000
Southern AZ Sports, Tourism and Film Authority	0	500,000	0
Wine Promotion	100,000	100,000	100,000
AGENCY TOTAL	**8,325,000**	**8,702,700**	**8,020,200** 1/
FUND SOURCES			
General Fund	8,325,000	8,702,700	8,020,200
SUBTOTAL - Appropriated Funds	**8,325,000**	**8,702,700**	**8,020,200**
Other Non-Appropriated Funds	37,381,100	37,680,400	37,680,400
Federal Funds	7,752,500	1,683,600	1,683,600
TOTAL - ALL SOURCES	53,458,600	48,066,700	47,384,200

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $7,283,300 and 31 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of $(400) from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(182,100) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Arizona Promotion

The budget includes $819,000 from the General Fund in FY 2027 for Arizona Promotion. This amount is unchanged from FY 2026.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

Southern Arizona Sports, Tourism and Film Authority

The budget includes no funding in FY 2027 for the Southern Arizona Sports, Tourism and Film Authority line item. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 for the removal of one-time monies for the administration of the Southern Arizona Sports, Tourism and Film Authority, which consists of Greenlee, Graham, Cochise, Santa Cruz, Pima, and Pinal Counties. The authority has the power to issue revenue bonds to finance projects which promote sports, tourism, and film activity in the member counties. Pursuant to A.R.S. § 5-1409, within 3 months after the end of each fiscal year, the authority must report to the Joint Legislative Budget Committee on its activities from the previous fiscal year.

Wine Promotion

The budget includes $100,000 from the General Fund in FY 2027 for Wine Promotion. This amount is unchanged from FY 2026.

Monies in this line item fund the marketing and promotion of the Arizona wine industry.

Other Issues

Statutory Changes

The Commerce Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, allows gifts, grants, and donations to be deposited into the Tourism Fund.

Auditor General Report

In November 2025, the Auditor General published a performance audit for the Arizona Sports and Tourism Authority (ASTA), from which the Office of Tourism receives annual revenues allocated from a bed tax and car rental tax increase. The audit reviewed the ASTA's maintenance of State Farm Stadium, revenue distributions, and compliance with conflict-of-interest laws. The Auditor General recommended that ASTA verify that stadium concession and event revenues are accurate and set up processes for future verification of revenues.

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 2025, AOT's total funding level was $32,308,400. Total funding is estimated to be $33,847,600 in FY 2026 and $35,659,700 in FY 2027. *(See Table 1 on the next page for additional details on agency revenue.)*

Table 1

Office of Tourism Revenues [1/]

Sources of Funding	Fund	FY 2025	FY 2026	FY 2027
General Fund Appropriation				
• General Fund appropriation to be used to administer the Office of Tourism and promote tourism	General Fund	$8,325,000	$8,702,700	$8,020,200
Sports and Tourism Authority				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	12,337,300	12,940,300 [2/]	14,222,700 [2/]
Tribal Gaming				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	11,646,100	12,204,600 [3/]	13,416,800 [3/]
Total		**$32,308,400**	**$33,847,600**	**$35,659,700**

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 for FY 2026 and FY 2027 were provided by the Office of Tourism in September 2025.

3/ The Tribal Gaming amounts for FY 2026 and FY 2027 are based on JLBC estimates. *(Please see Department of Gaming narrative)*.

Department of Transportation

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4,571.0	4,581.0	4,096.0
Personal Services	137,981,200	156,972,100	157,048,700
Employee Related Expenditures	60,405,800	68,942,100	78,055,800
Professional and Outside Services	8,919,300	8,132,800	8,132,800
Travel - In State	715,200	819,000	819,000
Travel - Out of State	173,000	181,400	181,400
Other Operating Expenditures	33,282,000	32,642,300	31,844,700
Equipment	4,137,800	3,574,400	3,574,400
OPERATING SUBTOTAL	**245,614,300**	**271,264,100**	**279,656,800** 1/
SPECIAL LINE ITEMS			
ADOT Fleet Vehicles and Heavy Equipment Maintenance	24,237,000	26,814,600	27,378,900
ADOT Fleet Vehicles and Heavy Equipment Maintenance Contingency	482,400	1,000,000	1,000,000
ADOT Fleet Vehicle and Heavy Equipment Replacement	20,231,100	22,400,000	22,400,000 2/
Attorney General Legal Services	3,940,400	3,940,400	3,940,400 3/
Authorized Third Parties	2,041,600	2,252,700	2,335,000
Construction Management System Replacement	1,227,900	6,272,000	6,844,600
Highway Damage Recovery Account	7,274,900	7,999,000	7,999,000
Highway Maintenance	139,992,900	182,913,000	201,247,900 4/5/
Livestock Control and Wildlife Crossing	741,500	800,000	1,500,000
One-Time Fleet Fuel Inflation Funding	3,297,900	0	0
Preventive Surface Treatments	27,750,400	36,142,000	36,142,000 6/
Radio Lifecycle Replacement	1,653,600	1,656,100	1,656,100
Spaying and Neutering of Animals Fund Deposit	0	500,000	0
State Fleet Operations	19,206,600	32,421,400	38,384,100
State Fleet Vehicle Replacement	8,679,200	15,351,600	13,611,300
Statewide Litter Removal	3,030,300	3,106,800	3,106,800
AGENCY TOTAL	**509,402,000**	**614,833,700**	**647,202,900** 7/-11/
FUND SOURCES			
General Fund	0	500,000	0
Other Appropriated Funds			
Air Quality Fund	803,300	1,094,000	874,300
Department Fleet Operations Fund	24,719,400	27,815,000	28,378,900
Highway Damage Recovery Account	7,274,900	7,999,000	7,999,000
Highway User Revenue Fund	775,600	842,500	861,500
Ignition Interlock Device Fund	308,900	380,600	350,600
Motor Vehicle Liability Insurance Enforcement Fund	1,213,300	1,655,600	2,241,800
State Aviation Fund	2,103,600	2,587,400	2,671,900
State Fleet Operations Fund	19,206,600	32,421,400	38,384,100
State Highway Fund	442,902,300	522,501,500	549,941,800 12/
State Vehicle Replacement Fund	8,679,200	15,351,600	13,611,300
Vehicle Inspection and Certificate of Title Enforcement Fund	1,414,900	1,685,100	1,887,700
SUBTOTAL - Other Appropriated Funds	509,402,000	614,333,700	647,202,900
SUBTOTAL - Appropriated Funds	**509,402,000**	**614,833,700**	**647,202,900**
Other Non-Appropriated Funds	33,903,700	23,021,900	23,021,900
Federal Funds	45,091,800	0	0
TOTAL - ALL SOURCES	588,397,500	637,855,600	670,224,800

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

1/ The amount appropriated in the operating lump sum includes a $2,000,000 reduction below fiscal year 2023-2024 level from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2026-2027 from the department's enforcement and compliance division. (General Appropriations Act footnote)

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 Appropriations 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 Appropriations Act footnote)

4/ Of the total amount appropriated, $201,247,900 in fiscal year 2026-2027 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, 2027. (General Appropriations Act footnote, as adjusted for statewide allocations)

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 Appropriations 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, 2027. (General Appropriations Act footnote)

7/ Of the total amount appropriated, the department of transportation shall pay $21,233,800 in fiscal year 2026-2027 from all funds to the department of administration for its risk management payment. (General Appropriations 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, 2027 for fiscal year 2026-2027. (General Appropriations Act footnote)

9/ On or before February 1, 2027, 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 2026-2027, 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 Appropriations Act footnote)

10/ On or before August 1, 2026, 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 Appropriations Act footnote)

11/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

12/ The department of transportation may use not more than $73,300 from the state highway fund established by section 28-6993, Arizona Revised Statutes, in fiscal year 2026-2027 to pay prior year invoices. (General Appropriations Act footnote)

Operating Budget

The budget includes $279,656,800 and 3,419 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
Air Quality Fund	$874,300
Highway User Revenue Fund	621,600
Ignition Interlock Device Fund	350,600
Motor Vehicle Liability Insurance Enforcement Fund	2,132,900
State Aviation Fund	2,671,900

State Highway Fund	271,221,500
Vehicle Inspection and Certificate of Title Enforcement Fund	1,784,000

Adjustments are as follows:

Remove One-Time Building System Management Upgrade Funding

The budget includes a decrease of $(238,000) from the State Highway Fund in FY 2027 to remove one-time funding to upgrade the department's construction management system. This funding covered the second phase of a 3-phase project.

Remove One-Time Maintenance Management System

The budget includes a decrease of $(3,222,500) from the State Highway Fund in FY 2027 to remove one-time funding to replace the department's maintenance management system. This funding covered the first phase of a 3-phase project.

Remove One-Time FY 2026 MVD Security System

The budget includes a decrease of $(789,100) from the State Highway Fund in FY 2027 to remove one-time funding to replace the security systems at 9 MVD offices throughout the state. This funding covered the fourth phase of a 5-phase project intended to replace the security systems at all 42 offices.

Remove One-Time FY 2026 Passenger Rail Service Operating Funding

The budget includes a decrease of $(200,000) from the Air Quality Fund in FY 2027 to remove one-time funding for operating costs associated with a study for a passenger rail service from Phoenix to Tucson.

One-Time Maintenance Management System Replacement

The budget includes an increase of $4,570,600 from the State Highway Fund in FY 2027 for one-time funding to replacement the department's maintenance management system. This funding covers the second phase of a 3-phase project intended to replace the IT system utilized by the department to track roadway maintenance projects.

One-Time FY 2027 MVD Security System

The budget includes an increase of $563,100 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2027 for one-time funding to replace the security systems at 5 MVD offices throughout the state. The funding covers the last phase of a 5-phase project to replace the security systems at all 42 offices.

Driver License Production Funding

The budget includes an increase of $386,100 from the State Highway Fund in FY 2027 for increased driver license production funding. Due to population growth and higher production costs, the department expects increased costs associated with driver license production.

License Plate Production Funding

The budget includes an increase of $137,100 from the State Highway Fund in FY 2027 for increased license plate production funding. Due to population growth and higher production costs, the department expects increased costs associated with license plate production.

Named Claimants

The budget includes a decrease of $(8,000) in FY 2027 for the elimination of one-time funding for prior year unpaid claims. This amount consists of:

Department Fleet Operations Fund	(400)
State Highway Fund	(7,600)

(Please see the Named Claimants discussion in ADOA Other Issues.)

FY 2026 Salary Package Correction

The budget includes an increase of $76,600 in FY 2027 to revise the dollar value of the 5% salary increase for AZPOST-certified staff and 15% salary increase for firefighters included in the FY 2026 Budget. This consists of the following amounts:

Highway User Revenue Fund	(19,900)
Motor Vehicle Liability Insurance Enforcement Fund	(16,500)
State Aviation Fund	24,000
State Highway Fund	81,200
Vehicle Inspection and Certificate of Title Enforcement Fund	7,800

Statewide Adjustments

The budget includes an increase of $7,116,800 from in FY 2027 for statewide adjustments. This consists of the following amounts:

Air Quality Fund	(19,700)
Highway User Revenue Fund	28,700
Ignition Interlock Device Fund	(30,000)
Motor Vehicle Liability Insurance Enforcement Fund	35,700
State Aviation Fund	60,500
State Highway Fund	6,857,500
Vehicle Inspection and Certificate of Title Enforcement Fund	184,100

(Please see the Agency Detail and Allocations section.)

ADOT Fleet Vehicles and Heavy Equipment Maintenance

The budget includes $27,378,900 and 200 FTE Positions from the Department Fleet Operations Fund in FY 2027 for Vehicles and Heavy Equipment Maintenance. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $564,300 from the Department Fleet Operations Fund in FY 2027 for statewide adjustments.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

ADOT Fleet Vehicles and Heavy Equipment Maintenance Contingency

The budget includes $1,000,000 from the Department Fleet Operations Fund in FY 2027 for Vehicles and Heavy Equipment Maintenance Contingency. This amount is unchanged from FY 2026.

This line item funds the contingency related costs of maintaining the department's vehicle and equipment fleet.

ADOT Fleet Vehicle and Heavy Equipment Replacement

The budget includes $22,400,000 from the State Highway Fund in FY 2027 for Vehicle and Heavy Equipment Replacement. This amount is unchanged from FY 2026.

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 Appropriations Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

Attorney General Legal Services

The budget includes $3,940,400 from the State Highway Fund in FY 2027 for Attorney General Legal Services. This amount is unchanged from FY 2026.

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 budget includes $2,335,000 and 20 FTE Positions in FY 2027 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	239,900
Motor Vehicle Liability Insurance Enforcement Fund	108,900
State Highway Fund	1,882,500
Vehicle Inspection and Certificate of Title Enforcement Fund	103,700

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $82,300 in FY 2027 for statewide adjustments. This consists of the following amounts:

Highway User Revenue Fund	10,200
Motor Vehicle Liability Insurance Enforcement Fund	3,900
State Highway Fund	57,500
Vehicle Inspection and Certificate of Title Enforcement Fund	10,700

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 2025, ATPs retained $30,198,000 in fees that otherwise would have been deposited to the Highway User Revenue Fund (HURF) and $45,021,000 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.)*

Construction Management System Replacement

The budget includes $6,844,600 in FY 2027 for Construction Management System Replacement. Adjustments are as follows:

One-Time FY 2027 Construction Management System Replacement Funding

The budget includes a one-time increase of $6,844,600 from the State Highway Fund in FY 2027 for construction management system replacement. The funding covers the third phase of a 4-phase project intended to replace the department's construction management IT system.

Remove One-Time FY 2026 Construction Management System Replacement Funding

The budget includes a decrease of $(6,272,000) from the State Highway Fund in FY 2027 to remove one-time funding for construction management system replacement. This funding covered the second phase of a 4-phase project intended to replace the department's construction management IT system.

The IT system is utilized by ADOT for managing the contract process and tracking the delivery of construction projects.

Highway Damage Recovery Account

The budget includes $7,999,000 from the Highway Damage Recovery Account in FY 2027 for the Highway Damage Recovery Account. This amount is unchanged from FY 2026.

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 budget includes $201,247,900 and 932 FTE Positions from the State Highway Fund in FY 2027 for Highway Maintenance. Adjustments are as follows:

Remove One-Time FY 2026 I-17 Flex Lane Maintenance Cost

The budget includes a decrease of $(813,600) from the State Highway Fund in FY 2027 to remove one-time funding for maintenance of new flex lane miles along Interstate 17 from Anthem to Sunset Point.

FY 2027 I-17 Flex Lane Maintenance Cost

The budget includes an increase of $1,142,000 from the State Highway Fund in FY 2027 for continued maintenance of flex lane miles along Interstate 17 from Anthem to Sunset Point. Of this amount, $860,500 is one-time.

Highway Maintenance Existing Lane Miles

The budget includes an increase of $5,201,600 from the State Highway Fund in FY 2027 to address rising inflationary costs associated with repairing existing roadways. As of 2024, 29% of Arizona roadways were rated in good condition, 64% in fair condition, and 7% in poor condition.

Highway Maintenance New Lane Miles

The budget includes an increase of $10,178,500 from the State Highway Fund in FY 2027 for maintenance of new lane miles across the state. This funding will cover the cost of 487 new lane miles added in FY 2026.

South Mountain Loop 202 Maintenance Costs

The budget includes an increase of $66,000 from the State Highway Fund in FY 2027 for maintenance of new lane miles for the new South Mountain Loop 202 freeway that was opened in December 2019. This ongoing funding covers the full cost of maintenance by adjusting for inflation.

Statewide Adjustments

The budget includes an increase of $2,560,400 from the State Highway Fund in FY 2027 for statewide adjustments.

In addition to the $201,247,900 included for Highway Maintenance, the Proposition 479 Maricopa County half-cent sales tax makes another $18,420,900 available in FY 2027 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Livestock Control and Wildlife Crossing

The budget includes $1,500,000 from the State Highway Fund in FY 2027 for Livestock Control and Wildlife Crossing. Adjustments are as follows:

SLI Expansion into Wildlife Crossings

The budget includes an increase of $700,000 from the State Highway Fund in FY 2027 to include wildlife crossing infrastructure funding. This line item has been renamed from "Driver Safety and Livestock Control" to "Livestock Control and Wildlife Crossing."

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.

This line item also funds the construction and maintenance of wildlife crossings. Wildlife crossings

consist of overpass bridges and underpass tunnels with the goal of separating livestock movement and traffic flow, while allowing livestock to move across highway infrastructure.

One-Time Fleet Fuel Inflation Funding

The budget includes no funding in FY 2027 for One-Time Fleet Fuel Inflation Funding. This amount is unchanged from FY 2026.

The FY 2025 budget included $3,297,900 in one-time funding from the State Highway Fund to pay inflationary cost increases in fuel.

Preventive Surface Treatments

The budget includes $36,142,000 from the State Highway Fund in FY 2027 for Preventive Surface Treatments. This amount is unchanged from FY 2026.

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 $339,500 in Federal Funds available for treatments.

Radio Lifecycle Replacement

The budget includes $1,656,100 from the State Highway Fund in FY 2027 for Radio Lifecycle Replacement. This amount is unchanged from FY 2026.

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 budget includes no funding in FY 2027 for Spaying and Neutering of Animals Fund Deposit. Adjustments are as follows:

Remove One-Time Spaying and Neutering of Animals Fund Deposit

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove one-time funding for a deposit 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 budget includes $38,384,100 and 10 FTE Positions from the State Fleet Operations Fund in FY 2027 for State Fleet Operations. Adjustments are as follows:

Exempt Fleet Maintenance Adjustment

The budget includes an increase of $1,682,400 from the State Fleet Operations Fund in FY 2027 for an exempt fleet maintenance adjustment. Some agencies in the state are exempt from the state fleet. Upon request of any of these agencies, ADOT may service and maintain these vehicles. Currently, the following exempt agencies have requested and received maintenance services from ADOT: Judiciary branch, Department of Corrections, Department of Economic Security, and the Department of Public Safety. This funding will address the anticipated changes in fleet service charges for these agencies.

One-Time Increased Fueling Utilization

The budget includes an increase of $4,200,000 from the State Fleet Operations Fund in FY 2027 for one-time funding to account for increased utilization of ADOT fueling facilities by other state agencies.

State Fleet Maintenance Adjustment

The budget includes an increase of $46,700 from the State Fleet Operations Fund in FY 2027 for state fleet maintenance costs to expend the increased maintenance charges to agencies within the state fleet and handle the increased workload of 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.

Statewide Adjustments

The budget includes an increase of $33,600 from the State Fleet Operations Fund in FY 2027 for statewide adjustments.

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 budget includes $13,611,300 from the State Vehicle Replacement Fund in FY 2027 for State Fleet Vehicle Replacement. Adjustments are as follows:

Remove One-Time DCS Vehicle Replacement Adjustment

The budget includes a decrease of $(2,610,000) from the State Vehicle Replacement Fund in FY 2027 to remove one-time funding to replace 100 vehicles at the Department of Child Services (DCS).

Remove One-Time State Fleet Vehicle Replacement Adjustment

The budget includes a decrease of $(5,491,600) from the State Vehicle Replacement Fund in FY 2027 to remove one-time funding for state fleet vehicle replacement costs. This funding was intended to replace 180 vehicles across 26 agencies in the state fleet. In addition, the funding will be utilized to replace 21 vehicles ordered in 2025 that have not yet been received. The department will also use the funding to purchase 4 new vehicles for the following agencies: Department of Agriculture (1), State Parks (1), and the Attorney General (2).

One-Time State Fleet Vehicle Replacement Adjustment

The budget includes an increase of $6,361,300 from the State Vehicle Replacement Fund in FY 2027 for one-time funding for state fleet vehicle replacement costs. This funding is intended to replace 237 vehicles across 25 agencies in the state fleet. In addition, the funding will be utilized to replace 47 vehicles ordered in 2026 that have not yet been received.

Statewide Litter Removal

The budget includes $3,106,800 from the State Highway Fund in FY 2027 for Statewide Litter Removal. This amount is unchanged from FY 2026.

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

This section includes information on the following topics:

- FY 2026 Supplementals
- Statutory Changes
- Fund Transfers
- Reduce Vacant FTE Positions

FY 2026 Supplementals

The FY 2027 budget includes the following FY 2026 supplemental appropriations:

- $399.03 from the Department Fleet Operations Fund for a one-time named claimants appropriation. *(Please see the operating budget for further details.)*
- $7,576.88 from the State Highway Fund for a one-time named claimants appropriation. *(Please see the operating budget for further details.)*

Statutory Changes

The Transportation Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, transfers $2.5 million annually from the Highway User Revenue Fund (HURF) into the State Match Advantage for Rural Transportation (SMART) Fund. Further repeals the $1.0 million annual transfer from HURF into the Economic Strength Projects Fund. Repeals the Economic Strength Project Fund in FY 2035.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Motor Vehicle Liability Insurance Enforcement Fund	$15,000,000
State Match Advantage for Rural Transportation Fund	6,700,00
Vehicle Inspection and Certificate of Title Enforcement Fund	3,500,000

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for the Department of Transportation by (485) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

State Treasurer

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	38.4	38.4	38.4
Personal Services	2,921,300	3,045,900	3,045,900
Employee Related Expenditures	1,086,600	1,135,400	1,243,900
Professional and Outside Services	92,400	98,100	98,100
Travel - In State	6,400	8,700	8,700
Travel - Out of State	10,200	12,300	12,300
Other Operating Expenditures	347,300	380,200	380,200
Equipment	35,200	41,000	41,000
OPERATING SUBTOTAL	**4,499,400**	**4,721,600**	**4,830,100**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(8,600)
Advanced Air Mobility Fund Deposit	0	2,000,000 1/	0
Secure Ballot Paper	0 2/	0	0
Justice of the Peace Salaries	2,628,200	2,797,200	2,872,200
Law Enforcement/Boating Safety Fund Grants	0 3/	2,183,800	2,183,800
Special Sporting Event	1,500,000	1,500,000	1,500,000 4/
Statewide Infrastructure Trust Fund Deposit	0	1,000,000 1/	0
Statewide Transportation Innovation Fund Deposit	0	2,000,000 1/5/	0
Veterans' Health Innovations Pilot Program	0	150,000 6/	0
FY 2027 Budget - Section 119 Peace Officer Training Equipment Fund Distributions 7/			
Public Safety Training Simulators	0	0	1,746,000
Records Management Software	0	0	4,079,300
Paradise Valley Law Enforcement Equipment	0	0	150,000
ACJC Recruitment/Retention Grants	0	0	1,000,000 8/
ADE School Hardening Grants	0	0	300,000
FY 2026 Budget - Section 118 Local Distributions 9/	0	28,420,000 10/	0
FY 2026 Budget - Section 119 Nonprofit Organization Distributions 11/	0	5,525,000	0
FY 2025 Budget - Section 227 Peace Officer Training Equipment Fund Distributions 12/	2,953,200	0	0
FY 2024 Budget - Section 118 Distributions 13/			
City of Prescott	15,000,000	0	0
AGENCY TOTAL	**26,580,800**	**50,297,600**	**18,652,800** 14/15/
FUND SOURCES			
General Fund	19,470,700	42,734,700	4,706,000
Other Appropriated Funds			
Law Enforcement and Boating Safety Fund	0	2,183,800	2,183,800
Long-Term Water Augmentation Fund	0	1,000,000	0
Peace Officer Training Equipment Fund	2,953,200	0	7,275,300
State Treasurer's Operating Fund	4,156,900	4,379,100	4,487,700
SUBTOTAL - Other Appropriated Funds	7,110,100	7,562,900	13,946,800
SUBTOTAL - Appropriated Funds	**26,580,800**	**50,297,600**	**18,652,800**
Other Non-Appropriated Funds	17,963,900	208,575,400	208,575,400
TOTAL - ALL SOURCES	44,544,700	258,873,000	227,228,200

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/ The monies in the statewide infrastructure trust fund deposit line item, the advanced air mobility fund deposit line item and the statewide transportation innovation fund deposit line item in fiscal year 2025-2026 are appropriated from the respective funds to the state treasurer for the purposes provided in sections 28-7011, 28-8604, and 28-9571, Arizona Revised Statutes, respectively (FY 2026 General Appropriations Act footnote).

2/ The monies appropriated by Laws 2022, chapter 313, section 130 shall revert to the state general fund on July 31, 2026 (General Appropriations Act footnote, Section 115).

3/ The Treasurer reported no expenditures from this line item in FY 2025, which is consistent with the Annual Financial Report published by the Arizona Department of Administration. However, separate reports from the Treasurer's office indicate that $1,887,800 was disbursed from this line item in FY 2025.

4/ 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 Appropriations Act.

5/ Of the amount appropriated for the statewide transportation innovation fund deposit line item, $1,000,000 shall be allocated for projects east of Power Road in Maricopa county and Pinal county (FY 2026 General Appropriations Act footnote).

6/ The amount appropriated for the veterans' health innovations pilot program line item shall be allocated to the entity described in section 41-177, subsection E, Arizona Revised Statutes, to conduct a pilot program with an emphasis on innovations that improve veterans' health that satisfy the requirements of section 41-177, subsections E and F, Arizona Revised Statutes (FY 2026 General Appropriations Act footnote).

7/ This section number is from the FY 2027 General Appropriations Act. Section 119 (FY 2027) includes 48 separate appropriations to different entities. Please see the Section 119 (FY 2027) Distributions section in the narrative below for the list of the individual appropriations.

8/ State agencies with law enforcement functions, local law enforcement agencies and tribal police agencies are eligible for grants. Grant monies awarded pursuant to this subsection shall be used for recruitment technology-based tools that improve hiring and retention outcomes, including platforms that support recruiter development, streamline applicant engagement, provide real-time performance data or enhance the consistency and effectiveness of training practices. The appropriation made in this subsection is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations (General Appropriations Act footnote, Section 119)

9/ This section number is from the FY 2026 General Appropriations Act. Section 118 (FY 2026) includes 42 separate appropriations to different entities. Please see the Treasurer section of the FY 2026 Appropriations Report for the list of the individual appropriations.

10/ The $50,000 appropriated to the state treasurer in fiscal year 2025-2026 by Laws 2025, chapter 233, section 118 for distribution to Pinal county for signage relating to the prohibition of illegal dumping may also be used to expand and support the Pinal county community cleanup free dump day program, including any operational costs, landfill access fees, staffing, public outreach and temporary waste disposal events that are intended to reduce illegal dumping within the unincorporated areas of Pinal county (General Appropriations Act footnote).

11/ This section number is from the FY 2026 General Appropriations Act. Section 119 (FY 2026) includes 6 separate appropriations to different entities. Please see the Treasurer section of the FY 2026 Appropriations Report for the list of the individual appropriations.

12/ This section number is from the FY 2025 General Appropriations Act. Section 227 (FY 2025) includes 4 distinct sets of distributions. Please see the Treasurer section of the FY 2025 Appropriations Report for additional detail.

13/ This section number is from the FY 2024 General Appropriations Act.

14/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

15/ On or before June 30, 2027, 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 Appropriations Act footnote).

Operating Budget

The budget includes $4,830,100 and 38.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$342,400
State Treasurer's Operating Fund	4,487,700

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $108,500 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	(100)
State Treasurer's Operating Fund	108,600

(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(8,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Advanced Air Mobility Fund Deposit

The budget includes no funding in FY 2027 for the Advanced Air Mobility Fund. Adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 to remove one-time funding for a deposit into the Advanced Air Mobility Fund.

The FY 2026 Transportation Budget Reconciliation Bill (BRB) established a new appropriated Advanced Air Mobility Fund. Monies in the fund will be used to purchase advanced air mobility vehicles capable of carrying passengers or cargo to demonstrate the utility of such vehicles. Monies in the fund may also be used to construct vertiports, which are commonly defined as areas designated for the takeoff and landing of these vehicles. The FY 2026 budget included a footnote appropriating the deposited monies from the fund to the State Treasurer for the fund's aforementioned purpose.

Secure Ballot Paper

The budget includes no funding in FY 2027 for Secure Ballot Paper. This amount is unchanged from FY 2026.

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 were previously exempt from lapsing; the FY 2027 General Appropriations Act stipulates that remaining monies revert to the General Fund on July 31, 2026.

Justice of the Peace Salaries

The budget includes $2,872,200 from the General Fund in FY 2027 for Justice of the Peace (JP) salaries. Adjustments are as follows:

Justice of the Peace Salary Adjustment

The budget includes an increase of $75,000 from the General Fund in FY 2027 for Justice of the Peace salary adjustments. This appropriation accounts for the state's cost of Justice of the Peace salaries that results from a Superior Court judge salary increase included in the FY 2027 budget effective January 1, 2027. The FY 2027 budget's 3-year plan increases this appropriation to $150,000 starting in FY 2028 for the full-year cost. *(Please see the Superior Court narrative for additional information)*

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 budget includes $2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2027 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2026.

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 2024 and FY 2025 allocations are included in *Table 1*.

Table 1

Allocation of LEBSF Grants

County	FY 2024	FY 2025
Apache	$ 23,600	$ 25,900
Coconino	244,900	268,300
Gila	171,500	187,800
La Paz	281,100	307,900
Maricopa	225,600	247,100
Mohave	551,000	603,500
Navajo	11,400	12,500
Yuma	214,400	234,800
Total 1/	**$1,723,500**	**$1,887,800**

1/ Amounts may not add to total due to rounding

Special Sporting Event

The budget includes $1,500,000 from the General Fund in FY 2027 for Special Sporting Event funding. This amount is unchanged from FY 2026.

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 Appropriations 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.)*

Statewide Infrastructure Trust Fund Deposit

The budget includes no funding in FY 2027 for the Statewide Infrastructure Trust Fund. Adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove one-time funding for a deposit into the Statewide Infrastructure Trust Fund.

The FY 2026 Transportation BRB established a new appropriated Statewide Infrastructure Trust Fund. Monies in the fund will be used to finance projects that construct or improve federal or state highways. All expenditures from the fund are subject to review by the Joint Committee on Capital Review. The FY 2026 budget included a footnote appropriating the deposited monies from the fund to the State Treasurer for the fund's aforementioned purpose.

Statewide Transportation Innovation Fund Deposit

The budget includes no funding in FY 2027 for the Statewide Transportation Innovation Fund. Adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 to remove one-time funding for a deposit into the Statewide Transportation Innovation Fund.

The FY 2026 Transportation BRB established a new appropriated Statewide Transportation Innovation Fund. Monies in the fund will be used to administer the Statewide Transportation Innovation Program established pursuant to A.R.S. § 28-9572. The FY 2026 budget included a footnote appropriating the deposited monies from the fund to the State Treasurer for the fund's aforementioned purpose.

Veterans' Health Innovations Pilot Program

The budget includes no funding in FY 2027 for the Veterans' Health Innovations Pilot Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(150,000) from the General Fund in FY 2027 to remove one-time funding for a Veterans' Health Innovations Pilot Program.

Monies in this line item will be allocated to a nonprofit charitable organization to conduct a pilot program with an emphasis on innovations that improve veterans' health. The monies will be allocated in accordance with A.R.S. § 41-177 subsection E, which establishes the guidelines for distributions from the Arizona Health Innovation Trust Fund.

FY 2027 Budget - Section 119 Peace Officer Training Equipment Fund Distributions

Section 119 of the FY 2027 General Appropriations Act includes Treasurer distributions to 48 entities from the Peace Officer Training Equipment Fund (POTEF). The Criminal Justice BRB transfers the administration of POTEF to the Arizona Criminal Justice Commission on the effective date of the act, September 12, 2026, and revises the name to the Law Enforcement Equipment Fund. Any POTEF monies remaining with the Treasurer on September 12, 2026, will transfer to ACJC at that time.

Public Safety Training Simulators

The budget includes $1,746,000 from the Peace Officer Training Equipment Fund in FY 2027 for public safety training simulators for local, county, and state law enforcement agencies. Adjustments are as follows:

New One-Time Distribution

The budget includes a one-time increase of $1,746,000 from the Peace Officer Training Equipment Fund in FY 2027 for public safety training simulators for local, county, and state law enforcement agencies. *(See Table 2 for the 4 separate appropriations that constitute the $1,746,000.)*

Table 2
Public Safety Training Simulators — FY 2027 Section 119 (A)

Recipient	Appropriation
Flagstaff Police Department	$354,000
Glendale Police Department	$354,000
State Department of Corrections	$354,000
Yavapai County Sheriff's Office	$684,000
Total	**$1,746,000**

Records Management Software

The budget includes $4,079,300 from the Peace Officer Training Equipment Fund in FY 2027 for records management software for local, county, and state law enforcement agencies. Adjustments are as follows:

New One-Time Distribution

The budget includes a one-time increase of $4,079,300 from the Peace Officer Training Equipment Fund in FY 2027 for records management software for local, county, and state law enforcement agencies (Section 119, subsection B). *(See Table 3 for the 42 separate appropriations that constitute the $4,079,300.)*

Table 3
Records Management Software — Section 119 (B)

Recipient	Appropriation
Arizona State University Police Department	$64,900
Avondale Police Department	$72,500
Buckeye Police Department	$65,900
Chandler Police Department	$111,700
Cochise County Sheriff's Office	$200,000
Coconino County Sheriff's Office	$47,800
Department of Public Safety	$349,500
El Mirage Police Department	$55,000
Flagstaff Police Department	$82,500
Gila County Sheriff's Office	$65,000
Gilbert Police Department	$102,000
Globe Police Department	$25,000
Goodyear Police Department	$69,200
Graham County Sheriff's Office	$99,800
Greenlee County Sheriff's Office	$44,900
Holbrook Police Department	$20,000
La Paz County Sheriff's Office	$89,900
Marana Police Department	$65,000
Maricopa County Sheriff's Office	$220,000
Mesa Police Department	$215,800
Miami Police Department	$20,000
Mohave County Sheriff's Office	$200,000
Navajo County Sheriff's Office	$55,900
Northern Arizona University Police Department	$52,800
Oro Valley Police Department	$67,000
Paradise Valley Police Department	$55,000
Payson Police Department	$38,000
Peoria Police Department	$83,900
Phoenix Police Department	$100,000
Pima County Sheriff's Office	$171,800
Pinal County Sheriff's Office	$500,000
Pinetop-Lakeside Police Department	$21,700
Prescott Police Department	$50,000
Prescott Valley Police Department	$50,000
Scottsdale Police Department	$125,900
Show Low Police Department	$21,700
Snowflake-Taylor Police Department	$25,000
Tempe Police Department	$189,700
University of Arizona Police Department	$64,900
Winslow Police Department	$38,600
Yavapai County Sheriff's Office	$81,000
Total	**$4,079,300**

Paradise Valley Law Enforcement Equipment

The budget includes $150,000 from the Peace Officer Training Equipment Fund in FY 2027 for distribution to the Town of Paradise Valley. Adjustments are as follows:

New One-Time Distribution

The budget includes a one-time increase of $150,000 from the Peace Officer Training Equipment Fund in FY 2027 for

law enforcement equipment purchases for the Town of Paradise Valley (Section 119, subsection C).

ACJC Recruitment/Retention Grants

The budget includes $1,000,000 from the Peace Officer Training Equipment Fund in FY 2027 for a distribution to the Arizona Criminal Justice Commission. Adjustments are as follows:

New One-Time Distribution
The budget includes a one-time increase of $1,000,000 from the Peace Officer Training Equipment Fund in FY 2027 for the Arizona Criminal Justice Commission to provide grants to acquire or implement technology that enhances law enforcement recruitment and retention (Section 119, subsection D). This appropriation is exempt from lapsing.

ADE School Hardening Grants

The budget includes $300,000 from the Peace Officer Training Equipment Fund in FY 2027 for distribution to the Superintendent of Public Instruction. Adjustments are as follows:

New One-Time Distribution
The budget includes a one-time increase of $300,000 from the Peace Officer Training Equipment Fund in FY 2027 for school hardening grants distributed to the Superintendent of Public Instruction (Section 119, subsection E).

FY 2026 Budget - Section 118 Local Distributions

The budget includes no funding in FY 2027 for Section 118 Local Distributions from the FY 2026 General Appropriations Act. Adjustments are as follows:

Remove One-Time Distribution
The budget includes a decrease of $(27,420,000) from the General Fund and $(1,000,000) from the Long-Term Water Augmentation Fund to remove one-time funding for local distributions in Section 118 of the FY 2026 General Appropriations Act.

(Please see the Treasurer section of the FY 2026 Appropriations Report for the complete list of the 45 individual appropriations.)

FY 2026 Budget - Section 119 Nonprofit Organization Distributions

The budget includes no funding in FY 2027 for Section 119 Nonprofit Organization Distributions from the FY 2026 General Appropriations Act. Adjustments are as follows:

Remove One-Time Distribution
The budget includes a decrease of $(5,525,000) from the General Fund to remove one-time funding for distributions to nonprofit organizations in Section 118 of the FY 2026 General Appropriations Act.

(Please see the Treasurer section of the FY 2026 Appropriations Report for a complete list of the 6 individual appropriations.)

Other Issues

Lapse Prior Year Appropriations

The FY 2027 budget (the General Appropriations Act) lapses prior year appropriations in the following section:

- $(5,000,000) in FY 2024 and $(6,000,000) in FY 2025 (Section 115) from the General Fund to eliminate funding for Secure Ballot Paper.

Statutory Changes

The Commerce BRB makes the following statutory changes:

- As permanent law, moves the administration of the Advanced Air Mobility Fund from the Treasurer to the Arizona Commerce Authority (ACA) and amends the fund purpose to allow for the Office of Defense Innovation within ACA to enter into a contract with an entity to advance the state's defense, aerospace, dual use and national security innovation ecosystem.

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, renames the Peace Officer Training Equipment Fund to the Law Enforcement Equipment Fund. Changes the administration of the fund from the State Treasurer to the Arizona Criminal Justice Commission (ACJC) and allows ACJC to use the fund for administrative costs. These provisions will take effect on the effective date of the act, September 12, 2026.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Treasurer's General Fund costs are projected to increase by $75,000 in FY 2028 above FY 2027. This increase will annualize the half-year of funding provided for a JP salary increase in FY 2027. (*Please see Justice of the Peace Salaries for further details.*

Governor's Office on Tribal Relations

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	3.0	3.0	3.0
Personal Services	36,500	35,000	35,000
Employee Related Expenditures	13,100	15,600	17,400
Travel - In State	2,200	500	500
Other Operating Expenditures	14,100	13,800	14,000
Equipment	700	2,000	2,000
OPERATING SUBTOTAL	**66,600**	**66,900**	**68,900**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(1,700)
AGENCY TOTAL	**66,600**	**66,900**	**67,200** 1/
FUND SOURCES			
General Fund	66,600	66,900	67,200
SUBTOTAL - Appropriated Funds	**66,600**	**66,900**	**67,200**
Other Non-Appropriated Funds	54,600	58,500	58,500
TOTAL - ALL SOURCES	121,200	125,400	125,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $68,900 and 3 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $2,000 from the General Fund in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(1,700) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Arizona Board of Regents

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	30.9	30.9	30.9
Personal Services	1,544,200	1,670,400	1,670,400
Employee Related Expenditures	523,300	492,000	580,900
Professional and Outside Services	43,600	0	0
Other Operating Expenditures	973,400	1,128,700	1,025,100
OPERATING SUBTOTAL	**3,084,500**	**3,291,100**	**3,276,400**
SPECIAL LINE ITEMS			
Lump Sum Reduction	0	0	(82,300)
Adaptive Athletics	160,000	160,000	160,000 1/
Leveraging Education Assistance Partnership Program	1,220,800	1,220,800	1,220,800 2/
Arizona Promise Program	20,000,000	36,300,000	20,000,000 3/
Spouses of Military Veterans Tuition Scholarships	10,000,000	10,000,000	10,000,000 4/
Arizona Teachers Academy	16,000,000	15,000,000	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
Washington D.C. Internships	300,000	450,000	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	**55,726,000**	**71,382,600**	**54,835,600** 6/7/
FUND SOURCES			
General Fund	55,726,000	71,382,600	54,835,600
SUBTOTAL - Appropriated Funds	**55,726,000**	**71,382,600**	**54,835,600**
Other Non-Appropriated Funds	25,972,600	31,197,700	31,197,700
Federal Funds	388,200	2,387,000	2,387,000
TOTAL - ALL SOURCES	82,086,800	104,967,300	88,420,300

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 Appropriations 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 2026-2027. (General Appropriations Act footnote)

3/ On or before December 1, 2027, 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 2026-2027:
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 Appropriations Act footnote)

4/ On or before October 1, 2027, 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 2026-2027:
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 Appropriations 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, short-term programs and regional programs 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 and short-term programs in their areas of interest. (General Appropriations 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 Appropriations Act footnote)

7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $3,276,400 and 30.9 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of $(14,700) from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(82,300) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum appropriation will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Adaptive Athletics

The budget includes $160,000 from the General Fund in FY 2027 for Adaptive Athletics. This amount is unchanged from FY 2026.

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 budget includes $1,220,800 from the General Fund in FY 2027 for the Leveraging Education Assistance Partnership (LEAP) Program. This amount is unchanged from FY 2026.

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).

Arizona Promise Program

The budget includes $20,000,000 from the General Fund in FY 2027 for the Arizona Promise Program. Adjustments are as follows:

Remove One-Time Program Funding

The budget includes a decrease of $(16,300,000) from the General Fund in FY 2027 for the elimination of one-time Promise Program 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. Across all three state universities, 91,435 students were Pell-eligible in FY 2025. The maximum Pell award for the 2026-2027 academic year was $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. Pursuant to A.R.S. § 15-1809(E), the Arizona Promise Program Fund received an additional $17,367,100 from the Spouses of Military Veterans Tuition Scholarship Fund in FY 2026.

In FY 2025, this program served 22,888 students, and the average award amount was $9,294. Total awards include funding from the General Fund and institutional aid provided by the universities.

The FY 2025 Higher Education BRB established an Arizona Community Colleges Promise Program Fund, administered by the Arizona Board of Regents. Pursuant to A.R.S. § 15-1809(E), the Community Colleges Promise Program Fund received $2,894,500 from the Spouses of Military Veterans Tuition Scholarship Fund in FY 2026.

Spouses of Military Veterans Tuition Scholarships

The budget includes $10,000,000 from the General Fund in FY 2027 for Spouses of Military Veterans Tuition Scholarships. This amount is unchanged from FY 2026.

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.

In FY 2025, this program served 219 students, and the average award amount was $5,720.

If sufficient monies are available, A.R.S. § 15-1808(B) requires ABOR to distribute surplus scholarship monies to the universities for costs associated with tuition waivers for children and spouses of veterans, peace officers, and firefighters in Arizona who suffered a post-traumatic stress injury and died by suicide. After surplus monies are used pursuant section 15-1808(B), A.R.S. § 15-1809(E) requires that any monies remaining in the fund on June 30 of each year be distributed as follows:

- $500,000 or the amount of remaining monies, whichever is less, in the Spouses and Dependents of Law Enforcement Officers Tuition Scholarship Fund. Following this deposit.
- Any remaining monies are deposited to the following funds: 60% in the Arizona Promise Program Fund, 30% in the Teacher's Academy Fund and 10% in the Community College Promise Program Fund.

Arizona Teachers Academy

The budget includes $15,000,000 from the General Fund in FY 2027 for the Arizona Teachers Academy. These amounts are unchanged from FY 2026.

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. Pursuant to A.R.S. § 15-1809(E), the Arizona Teachers Academy Fund received an additional $8,683,500 from the Spouses of Military Veterans Tuition Scholarship Fund in FY 2026.

In FY 2025, 3,064 students were enrolled in the academy, of which 837 attended ASU, 1,299 attended NAU, 401 attend UA, 353 were community college postbaccalaureate students, and 174 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 budget includes $90,000 from the General Fund in FY 2027 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2026.

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 budget includes $426,000 from the General Fund in FY 2027 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2026.

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 budget includes $213,700 from the General Fund in FY 2027 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2026.

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 budget includes $300,000 from the General Fund in FY 2027 for Washington, D.C. internships and short-term programs. Adjustments are as follows:

Remove One-Time Program Funding

The budget includes a decrease of $(150,000) from the General Fund in FY 2027 for the elimination of one-time Washington D.C. internship and short-term program scholarship funding.

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.

Western Interstate Commission Office

The budget includes $153,000 from the General Fund in FY 2027 for the Western Interstate Commission Office. This amount is unchanged from FY 2026.

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 budget includes $4,078,000 from the General Fund in FY 2027 for WICHE student subsidies. This amount is unchanged from FY 2026.

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 Higher Education BRB makes the following changes:

- 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 the Arizona Financial Aid Trust (AFAT).
- As permanent law, increases the Veterinary Loan Assistance Program per student maximum from $100,000 to $200,000 and require ABOR to distribute funds to veterinarians in proportional distributions to the total assistance amount after each year of the 4-year service requirement.
- As permanent law, amends A.R.S. § 15-1626 to limit the Board of Regents authority to retain University monies to supplement the Board's operating budget to no more than $5 million annually.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, university wide General Fund costs are projected to increase by $15,153,800 in FY 2028 above FY 2027 and increase by $625,400 in FY 2029 above FY 2028. These estimates are based on:

- Decreases of $(1,400) and $(13,600) in FY 2028 and FY 2029, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of $626,500 and $639,000 in FY 2028 and FY 2029, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding narrative for more information.)*
- An increase of $15,528,700 in FY 2028 to restore operating lump sum funding.
- A decrease of $(500,000) in FY 2028 to remove one-time UA funding for Water Adjudication.
- A decrease of $(500,000) in FY 2028 to remove one-time UA funding for AZ REACH.

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 $118-$122 in FY 2026 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 2027 budget continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2027. The budget also maintains each university's FY 2027 allocation of General Fund AFAT appropriations at their FY 2026 level, which appears in the individual university budgets.
Based on student fees contributed to AFAT in FY 2025 (the most recent year of data available), the state's match would have been $57,075,800, or an increase of $47,034,600 over the $10,041,200 appropriation in FY 2027.

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 2025, AFAT disbursed $33,824,800. This is the most recent year of data available. *(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. The FY 2027 Higher Education BRB limits the amount of university monies ABOR can retain for the Board's operating budget to no more than $5 million annually. 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 2025 tuition revenue report projected FY 2026 gross tuition and fees to be $5.0 billion systemwide.

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 2025, the universities projected $1.3 billion in tuition waivers and awards in FY 2026, for a total net tuition of $3.7 billion. Please see the November 10, 2025 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 2027 is $10.11 billion, including $993.2 million from the General Fund and $3.7 billion of net tuition/fee collections. *Table 2* summarizes the FY 2027 expenditure authority amounts for the Arizona University System.

Financial Aid

The Arizona University System distributed $3.76 billion in financial aid in FY 2025 (the most recent year of data available). Of the total financial aid distributions, the federal government financed $1.51 billion, and university institutional sources provided $1.59 billion. *(Please see Table 3 for details.)*

Enrollment

Between fall 2024 and fall 2025, university enrollment increased from 221,564 FTE to 224,911, or 1.5%, as displayed in *Table 4*. ASU enrollment increased by 4.3%, NAU enrollment decreased by (3.9)% and UA decreased by (2.7)%.

Table 1

University Research Infrastructure Appropriations [1/]

Fiscal Year	ASU	NAU	UA	Total
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.

Table 2

FY 2027 Summary of Spending Authority

	Appropriated Funds		Non-Appropriated Funds		
	General Fund	Collections Fund [1/]	Federal Funds	Other Funds [1/]	Total [2/]
ABOR	$ 54,835,600	$ 0	$ 2,387,000	$ 31,197,700	$ 88,420,300
ASU	434,594,900	907,759,500	712,990,700	3,334,880,400	5,390,225,500
NAU	122,610,500	125,450,500	165,931,600	413,972,600	827,965,200
UA-Main	306,268,900	443,990,600	298,988,000	1,955,633,000	3,004,880,500
UA-Health Sciences	74,900,700	44,684,000	196,353,100	481,753,700	797,691,500
Total	**$993,210,600**	**$1,521,884,600**	**$1,376,650,400**	**$6,217,437,400**	**$10,109,183,000**

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 $3,517,446,900 based on FY 2026 amounts. This amount excludes FY 2027 enrollment growth and tuition rate changes.

2/ Total university wide funding includes gross tuition revenues.

Table 3

FY 2025 Financial Aid Distribution by Source
($ in Thousands)

	Federal	State [1/]	Institutional	Private/Other	Total
Grants	$531,548.9	$95,104.3	$1,282,627.4	$406,031.7	$2,315,312.3
Loans	963,760.4	74.7	40.0	167,864.8	1,131,739.9
Employment	10,952.4	0.0	306,423.8	0.0	317,376.2
Total	**$1,506,261.7**	**$95,179.0**	**$1,589,091.2**	**$573,896.5**	**$3,764,428.4**

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/]

	Fall 2024	Fall 2025	Fall 2024 to Fall 2025
ASU-Tempe	61,088	60,231	(1.4)%
ASU-Downtown Phoenix	11,483	12,070	5.1%
ASU-Polytechnic	6,175	6,248	1.2%
ASU-West	5,764	5,783	0.3%
ASU-Online [2/]	51,763	58,242	12.5%
ASU-Other	1,374	1,023	(25.5)%
Subtotal	*137,647*	*143,597*	*4.3%*
NAU-Flagstaff	21,658	20,980	(3.1)%
NAU-Online [2/]	2,564	2,563	0.0%
NAU-Other	4,031	3,597	(10.8)%
Subtotal	*28,253*	*27,140*	*(3.9)%*
UA-Tucson	44,782	43,156	(3.6)%
UA-PHX Biomedical	1,669	1,695	1.6%
UA-Online [2/]	6,535	6,892	5.5%
UA-Other	2,678	2,431	(9.2)%
Subtotal	*55,664*	*54,174*	*(2.7)%*
Total	**221,564**	**224,911**	**1.5%**

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 and excludes UA Global Campus.

Arizona State University

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	7,732.6	7,420.4	7,420.4
Personal Services	682,686,600	637,318,500	637,318,500
Employee Related Expenditures	214,277,600	196,367,400	228,176,800
Professional and Outside Services	96,264,600	58,370,900	58,370,900
Travel - In State	102,300	86,400	86,400
Travel - Out of State	1,833,700	581,800	581,800
Other Operating Expenditures	94,004,700	249,521,500	248,503,700
Equipment	6,209,200	4,721,200	4,721,200
OPERATING SUBTOTAL	**1,095,378,700**	**1,146,967,700**	**1,177,759,300** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(8,096,000)
2003 Research Infrastructure Lease-Purchase Payment	13,459,300	13,453,900	13,450,100 2/
2017 Capital Infrastructure Funding	13,300,700	13,566,700	13,838,000 3/
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,516,700	3,828,100	3,800,100
Decision Theater - Pinal County Transportation	0	500,000	0
Downtown Phoenix Campus	133,745,800	135,878,500	135,367,100
Eastern Europe Cultural Collaborative	250,000	250,000	250,000 4/
AGENCY TOTAL	**1,265,637,000**	**1,320,430,700**	**1,342,354,400** 5/6/7/
FUND SOURCES			
General Fund	408,638,200	412,671,200	434,594,900 8/9/10/
Other Appropriated Funds			
University Collections Fund	856,998,800	907,759,500	907,759,500 11/
SUBTOTAL - Other Appropriated Funds	856,998,800	907,759,500	907,759,500
SUBTOTAL - Appropriated Funds	**1,265,637,000**	**1,320,430,700**	**1,342,354,400**
Other Non-Appropriated Funds	3,154,129,600	3,275,358,500	3,334,880,400
Federal Funds	794,539,500	712,990,700	712,990,700
TOTAL - ALL SOURCES	5,214,306,100	5,308,779,900	5,390,225,500

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/ 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, 2026, 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 2026-2027 be consistent with the amount allocated in fiscal year 2025-2026, except that the university may allocate to the school the lump sum reduction of no more than 2.5 percent as prescribed by this act. (General Appropriations Act footnote)

2/ A.R.S. § 15-1670 appropriates $13,450,100 to ASU from the General Fund in FY 2027 to finance lease-purchase payments for research infrastructure projects.

3/ A.R.S. § 15-1671 appropriates $13,838,000 to ASU from the General Fund in FY 2027 for capital infrastructure projects.

4/ 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 Appropriations Act footnote)

5/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriations Act footnote)

6/ 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 Appropriations Act footnote)

7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

8/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)

9/ The state general fund appropriation may not be used for alumni association funding. (General Appropriations Act footnote)

10/ The FY 2027 General Fund budget is $434,594,900. This amount includes $385,150,600 in ASU's individual section of the FY 2027 General Appropriations Act, $(8,096,000) for a one-time operating lump sum reduction, $13,450,100 in A.R.S. § 15-1670 lease-purchase appropriations, $13,838,000 in A.R.S. § 15-1671 capital infrastructure appropriations, and $30,252,200 for statewide adjustments.

11/ Any unencumbered balances remaining in the university collections fund on June 30, 2026 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 Appropriations Act footnote)

Operating Budget

The budget includes $1,177,759,300 and 6,316.2 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$354,630,900
University Collections Fund	823,128,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $30,791,600 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Lump Sum Reduction

The budget includes a one-time decrease of $(8,096,000) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal.

Unless otherwise noted, agencies have discretion in how the reduction in spending is achieved. The FY 2027 budget specifies that ASU may not reduce monies allocated from the operating lump sum appropriation to the School of Civic and Economic Thought and Leadership by more than 2.5% of the total amount allocated to the school.

The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

2003 Research Infrastructure Lease-Purchase Payment

The budget includes $13,450,100 from the General Fund in FY 2027 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The budget includes a decrease of $(3,800) from the General Fund in FY 2027 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 does not appear in the FY 2027 General Appropriations 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 budget includes $13,838,000 from the General Fund in FY 2027 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment
The budget includes an increase of $271,300 from the General Fund in FY 2027 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 does not appear in the FY 2027 General Appropriations 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 2027, from the second quarter of CY 2024 to the second quarter of CY 2025). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The budget includes $5,985,800 from the General Fund in FY 2027 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2026. *(Please see the ABOR section for more information.)*

Biomedical Informatics

The budget includes $3,800,100 and 23.3 FTE Positions in FY 2027 for the Biomedical Informatics line item. These amounts consist of:

General Fund	1,954,100
University Collections Fund	1,846,000

Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(28,000) from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Decision Theater – Pinal County Transportation

The budget includes no funding in FY 2027 for Decision Theater – Pinal County Transportation. Adjustments are as follows:

Remove One-Time Funding
The budget includes a one-time decrease of $(500,000) from the General Fund in FY 2027 for the elimination of one-time Decision Theater funding.

Downtown Phoenix Campus

The budget includes $135,367,100 and 1,080.9 FTE Positions in FY 2027 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	52,582,000
University Collections Fund	82,785,100

Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(511,400) from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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 budget includes $250,000 from the General Fund in FY 2027 for the Eastern Europe Cultural Collaborative. This amount is unchanged from FY 2026.

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 2027 General Fund budget is $434,594,900. Of this amount:

- $385,150,600 is included in ASU's individual section of the FY 2027 General Appropriations Act.
- $(8,096,000) is for a one-time operating lump sum reduction.
- $13,450,100 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- $13,838,000 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- $30,252,200 is for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ASU's General Fund costs are projected to increase by $8,358,900 in FY 2028 above FY 2027 and increase by $276,900 in FY 2029 above FY 2028. These estimates are based on:

- Decreases of $(13,900) in FY 2028 and $(5,400) in FY 2029 to adjust for university debt service costs.
- Increases of $276,800 in FY 2028 and $282,300 in FY 2029 to increase the university's annual Capital Infrastructure Funding appropriation.
- An increase of $8,096,000 in FY 2028 to restore operating lump sum funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2026 General Appropriations Act appropriated $856,998,800 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 Appropriations 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 2026 to the Joint Legislative Budget Committee in June 2025, and ASU incorporated the adjusted FY 2026 amounts as part of their FY 2027 budget submission. Accordingly, the estimated FY 2026 amount has been adjusted by $50,760,700 to $907,759,500.

The FY 2026 FTE Position count has also been adjusted. The FY 2026 General Appropriations Act originally appropriated 8,357.4 FTE Positions in FY 2026 for ASU. The General Fund accounted for 2,565.8 FTE Positions and the University Collections Fund accounted for the remaining 5,791.6 FTE Positions. The estimated number of FY 2026 FTE Positions has been adjusted by (937.0) to 7,420.4. The General Fund accounts for 2,217.8 FTE Positions and the University Collections Fund accounts for the remaining 5,202.6 FTE Positions.

Northern Arizona University

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2,352.3	2,308.4	2,308.4
Personal Services	162,297,800	159,261,000	159,261,000
Employee Related Expenditures	57,742,800	49,369,400	50,310,300
Professional and Outside Services	11,156,500	9,114,800	9,114,800
Travel - In State	204,700	175,200	175,200
Travel - Out of State	266,100	0	0
Other Operating Expenditures	13,108,200	11,178,800	10,666,800
Equipment	1,721,100	1,330,500	1,330,500
OPERATING SUBTOTAL	**246,497,200**	**230,429,700**	**230,858,600** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(2,624,500)
2003 Research Infrastructure Lease-Purchase Payment	4,885,500	4,884,500	4,884,300 2/
2017 Capital Infrastructure Funding	5,041,400	5,142,200	5,245,000 3/
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 4/
NAU - Yuma	3,088,400	3,083,100	3,078,900
Teacher Training	2,292,700	2,292,700	2,292,700 5/
AGENCY TOTAL	**266,131,200**	**250,158,200**	**248,061,000** 6/ 7/
FUND SOURCES			
General Fund	134,294,400	124,707,700	122,610,500 8/ 9/ 10/
Other Appropriated Funds			
University Collections Fund	131,836,800	125,450,500	125,450,500 11/
SUBTOTAL - Other Appropriated Funds	131,836,800	125,450,500	125,450,500
SUBTOTAL - Appropriated Funds	**266,131,200**	**250,158,200**	**248,061,000**
Other Non-Appropriated Funds	458,018,400	409,880,100	413,972,600
Federal Funds	162,840,900	164,469,600	165,931,600
TOTAL - ALL SOURCES	886,990,500	824,507,900	827,965,200

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/ 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, 2026, 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 2026-2027 be consistent with the amount allocated in fiscal year 2025-2026, except that the university may allocate

to the school the lump sum reduction of not more than 2.5 percent as prescribed by this act. (General Appropriations Act footnote)

2/ A.R.S. § 15-1670 appropriates $4,884,300 to NAU from the General Fund in FY 2027 to finance lease-purchase payments for research infrastructure projects.

3/ A.R.S. § 15-1671 appropriates $5,245,000 to NAU from the General Fund in FY 2027 for capital infrastructure projects.

4/ 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, 2027. 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 Appropriations Act footnote)

5/ 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 Appropriations Act footnote)

6/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriations Act footnote)

7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

8/ The state general fund appropriation may not be used for alumni association funding. (General Appropriations Act footnote)

9/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)

10/ The FY 2027 General Fund budget is $122,610,500. This amount includes $114,681,000 in NAU's individual section of the FY 2027 General Appropriations Act, $(2,624,500) for a one-time operating lump sum reduction, $4,884,300 in A.R.S. § 15-1670 lease-purchase appropriations, and $5,245,000 in A.R.S. § 15-1671 capital infrastructure appropriations, and $424,700 for statewide adjustments.

11/ Any unencumbered balances remaining in the university collections fund on June 30, 2026 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 Appropriations Act footnote)

Operating Budget

The budget includes $230,858,600 and 2,275.2 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$105,408,100
University Collections Fund	125,450,500

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $428,900 from the General Fund in FY 2027 for statewide adjustments *(Please see Agency Detail and Allocations section.)*

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.)*

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(2,624,500) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal.

Unless otherwise noted, agencies have discretion in how the reduction in spending is achieved. The FY 2027 budget specifies that NAU may not reduce monies allocated from the operating lump sum appropriation to the Economic Policy Institute by more than 2.5% of the total amount allocated to the institute.

The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

2003 Research Infrastructure Lease-Purchase Payment

The budget includes $4,884,300 from the General Fund in FY 2027 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment
The budget includes a decrease of $(200) from the General Fund in FY 2027 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 does not appear in the FY 2027 General Appropriations 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 budget includes $5,245,000 from the General Fund in FY 2027 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment
The budget includes an increase of $102,800 from the General Fund in FY 2027 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 does not appear in the FY 2027 General Appropriations 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 2027, from the second quarter of CY 2024 to the second quarter of CY 2025). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The budget includes $1,326,000 from the General Fund in FY 2027 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2026. *(Please see the ABOR section for more information.)*

Biomedical Research Funding

The budget includes $3,000,000 from the General Fund in FY 2027 for the Biomedical Research Funding line item. This amount is unchanged from FY 2026.

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 budget includes $3,078,900 and 33.2 FTE Positions from the General Fund in FY 2027 for NAU-Yuma. Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(4,200) from the General Fund in FY 2027 for statewide adjustments *(Please see Agency Detail and Allocations section.)*

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Teacher Training

The budget includes $2,292,700 from the General Fund in FY 2027 for Teacher Training. These amounts are unchanged from FY 2026.

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 2027 General Fund budget is $122,610,500. Of this amount:

- $114,681,000 is included in NAU's individual section of the FY 2027 General Appropriations Act.
- $(2,624,500) for a one-time operating lump sum reduction.
- $4,884,300 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- $5,245,000 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- $424,700 is for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, NAU's General Fund costs are projected to increase by $2,739,100 in FY 2028 above FY 2027 and increase by $101,400 in FY 2029 above FY 2028.
These estimates are based on:

- An increase of $9,700 in FY 2028 and a decrease of $(5,600) in FY 2029 to adjust for university debt service costs.
- Increases of $104,900 in FY 2028 and $107,000 in FY 2029 to increase the university's annual Capital Infrastructure Funding appropriation.
- An increase of $2,624,500 in FY 2028 to restore operating lump sum funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2026 General Appropriations Act appropriated $131,836,800 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 Appropriations 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 2026 to the Joint Legislative Budget Committee in June 2025, and NAU incorporated the adjusted FY 2026 amounts as part of their FY 2027 budget submission. Accordingly, the estimated FY 2026 amount has been adjusted downward by $(6,386,300) to $125,450,500.

The FY 2026 FTE Position count has also been adjusted. The FY 2026 General Appropriations Act originally appropriated 2,399 FTE Positions in FY 2026 for NAU. The General Fund accounted for 1,132.6 FTE Positions and the University Collections Fund accounted for the remaining 1,266.4 Positions. The estimated number of FY 2026 FTE Positions has been adjusted downward by (90.6) to 2,308.4. The General Fund accounts for 1,069.7 FTE Positions and the University Collections Fund accounts for the remaining 1,238.7 FTE Positions.

University of Arizona - Main Campus

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	6,337.7	6,573.0	6,573.0
Personal Services	400,654,500	399,693,400	398,875,200
Employee Related Expenditures	133,959,300	132,163,100	160,155,300
Professional and Outside Services	16,683,900	12,803,700	12,803,700
Travel - In State	153,000	126,400	126,400
Travel - Out of State	1,053,500	1,134,500	1,134,500
Other Operating Expenditures	112,866,400	48,507,000	46,590,800
Equipment	14,972,600	18,437,300	18,437,300
OPERATING SUBTOTAL	**680,343,200**	**612,865,400**	**638,123,200** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(4,725,900)
2003 Research Infrastructure Lease-Purchase Payment	14,247,300	14,248,400	14,251,300 2/
2017 Capital Infrastructure Funding	11,766,600	12,001,900	12,241,900 3/
Agriculture	49,068,000	38,925,400	39,038,500
Arizona Cooperative Extension	15,805,100	15,345,700	15,338,000
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	1,208,200	1,717,800	1,219,700 4/
College of Veterinary Medicine	21,232,500	21,237,200	21,269,000 5/
Extractive Modular Metallurgy Facility	0	850,000	0
Kazakhstan Studies Program	250,000	250,000	250,000 6/
Mining, Mineral and Natural Resources Educational Museum	432,100	439,300	455,300
Natural Resource Users Law and Policy Center	1,571,800	1,589,800	0
On-Farm Irrigation Efficiency Fund Deposit	0	2,000,000	0
School of Mining	4,170,200	4,187,000	4,179,500 7/
Sierra Vista Campus	2,880,100	2,864,600	2,772,300
Veterinary Diagnostic Laboratory	2,584,200	2,606,200	2,617,300
Water Adjudication	0	0	500,000 8/9/
AGENCY TOTAL	**808,288,700**	**733,858,100**	**750,259,500** 10/11/
FUND SOURCES			
General Fund	295,913,700	289,867,500	306,268,900 12/13/14/
Other Appropriated Funds			
University Collections Fund	512,375,000	443,990,600	443,990,600 15/
SUBTOTAL - Other Appropriated Funds	512,375,000	443,990,600	443,990,600
SUBTOTAL - Appropriated Funds	**808,288,700**	**733,858,100**	**750,259,500**
Other Non-Appropriated Funds	1,916,917,500	1,939,185,600	1,955,633,000
Federal Funds	314,838,900	296,716,000	298,988,000
TOTAL - ALL SOURCES	3,040,045,100	2,969,759,700	3,004,880,500

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/ 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 for 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, 2026, 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 2026-2027 be consistent with the amount allocated in fiscal year 2025-2026, except that the university may allocate to the school the lump sum reduction of not more than 2.5 percent as prescribed by this act. (General Appropriations Act footnote)

2/ A.R.S. § 15-1670 appropriates $14,251,300 to UA-Main from the General Fund in FY 2027 to finance lease-purchase payments for research infrastructure projects.

3/ A.R.S. § 15-1671 appropriates $12,241,900 to UA-Main from the General Fund in FY 2027 for capital infrastructure projects.

4/ 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 Appropriations Act footnote)

5/ 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 Appropriations Act footnote)

6/ 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 Appropriations Act footnote)

7/ 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 Appropriations Act footnote)

8/ The amount appropriated for the water adjudication line item shall be used to assist claimants in the general stream adjudication of water rights pursuant to section 15-1647, Arizona Revised Statutes. (General Appropriations Act footnote)

9/ The amount appropriated for the water adjudication line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

10/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriations Act footnote)

11/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

12/ The state general fund appropriation may not be used for alumni association funding. (General Appropriations Act footnote)

13/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)

14/ The FY 2027 General Fund budget is $306,268,900. This amount includes $257,827,400 in UA - Main's individual section of the FY 2027 General Appropriations Act, $(4,725,900) for a one-time operating lump sum reduction, $14,251,300 in A.R.S. § 15-1670 lease-purchase appropriations, $12,241,900 in A.R.S. § 15-1671 capital infrastructure appropriations, and $26,674,200 for statewide adjustments.

15/ Any unencumbered balances remaining in the university collections fund on June 30, 2026 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 Appropriations Act footnote)

Operating Budget

The budget includes $638,123,200 and 5,307.6 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$215,644,500
University Collections Fund	422,478,700

Adjustments are as follows:

Remove One-Time Operating Funding

The budget includes a decrease of $(1,350,000) from the General Fund in FY 2027 for the elimination of one-time funding for the Yuma Center of Excellence for Desert Agriculture.

Statewide Adjustments

The budget includes an increase of $26,607,800 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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.)*

Operating Lump Sum Reduction

The budget includes a one-time decrease of $(4,725,900) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal.

Unless otherwise noted, agencies have discretion in how the reduction in spending is achieved. The FY 2027 budget specifies that UA may not reduce monies allocated from the operating lump sum appropriation to the Center for the Philosophy of Freedom by more than 2.5% of the total amount allocated to the center.

The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

2003 Research Infrastructure Lease-Purchase Payment

The budget includes $14,251,300 from the General Fund in FY 2027 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The budget includes an increase of $2,900 from the General Fund in FY 2027 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 does not appear in the FY 2027 General Appropriations 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 budget includes $12,241,900 from the General Fund in FY 2027 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The budget includes an increase of $240,000 from the General Fund in FY 2027 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 does not appear in the FY 2027 General Appropriations 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 2027, from the second quarter of CY 2024 to the second quarter of CY 2025). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Agriculture

The budget includes $39,038,500 and 654.7 FTE Positions in FY 2027 for the Agriculture Programs. These amounts consist of:

General Fund	30,363,600
University Collections Fund	8,674,900

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $113,100 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Cooperative Extension

The budget includes $15,338,000 and 227.7 FTE Positions from the General Fund in FY 2027 for the Arizona Cooperative Extension. Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(7,700) from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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 budget includes $2,729,400 from the General Fund in FY 2027 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2026. *(Please see the ABOR section for more information).*

Arizona Geological Survey

The budget includes $1,219,700 and 25.7 FTE from the General Fund in FY 2027 for the Arizona Geological Survey. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(500,000) from the General Fund in FY 2027 for the elimination of one-time Arizona Geological Survey funding.

Statewide Adjustments
The budget includes an increase of $1,900 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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 budget includes $21,269,000 and 234.6 FTE Positions in FY 2027 for the College of Veterinary Medicine. These amounts consist of:

General Fund	8,432,000
University Collections Fund	12,837,000

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $31,800 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Extractive Modular Metallurgy Facility

The budget includes no funding in FY 2027 for the Extractive Modular Metallurgy Facility. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(850,000) from the General Fund in FY 2027 for the elimination of one-time funding for the Extractive Modular Metallurgy Facility.

The facility is part of UA's School of Mining Engineering and Mineral Resources. Extractive metallurgy is the practice of removing valuable metals from an ore and refining the extracted raw materials into purer form.

Kazakhstan Studies Program

The budget includes $250,000 and 2.6 FTE Positions from the General Fund in FY 2027 for the Kazakhstan Studies Program. This amount is unchanged from FY 2026.

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 budget includes $455,300 and 6.5 FTE Positions from the General Fund in FY 2027 for the Mining, Mineral, and Natural Resources Educational Museum. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $16,000 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Natural Resource Users Law and Policy Center

The budget includes no funding in FY 2027 for the Natural Resource Users Law and Policy Center. Adjustments are as follows:

Remove Center Funding
The budget includes a decrease of $(1,589,800) to remove funding for the Natural Resource Users Law and Policy Center. Of this funding, $500,000 was shifted to the Water Adjudication line item.

On-Farm Irrigation Efficiency Fund Deposit

The budget includes no funding in FY 2027 for the On-Farm Irrigation Efficiency Fund Deposit line item. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 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. A General Appropriations Act footnote required FY 2026 funding to be used for growers in the Gila Valley irrigation district.

School of Mining

The budget includes $4,179,500 and 50.8 FTE Positions from the General Fund in FY 2027 for the School of Mining. Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(7,500) from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

This line item provides operating funding for the UA School of Mining.

A General Appropriations 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 budget includes $2,772,300 and 47.1 FTE Positions from the General Fund in FY 2027 for the Sierra Vista Campus. Adjustments are as follows:

Statewide Adjustments
The budget includes a decrease of $(92,300) from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

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.

Veterinary Diagnostic Laboratory

The budget includes $2,617,300 and 15.7 FTE Positions from the General Fund in FY 2027 for the Veterinary Diagnostic Laboratory. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $11,100 from the General Fund in FY 2027 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

The Veterinary Diagnostic Laboratory provides diagnostic service in animal health to veterinarians, animal owners, university researchers, and state and federal agencies.

Water Adjudication

The budget includes $500,000 from the General Fund in FY 2027 for Water Adjudication. Adjustments are as follows:

One-Time Water Adjudication Funding
The budget includes a one-time increase of $500,000 for water adjudication. A General Appropriations Act footnote requires funding for this line item to be used to assist claimants in the general stream adjudication of water rights. These monies are non-lapsing. This funding was previously included in the Natural Resource Users Law and Policy Center line item.

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.

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 2027 General Fund budget is $306,268,900. Of this amount:

- $257,827,400 is included in UA - Main's individual section of the FY 2027 General Appropriations Act.
- $(4,725,900) for a one-time operating lump sum reduction.
- $14,251,300 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- $12,241,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- $26,674,200 for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, UA - Main's General Fund costs are projected to increase by $4,473,500 in FY 2028 above FY 2027 and increase by $247,100 in FY 2029 above FY 2028. These estimates are based on:

- An increase of $2,800 in FY 2028 and decrease of $(2,600) in FY 2029 to adjust for university debt service costs.
- Increases of $244,800 in FY 2028 and $249,700 in FY 2029 to increase the university's annual Capital Infrastructure Funding.
- An increase of $4,725,900 in FY 2028 to restore operating lump sum funding.
- A decrease of $(500,000) in FY 2028 to remove one-time water adjudication funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2026 General Appropriations Act appropriated $368,549,100 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 Appropriations 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 2026 to the Joint Legislative Budget Committee in June 2025, and UA incorporated the adjusted FY 2026 amounts as part of their FY 2027 budget submission. Accordingly, the estimated FY 2026 amount has been adjusted upward by $75,441,500 to $443,990,600.

The FY 2026 FTE Position count has also been adjusted. The FY 2026 General Appropriations Act originally appropriated 6,162.8 FTE Positions in FY 2026 for UA - Main. The General Fund accounted for 2,771.1 FTE Positions and the University Collections Fund accounted for the remaining 3,391.7 FTE Positions. The estimated number of FY 2026 FTE Positions has been adjusted by 410.2 to 6,573.0. The General Fund accounts for 2,642.4 FTE Positions and the University Collections Fund accounts for the remaining 3,930.6 FTE Positions.

University of Arizona - Health Sciences Center

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	1,044.0	857.1	857.1
Personal Services	41,945,900	34,908,300	34,908,300
Employee Related Expenditures	13,643,100	11,387,000	11,387,000
Professional and Outside Services	12,934,400	10,063,000	10,063,000
Travel - In State	31,900	22,800	22,800
Travel - Out of State	108,100	89,100	89,100
Other Operating Expenditures	6,662,100	12,065,500	12,065,500
Equipment	81,500	0	0
OPERATING SUBTOTAL	**75,407,000**	**68,535,700**	**68,535,700** 1/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(1,027,700)
AZ REACH	0	500,000	500,000 2/
Clinical Rural Rotation	353,600	353,600	353,600
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	440,400	440,400	440,400
Medical Mission Scholarships	0	50,000	0
Phoenix Medical Campus	45,469,400	40,525,700	40,525,700
Telemedicine Network	1,670,000	1,670,000	1,670,000
AGENCY TOTAL	**131,927,400**	**120,662,400**	**119,584,700** 3/4/
FUND SOURCES			
General Fund	75,428,400	75,978,400	74,900,700 5/6/
Other Appropriated Funds			
University Collections Fund	56,499,000	44,684,000	44,684,000 7/
SUBTOTAL - Other Appropriated Funds	56,499,000	44,684,000	44,684,000
SUBTOTAL - Appropriated Funds	**131,927,400**	**120,662,400**	**119,584,700**
Other Non-Appropriated Funds	451,839,200	467,813,700	481,753,700
Federal Funds	252,837,400	291,838,000	196,353,100
TOTAL - ALL SOURCES	836,604,000	880,314,100	797,691,500

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/ 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 Appropriations Act footnote)

2/ The amount appropriated for the AZ REACH line item shall be used to provide medical care transfer services for hospitals with less than twenty beds. (General Appropriations 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 Appropriations Act footnote)

4/ General Appropriations 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 Appropriations Act footnote)

6/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)

7/ Any unencumbered balances remaining in the university collections fund on June 30, 2026 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 Appropriations Act footnote)

Operating Budget

The budget includes $68,535,700 and 533.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$41,107,600
University Collections Fund	27,428,100

These amounts are unchanged from FY 2026.

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.)*

Operating Lump Sum Reduction

The budget includes a one-time decrease of $(1,027,700) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

AZ REACH

The budget includes $500,000 from the General Fund in FY 2027 for the AZ REACH program. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of $500,000 from the General Fund in FY 2027 for the AZ REACH program, which coordinates acute medical care transfers in Arizona hospitals.

Remove One-Time Funding

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 for the elimination of one-time AZ REACH funding.

A 2027 General Appropriations Act footnote requires funding to be used to provide transfer services for hospitals with less than twenty beds.

Clinical Rural Rotation

The budget includes $353,600 and 1.8 FTE Positions from the General Fund in FY 2027 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2026.

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 budget includes $8,587,000 from the General Fund in FY 2027 for Clinical Teaching Support. This amount is unchanged from FY 2026.

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.

Liver Research Institute

The budget includes $440,400 and 5.7 FTE Positions from the General Fund in FY 2027 for the Liver Research Institute. These amounts are unchanged from FY 2026.

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.

Medical Mission Scholarships

The budget includes no funding in FY 2027 for Medical Mission Scholarships. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(50,000) from the General Fund in FY 2027 for the elimination of one-time funding for medical mission scholarships.

Phoenix Medical Campus

The budget includes $40,525,700 and 302.2 FTE Positions in FY 2027 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,269,800
University Collections Fund	17,255,900

These amounts are unchanged from FY 2026.

In addition to the monies appropriated in this line item, a General Appropriations 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 budget includes $1,670,000 and 14.0 FTE Positions from the General Fund in FY 2027 for the Telemedicine Network. These amounts are unchanged from FY 2026.

The monies in this line item support telemedicine efforts at the university's Health Sciences Center.

Other Issues

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2026 General Appropriations Act appropriated $61,522,800 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 Appropriations 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 2026 to the Joint Legislative Budget Committee in June 2025, and UA incorporated the adjusted FY 2026 amounts as part of their FY 2027 budget submission. Accordingly, the estimated FY 2026 amount has been adjusted by $(16,838,800) to $44,684,000.

The FY 2026 FTE Position count has also been adjusted. The FY 2026 General Appropriations Act originally appropriated 1,044.0 FTE Positions in FY 2026 for the UA - HSC. The General Fund accounted for 541.7 FTE Positions and the University Collections Fund accounted for the remaining 502.3 FTE Positions. The estimated number of FY 2026 FTE Positions has been adjusted by (186.9) to 857.1. The General Fund accounts for 516.5 FTE Positions and the University Collections Fund accounts for the remaining 340.6 FTE Positions.

Department of Veterans' Services

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	792.3	792.3	792.3
Personal Services	1,717,300	1,696,700	1,696,700
Employee Related Expenditures	615,400	678,700	725,100
Professional and Outside Services	9,900	5,100	5,100
Travel - In State	60,100	60,600	60,600
Travel - Out of State	5,800	10,000	10,000
Other Operating Expenditures	445,500	615,700	628,700
Equipment	20,000	32,000	32,000
OPERATING SUBTOTAL	**2,874,000**	**3,098,800**	**3,158,200**
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	816,000	989,800	1,008,600
Arizona State Veterans' Homes	48,277,000	60,986,900	62,050,900 1/
State Homes for Veterans Trust Fund Deposit	1,000,000	3,000,000	0
Veterans' Benefit Counseling	3,268,700	3,787,600	3,854,000
Rural Tribal Nations Veteran Benefit Counseling	1,475,600	2,262,400	2,296,500 2/
Veterans Center Funding	246,600	0	0
Veterans' Mental Health Pilot Program	0	1,000,000 3/	0
Veterans' Support Services	1,185,800	1,226,100	1,226,100 4/
Veterans' Trauma Treatment Services	0	450,000	450,000 5/
AGENCY TOTAL	**59,143,700**	**76,801,600**	**74,044,300** 6/
FUND SOURCES			
General Fund	10,866,700	15,814,700	14,389,000
Other Appropriated Funds			
State Homes for Veterans Trust Fund	48,277,000	60,986,900	59,655,300
SUBTOTAL - Other Appropriated Funds	48,277,000	60,986,900	59,655,300
SUBTOTAL - Appropriated Funds	**59,143,700**	**76,801,600**	**74,044,300**
Other Non-Appropriated Funds	5,312,000	6,764,200	6,764,200
Federal Funds	4,868,000	1,184,700	1,184,700
TOTAL - ALL SOURCES	69,323,700	84,750,500	81,993,200

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/ The department may spend the $1,000,000 appropriated in fiscal year 2022-2023 by Laws 2022, chapter 313, section 119 for the Arizona state veterans' homes line item for tribal members in veterans' homes. (General Appropriations Act footnote)

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 Appropriations Act footnote)

3/ 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 2026 General Appropriations Act footnote)

4/ 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 Appropriations Act footnote)

5/ 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 Appropriations Act footnote)

6/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $3,158,200 and 46.8 FTE Positions from the General Fund in FY 2027 for the operating budget. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $59,400 from the General Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Veterans' Cemeteries

The budget includes $1,008,600 and 12.5 FTE Positions from the General Fund in FY 2027 for the Arizona State Veterans' Cemeteries. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $18,800 from the General Fund in FY 2027 for statewide adjustments.

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 the Arizona Department of Veterans' Services (ADVS) $804,100 and $2,164,400 in FY 2026 to expand the Marana and Sierra Vista cemeteries, respectively. The VA also awarded the Sierra Vista cemetery $450,000 for the fabrication and delivery of crypts. The department uses these monies to build infrastructure for additional placements, among other improvements.

Arizona State Veterans' Homes

The budget includes $62,050,900 and 644 FTE Positions in FY 2027 for the Arizona State Veterans' Homes. These amounts consist of:

General Fund	2,395,600
State Homes for Veterans Trust Fund	59,655,300

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $1,064,000 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	2,395,600
State Homes for Veterans Trust Fund	(1,331,600)

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 four veterans' homes throughout the state. The Phoenix Veterans' Home is a 104-bed facility and served an average of 96 residents per day in June 2026. The Tucson Veterans' Home has a 120-bed capacity and served an average of 115 residents per day in June 2026. The Yuma Veterans' Home has an 80-bed capacity and served an average of 67 residents per day in June 2026. The fourth Veterans' Home in Flagstaff has an 80-bed capacity and does not yet have monthly census reports available.

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.)*

State Homes for Veterans Trust Fund Deposit

The budget includes no funding in FY 2027 for the State Homes for Veterans Trust Fund Deposit. Adjustments are as follows:

Remove One-Time Supplemental Funding
The budget includes a decrease of $(3,000,000) from the General Fund in FY 2027 for the removal of one-time supplemental funding associated with an operating cost shortfall. *(Please see FY 2026 Supplemental in Other Issues for additional information.)*

The monies in this line item are used to fund one-time deposits from the General Fund to the State Homes for Veterans Trust Fund to backfill operating cost shortfalls. The fund has experienced financial issues for several years due to low occupancy in certain homes and delays in newer homes receiving approval for federal reimbursement. In FY 2025, the deposited amount was $1,000,000. In FY 2026, the deposited amount was $3,000,000.

Additionally, the budget adds a footnote specifying that $1,000,000 from the General Fund within the FY 2023 Tribal Ceremonies line item may be used for expenses incurred by tribal residents at Arizona State Veterans' Homes. As a result of these changes, the State Homes for Veterans Trust Fund is estimated to have a positive ending balance in FY 2026 and FY 2027.

Veterans' Benefit Counseling

The budget includes $3,854,000 and 69 FTE Positions from the General Fund in FY 2027 for Veterans' Benefit Counseling. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $66,400 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $2,296,500 and 20 FTE Positions from the General Fund in FY 2027 for Rural Tribal Nations Veteran Benefit Counseling. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $34,100 from the General Fund in FY 2027 for statewide adjustments.

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 Center Funding

The budget includes no funding in FY 2027 for Veterans Center Funding. This amount is unchanged from FY 2026.

The FY 2025 budget required the department to distribute the funds to a Veteran's Center that provides referral services for employment and job training, housing, and utility assistance. An FY 2026 General Appropriations Act footnote makes this funding non-lapsing through June 30, 2026.

Veterans' Mental Health Pilot Program

The budget includes no funding in FY 2027 for the Veterans' Mental Health Pilot Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove one-time costs associated with a mental health pilot program.

The FY 2026 budget required monies in this line item to be used with the purpose of delivering evidence-based, trauma-informed, clinical care, physical fitness and strength conditioning training to veterans and their families impacted by mental and behavioral health issues. The department is required to make grants to nonprofit organizations that provide specified services for veterans and their families.

An FY 2026 General Appropriations Act footnote makes this appropriation non-lapsing.

Veterans' Support Services

The budget includes $1,226,100 from the General Fund in FY 2027 for Veterans' Support Services. This amount is unchanged from FY 2026.

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.

Veterans' Trauma Treatment Services

The budget includes $450,000 from the General Fund in FY 2027 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2026.

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.

Other Issues

This section includes information on the following topics:

- FY 2026 Supplemental
- Statutory Changes
- Northwestern Veterans' Home

FY 2026 Supplemental

The FY 2027 budget includes an FY 2026 supplemental appropriation of $3,000,000 from the General Fund for an operating cost shortfall in the State Homes for Veterans Trust Fund. *(Please see the State Homes for Veterans Trust Fund Deposit line item for further details.)*

Statutory Changes

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As session law, extends the lapsing date of the Military Family Relief Fund by five years, to December 31, 2031.
- As session law, extends the tax credit from private donations to the Military Family Relief Fund until December 31, 2031.

Northwestern Veterans' Home

The FY 2027 budget revises the date of the $25,000,000 General Fund appropriation for the construction of a veterans' home facility in Northwestern Arizona from FY 2028 to FY 2029. *(Please see the Capital Outlay – Department of Veterans' Services section for more information).*

Arizona State Veterinary Medical Examining Board

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	7.0	8.0	8.0
Personal Services	528,400	706,000	706,000
Employee Related Expenditures	0	0	10,900
Professional and Outside Services	54,900	38,000	38,000
Travel - In State	13,400	19,000	19,000
Other Operating Expenditures	176,600	158,300	176,400
Equipment	600	1,400	1,400
AGENCY TOTAL	**773,900**	**922,700**	**951,700** 1/
FUND SOURCES			
Other Appropriated Funds			
Veterinary Medical Examining Board Fund	773,900	922,700	951,700
SUBTOTAL - Other Appropriated Funds	773,900	922,700	951,700
SUBTOTAL - Appropriated Funds	**773,900**	**922,700**	**951,700**
TOTAL - ALL SOURCES	773,900	922,700	951,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes $951,700 and 8 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2027 for the operating budget. Adjustments are as follows:

Licensee Record Digitization

The budget includes an increase of $16,800 from the Veterinary Medical Examining Board Fund in FY 2027 for one-time costs associated with digitizing paper licensee records.

Statewide Adjustments

The budget includes an increase of $12,200 from the Veterinary Medical Examining Board Fund in FY 2027 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Auditor General Report

In September 2025, the Auditor General published a performance audit and sunset review of the Arizona State Veterinary Medical Examining Board.

Related to budget implications, the report found that the Board does not assess whether an individual licensing or registration fee aligns with the fee's actual service costs. The Auditor General recommends the Board implement a process each year to assess the appropriateness of its fees and revise as needed. The Board agreed to implement this recommendation.

Water Infrastructure Finance Authority

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
SPECIAL LINE ITEMS			
Gila Valley Irrigation District Project	0	500,000	0
Gilbert Wells Project	0	5,000,000	0
Kingman Water Well Drilling and Rehabilitation	0	3,000,000	0
Small Drinking Water Systems Fund Deposit	0	0	500,000
Water Conservation Fund Grant Deposit	0	250,000	0
AGENCY TOTAL	**0**	**8,750,000**	**500,000** 1/
FUND SOURCES			
General Fund	0	750,000	0
Other Appropriated Funds			
Long-Term Water Augmentation Fund	0	8,000,000	0
Water Supply Development Revolving Fund	0	0	500,000
SUBTOTAL - Other Appropriated Funds	0	8,000,000	500,000
SUBTOTAL - Appropriated Funds	**0**	**8,750,000**	**500,000**
Other Non-Appropriated Funds	94,329,200	174,314,200	174,314,200
Federal Funds	47,605,800	134,540,100	134,540,100
TOTAL - ALL SOURCES	141,935,000	317,604,300	309,354,300

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 and the Long-Term Water Augmentation Committee. Operational costs are paid by the agency's non-appropriated and federal funds.

1/ General Appropriations Act funds are appropriated by Special Line Item by Agency.

Gila Valley Irrigation District Project

The budget includes no funding in FY 2027 for the Gila Valley Irrigation District Project line item. Adjustments are as follows:

Remove One-Time Water Projects Funding
The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove a one-time allocation to the Gila Valley Irrigation District for water projects.

Gilbert Wells Project

The budget includes no funding in FY 2027 for the Gilbert Wells Project line item. Adjustments are as follows:

Remove One-Time Water Projects Funding
The budget includes a decrease of $(5,000,000) from the Long-Term Water Augmentation Fund in FY 2027 to remove a one-time allocation to the Town of Gilbert to support the rehabilitation and drilling of water wells.

A FY 2024 appropriation provided $27,800,000 from the General Fund for a similar purpose.

Kingman Water Well Drilling and Rehabilitation

The budget includes no funding in FY 2027 for the Kingman Water Well Drilling and Rehabilitation line item. Adjustments are as follows:

Remove One-Time Water Projects Funding
The budget includes a decrease of $(3,000,000) from the Long-Term Water Augmentation Fund in FY 2027 to remove a one-time allocation to the City of Kingman for well drilling and rehabilitation.

Small Drinking Water Systems Fund Deposit

The budget includes $500,000 in FY 2027 for the Small Drinking Water Systems Fund deposit line item.

Adjustments are as follows:

One-Time Deposit
The budget includes an increase of $500,000 from the Water Supply Development Revolving Fund in FY 2027 for a one-time deposit to the Small Drinking Water Systems Fund.

The Small Drinking Water Systems Fund provides information, assistance and grants for infrastructure repair to small water systems for improving compliance with drinking water system standards.

Water Conservation Grant Fund Deposit

The budget includes no funding in FY 2027 for a Water Conservation Grant Fund (WCGF) Deposit. Adjustments are as follows:

Remove One-Time Deposit
The budget includes a decrease of $(250,000) from the General Fund in FY 2027 to remove a one-time deposit to the WCGF.

This line item is to provide additional support for the WCGF. Laws 2022, Chapter 366 established the WCGF to provide grants for water conservation. Eligible entities (cities/counties, public water systems, tribal communities, and other entities specified in statute) 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 and other initiatives specified in statute.

Chapter 366 did not make a deposit into this fund. The fund has been allocated $200,000,000 of federal funds for this purpose. As of June 2024, WIFA has awarded the initial $200,000,000. WIFA received an additional $14,100,000 of federal funds for projects that can be completed by June 30, 2026.

Other Issues

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Water Supply Development Revolving Fund	$20,000,000

Long-Term Water Augmentation Fund

Background
Laws 2022, Chapter 366 established the Long-Term Water Augmentation Fund (LTWAF). 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.

Initial Funding Allocation Through FY 2025
Laws 2022, Chapter 366 made a total 3-year commitment of $1,000,000,000 to the fund as follows: a transfer of $334,000,000 in FY 2023 from a diversion of the state's Transaction Privilege Tax and appropriations of $333,000,000 from the General Fund in FY 2024 and FY 2025. The $1,000,000,000 commitment excluded any interest earnings on the fund. Laws 2022, Chapter 366 requires 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.

With subsequent legislation amending Laws 2022, Chapter 366, the state's deposits totaled $445,200,000. These deposit changes were as follows:

- The FY 2024 budget reduced the FY 2024 appropriation to $189,200,000.
- The FY 2025 budget transferred $78,000,000 in FY 2024 from previously deposited LTWAF amounts.
- The FY 2025 budget repealed an advance appropriation of $333,000,000 from the General Fund in FY 2025 that was scheduled to be the third year of funding to the LTWAF.

In addition to these changes, the FY 2025 budget transferred $19,300,000 from earned interest to the General Fund. *(For additional background, please see the WIFA narrative in the FY 2024 and FY 2025 Appropriations Report.)*

FY 2026 Budget Funding Allocations

The FY 2026 budget included additional appropriations from the LTWAF in FY 2025 and FY 2026 further reducing available resources by $(84,221,900). These monies were allocated for 13 projects (the 2 LTWAF funded projects in the WIFA budget and 11 additional projects appropriated to other agencies).

The $84,221,900 in LTWAF additional appropriations is displayed in *Table 1*.

As of June 30, 2026, the LTWAF cash balance is $387,930,300.

Future WIFA Funding Allocations

In March 2026, WIFA allocated most of the remaining monies in the LTWAF as collateral for a bond sale totaling $350 million. The bond sale pledged the balance of LTWAF for payment of principal and interest on the bonds pending the WIFA Board developing subsequent augmentation projects which would be used to repay the financing.

Of the $350 million bond issuance, 25% of the monies ($90 million) would be allocated for in-state projects as required by statute. At its April 2026 meeting, the WIFA Board agreed to allocate this $90 million portion as a loan to the Town of Queen Creek to augment its long-term water supply by purchasing land within the Harquahala Irrigation Non-Expansion Area (INA).

Table 1

Summary of Long-Term Water Augmentation Fund Appropriations

	FY 2025	FY 2026	Total
Water Infrastructure Finance Authority (WIFA)			
Gilbert Wells Project		$ 5,000,000	**$ 5,000,000**
Kingman Water Well Drilling and Rehabilitation		3,000,000	**3,000,000**
Dept. of Environmental Quality (DEQ)			
Water Quality Assurance Revolving Fund (WQARF) Deposit		15,000,000	**15,000,000**
Water Quality Fee Fund Deposit		9,000,000	**9,000,000**
Iron King Mine/Humboldt Smelter Cleanup		2,000,000	**2,000,000**
Dept. of Forestry and Fire Management (DFFM)			
Wildfire Suppression Funding	$ 30,000,000		**30,000,000**
Federal Wildfire Expenses Repayment	11,180,800		**11,180,800**
Northern AZ Wildland Fire Training Facility		4,000,000	**4,000,000**
Department of Water Resources (DWR)			
Colorado River Litigation Fund Fund Deposit		1,000,000	**1,000,000**
Water Protection Funding (6 FTE - Ongoing)		741,100	**741,100**
Other Agencies			
Agriculture - Agriculture and Water Innovation Fund Deposit		2,000,000	**2,000,000**
DEMA - Evacuation Protocols Awareness Campaign		300,000	**300,000**
Treasurer - Bullhead New City Water Transmission Line		1,000,000	**1,000,000**
Total	**$ 41,180,800**	**$ 43,041,100**	**$ 84,221,900**

Department of Water Resources

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	204.0	210.0	210.0
Personal Services	8,537,500	9,564,200	9,564,200
Employee Related Expenditures	3,115,100	3,522,900	3,907,000
Professional and Outside Services	868,600	1,064,800	1,064,800
Travel - In State	104,200	104,400	104,400
Travel - Out of State	64,100	65,900	65,900
Other Operating Expenditures	1,961,200	1,885,700	1,880,400
Equipment	35,100	35,400	35,400
OPERATING SUBTOTAL	**14,685,800**	**16,243,300**	**16,622,100**
SPECIAL LINE ITEMS			
Adjudication Support	1,916,500	1,957,900	2,015,600 1/
Assured and Adequate Water Supply Administration	2,386,500	2,591,200	2,657,300 2/
Automated Groundwater Monitoring	405,300	427,000	435,600
Arizona Water Protection Fund Deposit	750,000	750,000	750,000
Brackish Groundwater Study	9,400	0	0
Colorado River Legal Expenses	107,000	500,000	500,000 3/ 4/
Colorado River Litigation Fund Deposit	0	1,000,000	6,000,000
Conservation and Drought Program	413,300	443,300	454,500
Rural Water Studies	1,291,400	1,317,700	1,347,400 5/
Santa Rosa Canal Groundwater Delivery	8,124,600	0	0
Statewide Water Resources Planning	2,174,500	0	0
Water Supply and Demand Assessment	3,507,800	3,614,400	3,716,400
AGENCY TOTAL	**35,772,100**	**28,844,800**	**34,498,900** 6/
FUND SOURCES			
General Fund	34,280,700	25,077,500	25,729,200
Other Appropriated Funds			
Arizona System Conservation Fund	0	0	6,000,000
Assured and Adequate Water Supply Administration Fund	191,600	301,300	303,700
Long-Term Water Augmentation Fund	0	1,741,100	0
Water Resources Fund	1,299,800	1,724,900	1,724,900
Water Supply Development Revolving Fund	0	0	741,100
SUBTOTAL - Other Appropriated Funds	1,491,400	3,767,300	8,769,700
SUBTOTAL - Appropriated Funds	**35,772,100**	**28,844,800**	**34,498,900**
Other Non-Appropriated Funds	6,726,500	7,432,000	7,432,000
Federal Funds	5,126,000	24,160,100	513,500
TOTAL - ALL SOURCES	47,624,600	60,436,900	42,444,400

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/ 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 Appropriations Act footnote)

2/ 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 Appropriations Act footnote)

3/ 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 Appropriations Act footnote)

4/ 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 Appropriations Act footnote)

5/ 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 expenses. (General Appropriations Act footnote)

6/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $16,622,100 and 111 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$14,656,100
Water Resources Fund	1,224,900
Water Supply Development Revolving Fund	741,100

Adjustments are as follows:

Ongoing Funding Shift

The budget includes an increase of $741,100 from the Water Supply Development Revolving Fund (WSDRF) in FY 2027 and a corresponding decrease of $(741,100) from the Long-Term Water Augmentation Fund (LTWAF) for an ongoing fund shift.

The FY 2026 budget included an ongoing increase of $741,100 and 6 FTE Positions from the LTWAF in FY 2026 for additional technical and legal support to protect Arizona's groundwater and the state's Colorado River water rights.

Statewide Adjustments

The budget includes an increase of $378,800 from the General Fund in FY 2027 for statewide adjustments. (*Please see the Agency Detail and Allocations section.*)

Adjudication Support

The budget includes $2,015,600 and 21 FTE Positions from the General Fund in FY 2027 for Adjudication Support. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $57,700 from the General Fund in FY 2027 for statewide adjustments.

A.R.S. § 45-256 requires the Department of Water Resources (DWR) 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 budget includes $2,657,300 and 25 FTE Positions in FY 2027 for Assured and Adequate Water Supply (AAWS) Administration. These amounts consist of:

General Fund	2,353,600
AAWS Administration Fund	303,700

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $66,100 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	63,700
AAWS Administration Fund	2,400

Within the state's 8 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 8 AMAs, which cover the following general regions: Prescott, Phoenix, Pinal, Tucson, Santa Cruz, Douglas, Willcox, and Ranegras Plain.

New developers outside the 8 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 budget includes $435,600 and 3 FTE Positions from the General Fund in FY 2027 for Automated Groundwater Monitoring. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $8,600 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $750,000 from the General Fund in FY 2027 for the Arizona Water Protection Fund Deposit line item. This amount is unchanged from FY 2026.

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 budget includes no funding in FY 2027 for a Brackish Groundwater Study. This amount is unchanged from FY 2026.

The FY 2024 budget allocated $100,000 of one-time funding from the General Fund and directed DWR to review and update studies on the availability of brackish groundwater in this state. The monies in this line item are non-lapsing. As of June 2026, $200 remains from this appropriation.

Colorado River Legal Expenses

The budget includes $500,000 from the Water Resources Fund in FY 2027 for Colorado River Legal Expenses. This amount is unchanged from FY 2026.

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. The FY 2026 budget transferred prior year unexpended and unencumbered appropriations totaling $1,964,900 to the new Colorado River Litigation Fund. *(See the Colorado River Litigation Fund Deposit line item below.)*

Colorado River Litigation Fund Deposit

The budget includes $6,000,000 in FY 2027 for the Colorado River Litigation Fund Deposit line item. Adjustments are as follows:

Remove One- Time Deposit
The budget includes a decrease of $(1,000,000) from the Long-Term Water Augmentation Fund in FY 2027 for the removal of a one-time deposit to a new Colorado River Litigation Fund.

One-Time Deposit
The budget includes an increase of $6,000,000 from the Arizona System Conservation Fund in FY 2027 for a one-time deposit to a new Colorado River Litigation Fund.

The FY 2026 Environment Budget Reconciliation Bill established a non-appropriated Colorado River Litigation Fund to be used by DWR for the sole purpose of participating in litigation defending the state's apportionment. The FY 2026 budget then allocated $1,000,000 of monies from the Long-Term Water Augmentation Fund to the newly created fund.

In addition, Section 125 of the FY 2026 General Appropriations Act transferred prior year unexpended and unencumbered appropriations for Colorado River Legal Expenses and Lower Colorado River Litigation Expenses to the new fund, which included remaining monies from the FY 2016, FY 2017, FY 2021 and FY 2022 appropriations. The remaining monies transferred totaled $1,964,900. Of this amount, $964,900 was from the General Fund and $1,000,000 from the Water Resources Fund.

These new FY 2026 resources totaled $2,964,900. When combined with the new $6,000,000 FY 2027 deposit, the fund is expected to have $8,964,900 in available monies (plus any accrued interest).

Conservation and Drought Program

The budget includes $454,500 and 5 FTE Positions from the General Fund in FY 2027 for the Conservation and Drought Program. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $11,200 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $1,347,400 and 11 FTE Positions from the General Fund in FY 2027 for Rural Water Studies. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $29,700 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes no funding in FY 2027 for the Santa Rosa Canal Groundwater Delivery line item. This amount is unchanged from FY 2026.

The FY 2024 budget allocated $25,000,000 of one-time funding from the General Fund 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. As of June 2026, $4,856,500 remains from this appropriation.

Statewide Water Resources Planning

The budget includes no funding in FY 2027 for statewide water resources planning. This amount is unchanged from FY 2026.

The FY 2024 budget included $5,000,000 of one-time funding from the General Fund for additional support for statewide water resources planning. The monies in this line item are non-lapsing. As of June 2026, $1,137,800 remains from this appropriation.

Water Supply and Demand Assessment

The budget includes $3,716,400 and 34 FTE Positions from the General Fund in FY 2027 for the Water Supply and Demand Assessment line item. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $102,000 from the General Fund in FY 2027 for statewide adjustments.

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 on or before December 1 of each year. An assessment is to be completed for all 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.

DWR completed studies in 2023, 2024, and 2025 for the following 33 groundwater basins. In 2023, DWR completed 7 studies: Butler Valley, Douglas AMA, Harquahala INA, McMullen Valley, San Bernardino Valley, Tiger Wash and Willcox. DWR completed 14 studies in 2024: Agua Fria, Big Sandy, Cienega Creek, Donnelly Wash, Gila Bend, Lower San Pedro, Santa Cruz AMA, Prescott AMA, Ranegras Plain, San Rafael, Tonto Creek, Upper Hassayampa, Upper San Pedro, and Verde River. In December 2025, DWR published 12 additional studies: Aravaipa Canyon, Bill Williams, Bonita Creek, Coconino Plateau, Dripping Springs Wash, Duncan Valley, Hualapai Valley, Little Colorado Plateau, Morenci Sacramento Valley, Safford, Salt River, San Simon Wash.

In December 2026, DWR will publish at least 6 new assessments. The remaining 18 groundwater basins to be completed are: Detrital Valley, Grand Wash, Joseph City INA, Knab Plateau, Lower Gila, Lake Havasu, Lake Mohave, Meadview, Paria, Parker, Peach Springs, Pinal AMA, Phoenix AMA, Shivwits Plateau, Tucson AMA, Virgin River, Western Mexican Drainage, and Yuma.

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- 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 2027.
- As session law, extend the March 31, 2027 repeal of the Arizona System Conservation Fund to March 31, 2031.
- As permanent law, for the Pinal County Active Management Area (AMA), extends from January 1, 2027 to December 31, 2030, the following: 1) the moratorium on levying and collecting annual groundwater withdrawal fee for Arizona water banking purposes; 2) the $2.50 per acre-foot per year cap on the annual groundwater withdrawal fee for groundwater and efficiency projects in the Pinal AMA.
- As permanent law, monies collected for groundwater withdrawal fees from Pinal County for groundwater and irrigation efficiency projects in the Pinal AMA are deposited into the Temporary Groundwater and Irrigation Efficiency Projects Fund. Delays by 5 years, from 2027 to 2032, the year in which any unencumbered monies in the Fund must be proportionally distributed to the Fund's contributors.
- As session law, extends the repeal of the Temporary Groundwater and Irrigation Efficiency Projects Fund from March 31, 2028 to March 31, 2033.

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.

Due to current declines, the federal government deemed additional usage reductions would be necessary through the end of 2026. 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 and recognized as the preferred approach by the federal Bureau of Reclamation.

These agreements expire in 2026. Before the end of 2026, the US Department of Interior will develop new guidelines in consultation with the states and water users. Consultation and negotiations are currently occurring.

CAPITAL OUTLAY ESTIMATES

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Capital Outlay

Summary

	FY 2027 APPROVED
BUILDING RENEWAL	
ADOA Building System	32,839,100
ADOT Building System	24,574,100
ABOR Building System	0
SUBTOTAL	**57,413,200**
INDIVIDUAL PROJECTS	
ADOA Building System	19,690,100
ADOT Building System	502,304,900
ABOR Building System	0
SUBTOTAL	**521,995,000**
LOCAL ASSISTANCE	
Phoenix Convention Center	26,997,100[1/]
Rio Nuevo District	19,000,000[2/]
SUBTOTAL	**45,997,100**
TOTALS	
ADOA Building System	52,529,200
ADOT Building System	526,879,000
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	45,997,100
TOTAL - ALL PROJECTS	**625,405,300[3/]**
FUND SOURCES	
General Fund	85,997,100
Other Appropriated Funds	
Capital Outlay Stabilization Fund	4,600,000
Department of Corrections Building Renewal Fund	15,652,200
Arizona Exposition and State Fair Fund	3,905,900
Game and Fish Fund	12,932,900
Game and Fish Capital Improvement Fund	550,000
Arizona State Hospital Land Fund	554,000
State Lottery Fund	100,000
State Parks Revenue Fund	3,752,200
Miners' Hospital for Miners with Disabilities Land Fund	482,000
State Aviation Fund	29,464,500
State Highway Fund	467,414,500
SUBTOTAL - Other Appropriated Funds	539,408,200
SUBTOTAL - Appropriated Funds	**625,405,300**
Other Non-Appropriated Funds	739,854,000
Federal Funds	1,532,846,000
TOTAL - ALL SOURCES	**2,898,105,300**

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital assets, which includes buildings, state parks, prisons, highways, and other facilities. For the purposes of capital management and planning, the state is divided into 3 building systems: the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. In addition, the state makes annual payments for the 2010 Leaseback agreement which was used for operating financing, along with local distributions for the Phoenix Convention Center and the Rio Nuevo District. Capital appropriations are typically made through the Capital Outlay Bill but may be made through other bills as well.

FOOTNOTES

1/ This amount was appropriated or allocated by the FY 2027 General Appropriation Act (Laws 2026, Chapter 126, Section 117).
2/ This amount was appropriated or allocated by the FY 2027 General Appropriation Act (Laws 2026, Chapter 126, Section 120)
3/ Unless otherwise noted, amounts were appropriated by the FY 2027 Capital Outlay Bill (Laws 2026, Chapter 128).

The following amounts are one-time appropriations:

Summary

The budget includes a total of $625,405,300 from Appropriated Funds in FY 2027. Of the total, $85,997,100 is from the General Fund and $539,408,200 is from Other Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Local Assistance.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on the support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The budget includes total funding of $57,413,200 in FY 2027 for Building Renewal, which consists of $10,000,000 from the General Fund and $47,413,200 from Other Appropriated Funds. These amounts include:

	FY 2027
Arizona Department of Administration	$15,154,000
Capital Outlay Stabilization Fund, Arizona State Hospital Land Fund and General Fund (excludes ADC, Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building Renewal Fund @ 35.2%	15,652,200
Game and Fish Department	
Game and Fish Fund @ 100%	1,932,900
State Lottery Commission	
State Lottery Fund @ 42.1%	100,000
Subtotal - ADOA	$32,839,100
Arizona Department of Transportation	
State Highway Fund @ 100%	$24,158,500
State Aviation Fund @ 100%	415,600
Subtotal - ADOT	$24,574,100

(See the individual building systems' section for more information.)

Individual Projects

The budget includes total funding of $521,995,000 in FY 2027 for individual capital projects, which consists of $30,000,000 General Fund and $491,995,000 from Other Appropriated Funds.

(See the individual building systems' sections for more information.)

Local Assistance

The budget includes $45,997,100 from the General Fund in FY 2027 for the state's share of the long-term financing for the Phoenix Convention Center and the Rio Nuevo Multipurpose Facilities District. *(See the Local Assistance section for more information.)*

Capital Outlay - Arizona Department of Administration

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Building Renewal	15,154,000 1/2/
AGENCY TOTAL	**15,154,000**
FUND SOURCES	
General Fund	10,000,000
Other Appropriated Funds	
ASH Land Earnings Fund	554,000
Capital Outlay Stabilization Fund	4,600,000
SUBTOTAL - Other Appropriated Funds	5,154,000
SUBTOTAL - Appropriated Funds	**15,154,000**
TOTAL - ALL SOURCES	15,154,000 3/4/5/

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 2026-2027 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 Appropriations 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 2026-2027 for building projects related to retrofitting facilities for space consolidation initiatives. (Capital Outlay Appropriations 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 Appropriations Act footnote)

4/ 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 Appropriations Act footnote)

5/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

	FY 2027
General Fund	$10,000,000
ASH Land Earnings Fund	554,000
Capital Outlay Stabilization Fund	4,600,000

Building Renewal

The budget includes $15,154,000 FY 2027 for building renewal. This amount consists of:

These monies are to be used for major repair and maintenance of ADOA-owned buildings.

The FY 2027 Capital Outlay Bill also included separate building renewal funding for the Arizona Department of Corrections, the Game and Fish Department, and the Lottery Commission as well as "capital improvements" funding for the Arizona Exposition and State Fair Board, Arizona State Parks Board and Arizona Pioneers' Home.

The FY 2026 budget appropriated $21,913,500 to ADOA for building renewal, including $16,800,000 from COSF.

Other Issues

Rent Adjustments

In FY 2027, state building rent payments total $32,604,500. 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 for agency rent charges as of July 1, 2026).*

SUMMARY OF RENT CHARGES OF STATE-OWNED SPACE 1/ 2/3/

BUDGET UNITS	Fiscal Year 2026 Appropriations Report	Fiscal Year 2027 Appropriations Report	Difference FY 2027 - FY 2026
Acupuncture Board of Examiners			
1740 W Adams	12,800	12,800	-
Administration, AZ Department of			
1400 W Washington	360,400	368,200	7,800
1802 W Jackson	84,700	84,700	-
1840 W Jackson	95,600	95,600	-
1700 W Washington	157,900	157,900	-
1740 W Adams	16,200	16,200	-
1919 W Jefferson	257,300	257,300	-
1801 W Madison	29,300	29,300	-
1805 W Madison	33,800	33,800	-
400 W Congress St	35,800	39,300	3,500
402 W Congress St	77,300	77,300	-
416 W Congress St	3,800	3,800	-
Subtotal - AZ Dept of Administration	1,152,100	1,163,400	11,300
Administrative Hearings, Office of			
1740 W Adams	196,100	196,100	-
Agriculture, AZ Department of			
400 W Congress St	55,600	55,600	-
Arts, AZ Commission on the			
417 W Roosevelt	67,900	67,900	-
Attorney General - Department of Law			
400 W Congress St	131,500	131,500	-
402 W Congress St	482,000	482,000	-
416 W Congress St	157,700	157,700	-
15 S 15th Ave (Capitol Center)	1,831,200	1,831,200	-
Subtotal - Attorney General - Dept of Law	2,602,400	2,602,400	-
Barbering and Cosmetology Board			
1740 W Adams	117,100	117,100	-
Behavioral Health Examiners, Board of			
1740 W Adams	77,000	77,000	-
Charter Schools, State Board for			
1700 W Washington	74,100	74,100	-
Child Safety, Department of			
1688 W Adams	518,100	518,100	-
Chiropractic Examiners, State Board of			
1740 W Adams	30,100	30,100	-
Contractors, Registrar of			
1700 W Washington	393,200	393,200	-
Corporation Commission			
1200 W Washington	721,600	721,600	-
1300 W Washington	993,800	993,800	-
400 W Congress St	51,600	51,600	-
Subtotal - Corporation Commission	1,767,000	1,767,000	-
Corrections, State Department of			
1831 W Jefferson	363,600	-	(363,600)
701 E Jefferson	1,362,200	1,362,200	-
801 E Jefferson	1,374,400	1,374,400	-
Subtotal - State Dept of Corrections	3,100,200	2,736,600	(363,600)
Dental Examiners, State Board of			
1740 W Adams	56,000	59,900	3,900
Economic Opportunity, Arizona Office of			
1400 W Washington	94,800	94,800	-
Economic Security, Department of			
1400 W Washington	469,400	469,400	-
1789 W Jefferson (DES West)	3,095,600	3,095,600	-
400 W Congress St	649,400	649,400	-
DES Group Homes	463,400	361,300	(102,100)
15 S 15th Ave (Capitol Center)	495,300	495,300	-
Subtotal - Department of Economic Security	5,173,100	5,071,000	(102,100)
Education, Department of			

	Fiscal Year 2026 Appropriations Report	Fiscal Year 2027 Appropriations Report	Difference FY 2027 - FY 2026
1535 W Jefferson	1,360,800	1,360,800	-
416 W Congress St	116,100	116,100	-
Subtotal - Department of Education	1,476,900	1,476,900	-
Education, State Board of			
1700 W Washington	100,800	100,800	-
Emergency and Military Affairs, Department of			
400 W Congress St	8,000	8,000	-
Environmental Quality, Department of			
400 W Congress St	162,000	162,000	-
416 W Congress St	7,200	7,200	-
Subtotal - Dept. of Environmental Quality	169,200	169,200	-
Equalization, State Board of			
400 W Congress St	27,100	27,100	-
416 W Congress St	2,000	2,000	-
Subtotal - Board of Equalization	29,100	29,100	-
Fingerprinting, Board of			
1740 W Adams	42,800	42,800	-
Gaming, Department of			
1919 W Jefferson	39,800	39,800	-
400 W Congress St	12,500	8,200	(4,300)
Subtotal - Department of Gaming	52,300	48,000	(4,300)
Governor, Office of the			
1700 W Washington	1,086,100	1,086,100	-
1700 W Washington (Office of Highway Safety)	84,300	84,300	-
400 W Congress St	41,000	41,000	-
Subtotal - Office of the Governor	1,211,400	1,211,400	-
Gov's Ofc of Strategic Planning & Budgeting			
1700 W Washington	181,600	181,600	-
Health Services, Department of			
1740 W Adams	13,300	13,300	-
250 N 17th Ave	1,287,200	1,287,200	-
400 W Congress St	157,300	157,300	-
402 W Congress St	4,500	4,500	-
Subtotal - Department of Health Services	1,462,300	1,462,300	-
Homeopathic & Integrated Medicine Examiners, Board of			
1740 W Adams	3,700	3,700	-
Judiciary - Court of Appeals			
400 W Congress St	720,500	642,700	(77,800)
Judiciary - Supreme Court			
1501 W Washington	3,906,900	3,906,900	-
400 W Congress St	17,500	95,400	77,900
Subtotal - Supreme Court	3,924,400	4,002,300	77,900
Subtotal - Judiciary	4,644,900	4,645,000	100
Juvenile Corrections, Department of			
400 W Congress St	19,200	19,200	-
Liquor Licenses and Control, Department of			
400 W Congress	51,900	51,900	-
Massage Therapy, Board of			
1740 W Adams	24,800	24,800	-
Medical Board, AZ			
1740 W Adams	212,200	212,200	-
Mine Inspector, State			
1700 W Washington	121,000	121,000	-
Naturopathic Physicians Medical Board			
1740 W Adams	10,800	10,800	-
Navigable Stream Adjudication Commission, AZ			
1700 W Washington	13,600	13,600	-
Nursing, State Board of			
1740 W Adams	190,500	190,500	-
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.			
1740 W Adams	23,900	23,900	-
Occupational Therapy Examiners, State Board of			
1740 W Adams	19,100	19,100	-
Opticians, State Board of Dispensing			
1740 W Adams	11,900	11,900	-

	Fiscal Year 2026 Appropriations Report	Fiscal Year 2027 Appropriations Report	Difference FY 2027 - FY 2026
Optometry, State Board of			
1740 W Adams	13,700	13,700	-
Osteopathic Examiners in Medicine and Surgery, AZ Board of			
1740 W Adams	61,500	61,500	-
Personnel Board			
1740 W Adams	23,600	23,600	-
Physical Therapy, Board of			
1740 W Adams	22,400	18,500	(3,900)
Podiatry Examiners, State Board of			
1740 W Adams	5,600	5,600	-
Private Postsecondary Education, State Board for			
1740 W Adams	11,000	11,000	-
Psychologist Examiners, State Board of			
1740 W Adams	19,600	19,600	-
Public Safety, Department of			
14 N 18th Avenue	42,400	42,400	-
1700 W Washington	103,000	103,000	-
1831 W Jefferson St	-	363,600	363,600
400 W Congress St	22,700	22,700	-
Subtotal - Department of Public Safety	168,100	531,700	363,600
Respiratory Care Examiners, Board of			
1740 W Adams	9,700	9,700	-
Retirement System, AZ State			
400 W Congress St.	-	17,300	17,300
Revenue, Department of			
402 W Congress St	242,600	242,600	-
1600 W Monroe	3,103,700	3,103,700	-
Subtotal - Department of Revenue	3,346,300	3,346,300	-
Secretary of State - Dept of State			
1700 W Washington	499,000	499,000	-
400 W Congress St	25,600	25,600	-
1901 W Madison (Polly Rosenbaum Building)	2,139,600	2,139,600	-
1030 N 32nd St	325,800	325,800	-
Subtotal - Secretary of State - Dept of State	2,990,000	2,990,000	-
Treasurer, State			
1700 W Washington	196,000	196,000	-
Tribal Relations, Governor's Office on			
1700 W Washington	46,200	46,200	-
University - Board of Regents			
1740 W Adams	11,800	11,800	-
Veterans' Services, Department of			
1688 W Adams	119,500	119,500	-
Veterinary Medical Examining Board, AZ State			
1740 W Adams	33,900	33,900	-
Water Resources, Department of			
1802 W Jackson	33,800	33,800	-
GRAND TOTAL	32,682,200	32,604,500	(77,700)

1/ Reflects rental charges to agencies of state-owned buildings as of July 2026. Laws 2026, Chapter 139, Section 1 set the office rate of $17.87 per square foot and the storage rental rate of $6.43 per square foot.

2/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee or the pro rata share based on actual occupancy.

3/ A.R.S. 41-792.01 authorizes the Department of Administration to approve whole or partial rent exemptions. On or before June 30 of each year, the department shall submit a report to the Joint Legislative Budget Committee detailing all rent exemptions for the prior year.
Budget Committee Staff on each proposed agency rent exemption before approving the exemption.

Capital Outlay - Arizona Department of Corrections

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Building Renewal	15,652,200 1/2/3/
AGENCY TOTAL	**15,652,200**
FUND SOURCES	
Other Appropriated Funds	
Department of Corrections Building Renewal Fund	15,652,200
SUBTOTAL - Other Appropriated Funds	15,652,200
SUBTOTAL - Appropriated Funds	**15,652,200**
TOTAL - ALL SOURCES	15,652,200 4/5/

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 2026-2027 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 Appropriations 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 Appropriations Act footnote)

3/ Notwithstanding section 41-797, Arizona Revised Statutes, the state department of corrections may spend not more than $4,570,000 of the appropriation made in this subsection to construct new facilities to address capital needs as required by the court in the Jensen v. Thornell inmate health care litigation. (Capital Outlay Appropriations 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. (Capital Outlay Appropriations Act footnote)

5/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The budget includes $15,652,200 from the Department of Corrections Building Renewal Fund in FY 2027 for major repair and maintenance of ADC-owned buildings.

The ADOA building renewal formula amount for ADC in FY 2027 is $44,447,200. The budget funding represents 35.2% of the formula amount.

Other Issues

Statutory Changes

The Criminal Justice BRB makes the following statutory change:

- As permanent law, amend A.R.S. § 41-1641 by increasing the amount transferred from the Corrections Fund to the DOC Building Renewal Fund from $2.5 million to $12.5 million.

Capital Outlay - Arizona Exposition and State Fair Board

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Capital Improvements	3,905,900
AGENCY TOTAL	**3,905,900**
FUND SOURCES	
Other Appropriated Funds	
Arizona Exposition and State Fair Fund	3,905,900
SUBTOTAL - Other Appropriated Funds	3,905,900
SUBTOTAL - Appropriated Funds	**3,905,900**
TOTAL - ALL SOURCES	3,905,900 1/

AGENCY DESCRIPTION — The Arizona Exposition and State Fair Board is included in the Arizona Department of Administration (ADOA) Building System. The board has a dedicated capital improvements appropriation via its own fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

1/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

Capital Improvements

The budget includes $3,905,900 from the Arizona Exposition and State Fair Fund in FY 2027 for capital improvements. This amount funds 100% of the board's formula funding for capital improvements.

Capital Outlay - Arizona Game and Fish Department

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Building Renewal	1,932,900 1/
Dam Maintenance	150,000
Hatchery Maintenance	400,000
Hatchery Repairs	11,000,000
AGENCY TOTAL	**13,482,900**
FUND SOURCES	
Other Appropriated Funds	
Capital Improvement Fund	550,000
Game and Fish Fund	12,932,900
SUBTOTAL - Other Appropriated Funds	13,482,900
SUBTOTAL - Appropriated Funds	**13,482,900**
TOTAL - ALL SOURCES	13,482,900 2/3/

AGENCY DESCRIPTION — The Arizona Game and Fish Department 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 2026-2027 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 Appropriations 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 Appropriations Act footnote)

3/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

Building Renewal

The budget includes $1,932,900 from the Game and Fish Fund in FY 2027 for building renewal. This amount funds 100% of the building renewal formula for major repair and maintenance of AGFD-owned buildings.

The FY 2026 appropriation of $1,815,700 from the Game and Fish Fund also represented 100% of the agency's building renewal formula.

Dam Maintenance

The budget includes $150,000 from the Capital Improvement Fund in FY 2027 for dam maintenance.

The department owns and operates 38 dams throughout the state and uses these funds for vegetation removal, flood warning system maintenance, dam safety regulation compliance, structural repairs and other non-major repairs.

Hatchery Maintenance

The budget includes $400,000 from the Capital Improvement Fund in FY 2027 for hatchery maintenance.

The department owns 6 fish hatcheries throughout the state, all of which are in Northern Arizona and supply the state's rivers, streams and lakes with their recreational fish population. The department uses these funds for regular hatchery facility upgrades and repairs.

Hatchery Repairs

The budget includes $11,000,000 from the Game and Fish Fund in FY 2027 for hatchery repairs.

The department plans to use these funds to continue major renovations to all 6 AGFD-owned hatcheries, including life support facility upgrades, water efficiency projects, and other infrastructure replacement.

Capital Outlay - Arizona State Lottery Commission

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Building Renewal	100,000
AGENCY TOTAL	**100,000** 1/2/
FUND SOURCES	
Other Appropriated Funds	
State Lottery Fund	100,000
SUBTOTAL – Other Appropriated Funds	100,000
SUBTOTAL – Appropriated Funds	**100,000**
TOTAL – ALL SOURCES	100,000 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 2026-2027 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 Appropriations 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 Appropriations Act footnote)

3/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The budget includes $100,000 in FY 2027 from the State Lottery Fund for major repair and maintenance of Lottery owned buildings. This amount funds 42.1% of the Lottery building renewal formula.

The FY 2026 appropriation of $218,200 from the State Lottery Fund represented 100% of the Lottery building renewal formula.

Capital Outlay - Arizona State Parks Board

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Capital Improvements	3,552,200
Tonto Bridge Land Shift Monitoring	200,000
AGENCY TOTAL	**3,752,200** 1/
FUND SOURCES	
Other Appropriated Funds	
State Parks Revenue Fund	3,752,200
SUBTOTAL - Other Appropriated Funds	3,752,200
SUBTOTAL - Appropriated Funds	**3,752,200**
TOTAL - ALL SOURCES	3,752,200

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/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

Capital Improvements

The budget includes $3,552,200 from the State Parks Revenue Fund in FY 2027 for capital improvements. This amount funds 100% of the board's formula funding for capital improvements.

The FY 2026 appropriation of $3,633,300 from the State Parks Revenue Fund also represented 100% of the board's formula funding.

Tonto Bridge Land Shift Monitoring

The budget includes $200,000 from the State Parks Revenue Fund in FY 2027 for Tonto Bridge land shift monitoring.

Monies in this line item fund the development of a monitoring plan and the installation of markers for the purpose of measuring land shifts occurring at Tonto Natural Bridge State Park.

Capital Outlay - Arizona Pioneers' Home

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Capital Improvements	482,000
AGENCY TOTAL	**482,000** 1/2/
FUND SOURCES	
Other Appropriated Funds	
Miners' Hospital for Miners with Disabilities Land Fund	482,000
SUBTOTAL - Other Appropriated Funds	482,000
SUBTOTAL - Appropriated Funds	**482,000**
TOTAL - ALL SOURCES	482,000

AGENCY DESCRIPTION — The Arizona Pioneers' Home is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated capital improvements appropriation via its own fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

1/ 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)

2/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

Capital Improvements

The budget includes $482,000 from the Miners' Hospital for Miners with Disabilities Land Fund in FY 2027 for capital improvements. This amount represents 100% of the building renewal formula for major repair and maintenance of buildings owned by Arizona Pioneers' Home.

The FY 2026 appropriation of $470,400 from the Miners' Hospital for Miners with Disabilities Land Fund also represented 100% of the agency's building renewal formula.

Capital Outlay - Arizona Department of Transportation

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Building Renewal	24,574,100 1/
Kingman Materials Lab	5,038,000
Phoenix Traffic Signal and Lighting Warehouse Design	611,000
Vehicle Fueling Facilities	4,944,000
Airport Planning and Development	29,048,900 2/3/4/
Grand Canyon Airport Renovation	0 5/
Controlled Access Highways	142,109,000 4/6/-9/
Debt Service	119,178,000 4/6/-9/
Statewide Highway Construction	171,376,000 4/6/-9/
I-10 Widening, SR 85 to Citrus Road	30,000,000 10/
Riggs Road and SR 347 Modifications	0 11/
US 191 (Armory Road to East Safford) Reduction	0 12/
Prior Year Reduction of Electric Vehicle Charging Station Funding	0 13/
Prior Year Reduction of Transportation Projects	0 14/
AGENCY TOTAL	**526,879,000** 15/16/
FUND SOURCES	
General Fund	30,000,000
Other Appropriated Funds	
State Aviation Fund	29,464,500
State Highway Fund	467,414,500
SUBTOTAL - Other Appropriated Funds	496,879,000
SUBTOTAL - Appropriated Funds	**526,879,000**
Other Non-Appropriated Funds	739,854,000
Federal Funds	1,532,846,000
TOTAL - ALL SOURCES	2,799,579,000

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 2026-2027 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 $29,048,900 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2026-2027 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 2026-2027 for the purposes provided in this subsection. (Capital Outlay Appropriations Act footnote)

3/ On or before December 31, 2026, 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 Appropriations Act footnote)

4/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in this section is not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)

5/ The monies appropriated to the department of transportation to renovate the Grand Canyon airport terminal revert to the state aviation fund established by section 28-8202, Arizona Revised Statutes, on June 30, 2028 if the department does not receive a federal aviation administration grant for the project. This modifies a prior year footnote by extending

the lapsing date from June 30, 2026 to June 30, 2028. (FY 2026 Capital Outlay Appropriations Act footnote as modified by Section 9 of the FY 2027 Capital Outlay Appropriations Act)

6/ The sum of $432,663,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2026-2027 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 Appropriations Act footnote)

7/ On or before November 1, 2026, 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 Appropriations Act footnote)

8/ On or before November 1, 2026, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2027-2028 and the estimated debt service payment amount for each of fiscal years 2027-2028, 2028-2029, 2029-2030 and 2030-2031 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 2025-2026 appropriations report. (Capital Outlay Appropriations Act footnote)

9/ On or before November 1, 2026, the department of transportation shall report capital outlay information for fiscal years 2025-2026, 2026-2027 and 2027-2028 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 seven, as found in the fiscal year 2025-2026 appropriations report. (Capital Outlay Appropriations Act footnote)

10/ The appropriations made in Laws 2025, chapter 235, section 4 to the department of transportation for design and construction of additional vehicle lanes, separated by a lighted median, on Interstate 10 between State Route 85 and Citrus Road is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. Laws 2024, Chapter 211, Section 10, as amended by Laws 2025, Chapter 235, Section 4 advance appropriates $30,000,000 in FY 2027 and $76,000,000 in FY 2028 to widen I-10 from SR 85 to Citrus Road. (Capital Outlay Appropriations Act footnote)

11/ Modifies footnotes of 9 appropriations between FY 2021 and FY 2026 concerning improvements to SR 347 at Casa Blanca Road and Cement Plant Access, improvements along SR 347 between I-10 and the City of Maricopa, and construction of an overpass at Riggs Road and SR 347. Allows monies to be expended on any aspect of the design, right of way acquisition, utility relocation, natural resource recovery and construction associated with these projects. (Sections 1,2,4,6,7,8 and 10 of the FY 2027 Capital Outlay Appropriations Act include these modifications. See the Riggs Road and SR 347 Modifications line item narrative for more information.)

12/ On or before June 30, 2026, $2,500,000 is transferred from the state highway fund established by section 28-6991, Arizona Revised Statutes, to the state general fund for the support and maintenance of agencies of this state. This amount reflects a portion of the revenues derived from the tax levied by title 42, chapter 5, articles 1 and 5, Arizona Revised Statutes, that were transferred to the state highway fund by Laws 2022, chapter 321, section 20, subsection A, paragraph 2. (Capital Outlay Appropriations Act footnote)

13/ Reduces the FY 2024 appropriation to the department for electric vehicle charging and advance fuel infrastructure at department fleet facilities by $(5,000,000). (Section 3 of the FY 2027 Capital Outlay Appropriations Act includes this modification.)

14/ Reduces 11 appropriations between FY 2021 and FY 2023 for transportation projects totaling $(20,368,100) across all projects. (Sections 1,2,15,16, and 17 of the FY 2027 Capital Outlay Appropriations Act include these modifications. See the Prior Year Reduction of Transportation Projects line item narrative for more information.)

15/ 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 Appropriations Act footnote)

16/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2026, Chapter 128 (FY 2027 Capital Outlay Bill).

ADOT Facilities

Building Renewal

The budget includes $24,574,100 in FY 2027 for Building Renewal within ADOT's Building System. This amount consists of $24,158,500 from the State Highway Fund (SHF) and $415,600 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 100% funding of the FY 2027 highway building renewal formula and 100% funding of the FY 2027 aviation building renewal formula. The FY 2026 budget appropriated $22,990,400 from the SHF and $394,900 from the SAF, which represented 100% funding of the FY 2026 highway building renewal formula and 100% funding of the FY 2026 aviation building renewal formula.

Kingman Materials Lab

The budget includes $5,038,000 from SHF in FY 2027 for replacing the materials testing lab in Kingman. To meet the federal requirement that each state maintain a quality assurance program for highway materials, ADOT operates 9 regional materials testing labs throughout the state. The current lab is a repurposed engineered steel building lacking appropriate space and insulation, resulting in inefficient energy usage. The department intends to construct a new 3,100 square foot lab including adequate space for testing equipment, separation between testing sites and office sites, restrooms, showers, storage, office areas and a meeting/training room.

Phoenix Traffic Signal and Lighting Warehouse Design

The budget includes $611,000 from SHF in FY 2027 to design the renovation of the traffic signal and lighting warehouse in Phoenix. The department intends to renovate the existing warehouse to increase storage space, bring building code up to standard, and make the facility ADA compliant.

Vehicle Fueling Facilities

The budget includes $4,944,000 from the SHF in FY 2027 for the replacement of vehicle fueling facilities in Phoenix and Mesa. The existing fuel systems have reached the end of their lifecycle. These facilities provide fuel for the department's operation throughout the state.

Airport Planning and Development

Airport Planning and Development

The budget includes $29,048,900 from the SAF in FY 2027 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 2026-2030 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 2026 budget included $44,340,700 for this purpose.

Grand Canyon Airport Renovation

Grand Canyon Airport Renovation

The budget includes no funding in FY 2027 for the Grand Canyon airport renovation. The FY 2026 budget appropriated $850,300 from the SAF for the airport renovation and included a footnote which reverted the funding back to the SAF on June 30, 2026 if the department did not receive a federal grant for the project. The FY 2027 budget modifies the prior year footnote by extending the lapsing date from June 30, 2026 to June 30, 2028.

Interstate and State Highway Road Projects

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of $142,109,000 from SHF in FY 2027. 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 budget includes $119,178,000 from SHF in FY 2027 for the appropriated portion of the debt service on bonds. ADOT has approximately $814,235,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2027 debt service payments. *(Please see Table 6 for more information on debt service.)*

Statewide Highway Construction

The budget includes $171,376,000 from SHF in FY 2027 for new highway construction. Only a small portion of the state's total $2,858,200,000 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 6 in Other Issues for additional information.)* A footnote in the FY 2027 budget 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 7 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 7)*, an additional amount of $542,697,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2027.

Table 1

State Highway Fund
FY 2027 Highway Construction & Debt Service

	Capital Outlay Bill
Controlled Access	$142,109,000
Debt Service	119,178,000
Highway Construction	171,376,000
Total	**$432,663,000**

I-10 Widening, SR 85 to Citrus Road

I-10 Widening, SR 85 to Citrus Road

The budget includes $30,000,000 from the General Fund in FY 2027 to design and construct additional vehicle lanes, separated by a lighted median, on Interstate 10 between State Route 85 and Citrus Road. The FY 2026 budget included $27,000,000 from the General Fund in FY 2026 and advance appropriations of $30,000,000 in FY 2027 and $76,000,000 in FY 2028 for the project. Across FY 2026 – FY 2028, the total General Fund contribution to the project is $133,000,000. In addition to this funding, the City of Buckeye has committed $3,000,000 to the project and MAG has committed $10,000,000 to the project.

The FY 2027 budget includes a footnote making the FY 2026 through FY 2028 appropriations for I-10 widening between State Route 85 and Citrus Road non-lapsing.

Riggs Road and SR 347 Modifications

The FY 2027 Capital Outlay Bill modifies 9 appropriations for transportation projects between FY 2021 and FY 2026 by expanding their outlined uses. Specifically, the bill modifies the following appropriations:

1) $2,500,000 from the General Fund in FY 2021 to study an overpass at Riggs Road and State Route 347,
2) $7,500,000 from the General Fund in FY 2021 for final design plan, right-of-way and easements for an overpass at Riggs Road and State Route 347,
3) $19,000,000 from the State Highway Fund in FY 2023 to design and widen lanes along State Route 347 between Interstate 10 and the City of Maricopa,
4) $18,000,000 from the General Fund in FY 2024 to improve the intersection on State Route 347 at Casa Blanca Road and Cement Plant access,
5) $1,500,000 from the State Highway Fund in FY 2024 for final design plan, right-of-way and easements for an overpass at Riggs Road and State Route 347,
6) $1,901,000 from the General Fund in FY 2024 to improve the intersection on State Route 347 at Casa Blanca Road and Cement Plan access,
7) $10,839,000 from the General Fund in FY 2026 to improve the intersection on State Route 347 at Casa Blanca Road and Cement Plan access,
8) $1,500,000 from the General Fund in FY 2026 for design to widen lanes along State Route 347 between Interstate 10 and the City of Maricopa, and
9) $49,000,000 from the General Fund in FY 2028 to construct the overpass at Riggs Road and State Route 347.

The bill broadens the purpose of each of these appropriations. The bill modifies the first, second, fifth, and ninth appropriations to allow those monies to be expended for "design, right-of-way acquisition, utility relocation, natural resource recovery and construction for an overpass at Riggs Road and State Route 347".

The bill further modifies the third, fourth, sixth, seventh, and eighth appropriations to allow those monies to be expended for "design, right-of-way acquisition, utility relocation, natural resource recovery and construction to improve State Route 347, including improving the intersection on State Route 347 at Casa Blanca Road and Cement Plant access, and to construct an overpass at Riggs Road and State Route 347".

US 191 (Armory Road to East Safford) Reduction

The FY 2026 Capital Outlay Bill reduced an FY 2023 appropriation from the State Highway Fund to rehabilitate pavement along US Route 191 between Armory Road and East Safford by $(2,500,000). The reduction reflected surplus funding removed from the project. The FY 2027 Capital Outlay Bill transfers those monies, which were derived from a state TPT diversion in the FY 2023 budget, from the State Highway Fund to the General Fund.

Prior Year Reduction of Electric Vehicle Charging Station Funding

The FY 2027 Capital Outlay Bill removes $5.0 million appropriated from the State Highway Fund in FY 2024 to ADOT to construct electric vehicle charging stations at department fleet facilities statewide.

Prior Year Individual Project Reductions

The FY 2027 Capital Outlay Bill includes 11 prior year transportation project reductions to address changes in project costs and legislative priorities. *Table 2* displays the prior fiscal year projects that received reductions, totaling $(20,368,100) across all 11 projects. All the projects in the table have been completed by the department. The reductions reflect surplus funding removed from the projects and the reduced monies were reverted to the General Fund.

Other Issues

Summary of Non-Appropriated Capital Funds

Table 3 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to change from $1,578,056,000 in FY 2025 to $1,512,603,000 in FY 2026 and $2,272,700,000 in FY 2027.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2027 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 3*.

Table 3

Non-Appropriated Capital Fund Expenditures
($ in Thousands)

	FY 2025 Actual	FY 2026 Estimate	FY 2027 Estimate
Aviation Federal Funds	$2,915	$17,948	$6,481
Highway Federal Grants	1,004,447	1,087,849	1,526,365
Subtotal - Federal Funds	**$1,007,362**	**$1,105,797**	**$1,532,846**
Bond Proceeds	$174,239	$86,878	$200,000
Economic Strength Project Fund	1,000	1,000	0
State Match Advantage for Rural Transportation Fund	0	0	2,500
Local Agency Deposits Fund	10,367	13,896	11,384
Maricopa Regional Area Road Fund	385,088	305,032	525,970
Subtotal - Other Non-Appropriated Funds	**$570,694**	**$406,806**	**$739,854**
Total	**$1,578,056**	**$1,512,603**	**$2,272,700**

Table 2

FY 2027 Capital Outlay Bill Transportation Project Reductions

	Appropriation	Reduction	Revised Total
Project Reductions			
FY 21 GF – State Route 69 Repavement in Prescott Valley (Sec. 1)	$ 4,700,000	$ (116,200)	$ 4,583,800
FY 21 GF – State Route 95 Repavement in Mohave County (Sec. 1)	46,700,000	(1,734,300)	44,965,700
FY 21 GF – State Route 186 and State Business Route 10 in Willcox (Sec. 1)	3,500,000	(93,100)	3,406,900
FY 23 GF – US Route 89 Traffic Circle in Page (Sec. 15)	8,100,000	(1,052,600)	7,047,400
FY 23 SHF – State Route 69 Repavement in Prescott Valley (Sec. 16)	1,823,000	(1,819,000)	4,000
FY 23 SHF – State Route 95 Repavement in Mohave County (Sec. 16)	14,473,000	(6,052,200)	8,420,800
FY 23 SHF – State Route 186 and State Business Route 10 in Willcox (Sec. 16)	2,005,000	(765,600)	1,239,400
FY 23 SHF – US 191 Pavement Rehabilitation (Armory Road to East Safford) (Sec. 2)	9,442,800	(1,615,500)	7,827,300
FY 23 SHF – US 191 Pavement Rehabilitation (MP 163 to MP 173) (Sec. 2)	22,152,000	(5,912,100)	16,239,900
FY 23 SHF – Screen Wall along Loop 101 near 16th Street (Sec. 2)	10,440,300	(885,000)	9,555,300
FY 23 SFH – Sentinel Exit Lighting in Gila Bend (Sec. 2)	1,085,000	(322,500)	762,500
Total	**$124,421,100**	**$ (20,368,100)**	**$ 104,053,000**

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 20, 2025 includes monies from SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals $1,984,147,000 for FY 2027. *(Please see Table 4 for additional details.)*

Table 4

State Highway Fund
Highway Construction Projects Beginning in FY 2027
($ in Thousands)

	FY 2027 1/
Construction	$296,517
Urban Controlled Access 2/	1,018,483
Pavement Preservation Maintenance	435,264
Other 3/	233,883
Total	**$1,984,147**

1/ Data from ADOT's *2026-2030 5-Year Transportation Facilities Construction Program*, representing the total cost of multi-year projects beginning in FY 2027.
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 2027 budget includes $432,663,000 for highway construction, including $171,376,000 of net SHF monies for statewide highway construction.

Table 6 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2025 through FY 2027 on a cash flow basis, as provided by ADOT. *Table 4*, 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 2027 by category of construction. *Table 6* also includes monies from the Local Agency Deposits Fund, while *Table 4* does not.

For FY 2025, *Table 6* shows that total cash highway construction expenditures were $1,579,800,000 while $292,500,000 was spent on debt service. In FY 2026, total estimated cash highway construction expenditures are $1,879,400,000 with total debt service of $145,300,000. In FY 2027, total estimated cash highway construction expenditures are $2,726,900,000 with total debt service of $131,300,000.

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 6 does not include highway maintenance spending of $139,992,900 in FY 2025, $182,913,000 in FY 2026, and $182,099,400 in FY 2027. Of the $131,300,000 total FY 2027 debt service amount in *Table 6*, only $119,178,000 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 5* explains the formula distribution of HURF monies between state and local governments. *Table 7* presents the overall HURF distribution for FY 2025 through FY 2027. The line in *Table 7* showing net SHF Available for Statewide Highway Construction, which totals $121,331,000 for FY 2027, 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 2025 HURF collections of $1,837,439,000 were 2.0% above FY 2024 collections. As of May 2026, FY 2026 HURF year-to-date collections were 1.2% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 33.7% of HURF revenue in FY 2025. The gas tax comprises the second largest source of HURF collections at 29.0%.

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 5* breaks down the distribution of HURF monies between cities, counties, controlled access, and the SHF.

Table 5

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 6

Highway Construction and Debt Service Expenditures by Fund Source
($ in Millions)

Sources	FY 2025 Actual	FY 2026 Estimate	FY 2027 Estimate	
State Highway Fund (SHF)				
HURF - Statewide Debt Service	$ 100.0	$ 103.7	$ 103.9	
HURF - MAG Debt Service	22.1	11.6	15.2	
MAG/PAG 15.2% Controlled Access - Construction	5.3	314.6	407.2	
Net SHF Funds Available for Statewide Highway	248.5	138.9	171.4	
Total State Highway Fund	**$ 375.9**	**$ 568.8**	**$ 697.7**	
Federal Aid				
Total Federal Aid Highway Construction Expenditures	**$ 1,004.5**	**$ 1,087.8**	**$ 1,526.4**	
Maricopa Regional Area Road Fund				
Highway Construction Expenditures	$ 166.9	$ 267.3	$ 422.7	
MRARF Debt Service	140.4	0	0	
Total Maricopa Regional Area Road Fund Highway	**$ 307.3**	**$ 267.3**	**$ 422.7**	
Bond Proceeds				
HURF - Highway Construction Expenditures	$ 174.2	$ 86.9	$ 200.0	
MRARF - Highway Construction Expenditures	0	0	0	
GAN - Highway Construction Expenditures	0	0	0	
Total Bond Proceeds Highway Construction Expenditures	**$ 174.2**	**$ 86.9**	**$ 200.0**	
Local Agency Deposits Fund				
Total Local Agency Deposits Fund Debt Service	-	-	-	
Total Local Agency Deposits Fund Cash Highway Constr.	10.4	13.9	11.4	
Total Local Agency Deposits Fund Highway Construction	**$ 10.4**	**$ 13.9**	**$ 11.4**	
Total Highway Construction Expenditures	**$ 1,872.3**	**$ 2,024.7**	**$ 2,858.2**	
Total Debt Service				
SHF	$ 122.1	$ 115.3	$ 119.2	
Federal Aid	30.0	30.0	12.1	
MRARF	140.4	0	0	1/
Total Debt Service	**$ 292.5**	**$ 145.3**	**$ 131.3**	2/
Total Cash Highway Construction Expenditures				
SHF	$ 253.8	$ 453.4	$ 578.5	
Federal Aid	974.5	1,057.9	1,514.3	
MRARF	166.9	267.3	422.7	
Bond Proceeds	174.2	86.9	200.0	
Local Agency Deposits Fund	10.4	13.9	11.4	
Total Cash Highway Construction Expenditures	**$ 1,579.8**	**$ 1,879.4**	**$ 2,726.9**	
Total Highway Construction Expenditures	**$ 1,872.3**	**$ 2,024.7**	**$ 2,858.2**	

1/ MRARF debt service assumes all debt incurred as a result of Prop 400 collections will be paid off by FY 2026. MAG's current Transportation Improvement Plan (TIP) does not include Prop 479 figures (half-cent sales tax extension) passed by Arizona voters in November 2024. As of this writing, ADOT is awaiting a new TIP in order to estimate MRARF debt service in FY 2026 and beyond.

2/ Information provided by the department. Includes $119,177,961 for HURF bonds ($103,936,579 for statewide program and $15,241,381 MAG program); $12,099,500 for Grant Anticipation Notes; and $0 for MRARF bonds.

Table 7

Highway User Revenue Fund (HURF) Distribution
($ in Thousands)

		FY 2025 Actual	FY 2026 Estimate	FY 2027 Estimate
Total HURF Collections Before Authorized Third-Party (ATP) Expenses		**$1,867,637**	**$1,886,218**	**$1,925,472**
Less:	ServiceArizona ATP Fee Retention	6,896	6,965	7,110
	Brick and Mortar ATP Fee Retention	8,283	8,366	8,540
	ServiceArizona ATP Credit Card Fee Reimbursements	12,614	12,739	13,004
	Brick and Mortar ATP Credit Card Fee Reimbursements	2,136	2,157	2,202
	ServiceArizona ATP Check Reimbursement	269	271	277
Total HURF Collections		**$1,837,439**	**$1,855,720**	**$1,894,339**
Less:	Economic Strength Fund [1/]	1,000	1,000	0
	State Match Advantage for Rural Transportation Fund [2/]	0	0	2,500
	ADOT - MVD Registration Compliance Program	936	842	842
	State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,469	11,307	11,402
Net HURF Collections		**$1,824,034**	**$1,842,571**	**$1,879,595**
Less:	Cities [3/]	556,330	561,984	573,734
	Counties [3/]	346,566	350,089	357,408
	VLT Transfer to Parity Compensation Fund [4/]	4,560	4,862	5,027
	VLT Transfer to General Fund (5-Year VLT) [5/]	3,933	4,100	4,200
	VLT Transfer to General Fund (Abandoned Vehicle) [6/]	5,600	5,700	5,800
	VLT Transfer to General Fund (ADOT Operating Budget) [7/]	2,000	0	0
	Controlled Access [8/]	137,567	139,207	142,109
Net SHF (Discretionary)		**$ 767,478**	**$ 776,629**	**$ 791,317**
Plus:	Other Income [9/]	135,856	111,733	108,354
Less:	Operating Budget	442,902	522,494	549,942
	Dept of Public Safety Transfer from Highway Fund	9,973	10,000	10,000
	Capital Outlay	9,088	13,812	10,593
	Building Renewal	22,083	22,990	24,159
	ServiceArizona ATP VLT Retention [10/]	25,848	27,260	28,181
	Brick and Mortar ATP VLT Retention [10/]	19,173	20,220	20,903
	HURF Exchange Program [11/]	3,713	15,384	15,384
	Debt Service [12/]	122,095	115,333	119,178
Net SHF Available for Statewide Highway Construction (5-Year Plan) [13/14/]		**$ 248,459**	**$ 140,869**	**$ 121,331**
SHF Adjustments				
Plus:	Controlled Access SHF Beginning Balance	644,367	763,901	542,697
	STAN Account Beginning Balance	0	0	0
Total SHF Available for Statewide Highway Construction		**$ 892,826**	**$ 904,770**	**$ 664,028**

1/ Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. The FY 2027 budget eliminates the annual transfer from HURF to the Economic Strength Fund.

2/ Provides monies for rural Arizona (outside Maricopa and Pima counties) road projects that are eligible for federal grant funding. Local governments with eligible projects may apply for and receive monies to develop federal grant applications, reimburse design and other engineering services, and match federal grant awards. Project awards are approved by the State Transportation Board.

3/ A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

4/ A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

5/ 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.

6/ 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.

7/ This VLT transfer to the state General Fund reflects annual savings generated from the department's operating budget as a result of an ongoing decrease in the Enforcement and Compliance Division (ECD). The FY 2025 budget reduced ADOT's ECD budget by $2,000,000, beginning in FY 2025. The FY 2026 budget discontinued this VLT transfer.

8/ 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.

9/ 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.

10/ Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

11/ Local entities can exchange federal aid monies for State Highway Fund monies.

12/ Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

13/ Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

14/ 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, DPS's operating budget, building renewal, and capital outlay projects.

Capital Outlay

Arizona Board of Regents Building Systems

	FY 2027 APPROVED
BUILDING RENEWAL	
Arizona Board of Regents	0
TOTAL - ALL PROJECTS	**0** 1/2/
FUND SOURCES	
General Fund	0
SUBTOTAL - Appropriated Funds	**0**
TOTAL - ALL SOURCES	**0**

AGENCY 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 $32,585,700 to the universities from the General Fund in FY 2027 to finance lease-purchase payments for research infrastructure projects.

2/ A.R.S. § 15-1671 appropriates $31,324,900 to the universities from the General Fund in FY 2027 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 2027, ABOR reports funding 100% of the building renewal formula would be $273,947,600. The budget includes no funding for Building Renewal in the ABOR Building System.

Summary of University Debt

ABOR estimates that at the end of FY 2027, the universities' outstanding principal balances for bonds and lease-purchase agreements will total $4,489,340,000 of which $4,337,900,000 is for outstanding bonds and $151,440,000 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	$2,930,881,000
NAU	359,170,000
UA (all campuses)	1,199,289,000
Total	**$4,489,340,000**

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2027 will be $412,517,400. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	$247,173,800
NAU	43,557,300
UA (all campuses)	121,786,300
Total	**$412,517,400**

In addition to university system revenues being allocated for FY 2027 debt service payments, $52,523,800 would be paid by Lottery monies, $32,585,700 would be paid by the General Fund for 2003 research infrastructure projects, and $22,376,300 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 $4,489,340,000 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 certain maximum to pay for building renewal projects and new facilities.

The FY 2026 Higher Education BRB increased the maximum amount of bond transactions from $800,000,000 to $1,125,000,000. Of the $325,000,000 increase, $162,500,000 became available in FY 2026 and $162,500,000 becomes available in FY 2027. ABOR

approved allocation of the increased bonding authority at its September 2025 board meeting distributing $123,500,000 (38%) to ASU, $87,750,000 (27%) to NAU, and $113,750,000 (35%) to UA.

Debt service payments for SPEED bonds will total $65,654,800 in FY 2027, of which 80% will be paid by Lottery monies and 20% with university system revenues.

2017 Capital Infrastructure Appropriations

Another component of the $4,489,340,000 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 2027 budget assumes a 2.0% increase from FY 2026, resulting in an FY 2027 General Fund appropriation of $31,324,900. If the universities utilized the full appropriation for debt service, this amount would support $62,649,800 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 $44,752,500 in FY 2027, 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 2030. 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: 4.7% (5.3% with SPEED) in FY 2028
- NAU: 4.4% (6.7% with SPEED) in FY 2027
- UA: 3.7% (4.9% with SPEED) in FY 2028

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue $4,700,600,000 in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay - Department of Veterans' Services

	FY 2027 APPROVED
SPECIAL LINE ITEMS	
Tucson Veterans Home HVAC Replacement	0 1/
Northwestern Arizona Veterans' Home	0 2/
AGENCY TOTAL	**0**
FUND SOURCES	
General Fund	0
TOTAL - ALL SOURCES	0

AGENCY DESCRIPTION — The Department of Veterans' Services is included in the Arizona Department of Administration (ADOA) Building System. In addition to any funding from ADOA, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

1/ Laws 2025, Chapter 235, as modified by Laws 2026, Chapter 128, appropriated $2,400,000 from the General Fund in FY 2026 for the Tucson Veterans' Home HVAC replacement. The monies in this line revert to the state General Fund on June 30, 2027, unless the department is awarded a federal grant for the project. The department may apply for federal grant monies for the HVAC replacement project prior to review by the Joint Committee on Capital Review.

2/ Laws 2024, Chapter 211, as modified by Laws 2026, Chapter 128, appropriated $25,000,000 from the General Fund in FY 2029 for the Northwestern Arizona Veterans' Home.

Tucson Veterans' Home HVAC Replacement

The FY 2027 budget extends the lapsing date of an FY 2026 appropriation for the replacement of the HVAC system in the Tucson Veterans' Home to June 30, 2027. The FY 2027 budget also continues the requirement that that the monies revert to the General Fund if the department is not awarded a federal grant for the project by the lapsing date.

Northwestern Veterans' Home

The FY 2027 budget revises the date of the $25,000,000 General Fund appropriation for the construction of a veterans' home facility in Northwestern Arizona from FY 2028 to FY 2029.

This project was originally funded in FY 2022 by Laws 2021, Chapter 406. However, the department did not select a site or begin construction of the home. As a result, the FY 2025 budget delayed the funding until FY 2028. Laws 2024, Chapter 211, Section 6 did this by ex-appropriating $(25,000,000) from the General Fund in FY 2022 and advance appropriating $25,000,000 from the General Fund in FY 2028. Laws 2026, Chapter 128, Section 5 amends the advance appropriation date from FY 2028 to FY 2029.

Laws 2026, Chapter 128 continues the same provisions as the 2021 legislation:

1. The appropriation is intended to be the state's share of the costs and is not subject to expenditure unless the Department of Veterans' Services (DVS) has irrevocable commitments from the federal government to fund at least 65% of the total costs.
2. DVS shall submit the proposed site location to the Arizona Veterans' Service Advisory Commission for approval. DVS shall provide the commission a feasibility analysis of suitable sites to consider when approving the site location.
3. DVS shall submit the project for review by the Joint Committee on Capital Review before spending the appropriation.
4. The appropriation is exempt from lapsing.

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 2027, the outstanding balance of lease-purchase agreements is expected to be $478.1 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 2027, the outstanding balance of bond financing is expected to be $5.13 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, 2026 debt report would typically provide debt information on the prior fiscal year (FY 2025). To provide a more updated display of the state's current outstanding debt, the January 31, 2026 report included information from *Table 1,* which shows debt payments and year-end balances for the upcoming fiscal year (FY 2027).

Table 1

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance 1/	GF Balance 1/	Overall FY 27 Payment 2/	FY 27 GF Payment 2/	Retirement FY
ADOA Building System					
2013 A Issuance					
PLTO Refinance - DHS Building	$ 3,780,000	$ 2,268,000	$ 4,511,400	$ 2,706,800	FY 29
2015 A Issuance					
PLTO Refinance - Capitol Mall	$ 2,650,000	$ 1,145,200	$ 10,527,400	$ 4,549,300	FY 28
Subtotal - ADOA	$ 6,430,000	$ 3,413,200	$ 15,038,800	$ 7,256,100	
ADOA - School Facilities Division					
Federal Bonds	$ 5,028,900	$ 5,028,900	$ 9,938,100 3/	$ 9,938,100 3/	FY 28
ABOR Building System					
Arizona State University	$ 74,311,000	$ 50,425,000	$ 16,587,300	$ 13,450,100	FY 39
Northern Arizona University	$ 16,965,000	$ 16,965,000	$ 4,671,500	$ 4,671,500	FY 31
University of Arizona	$ 59,048,600	$ 48,940,000	$ 15,119,800	$ 13,181,800	FY 72
Subtotal - ABOR	$ 150,324,600	$ 116,330,000	$ 36,378,600	$ 31,303,400	
Phoenix Convention Center 4/	$ 316,275,000	$ 316,275,000	$ 26,997,100	$ 26,997,100	FY 44
TOTAL - Lease-Purchase	$ *478,058,500*	$ *441,047,100*	$ *88,352,600*	$ *75,494,700*	
Bonding Summary					
Department of Transportation 5/	$ 814,235,900	$ -	$ 131,277,500	$ -	FY 14 - 38
ABOR Building System					
Arizona State University	$ 2,253,750,000	$ -	$ 185,358,200	$ -	FY 55
Northern Arizona University	$ 226,120,000	$ -	$ 27,873,400	$ -	FY 44
University of Arizona	$ 665,265,000	$ -	$ 63,305,600	$ -	FY 48
University Lottery Bond (SPEED)	$ 592,025,000 6/	$ -	$ 59,169,600	$ -	FY 48
University Infrastructure (2017) 7/	$ 582,210,000	$ 291,105,000	$ 44,024,000	$ 22,012,000	FY 44
Subtotal - ABOR	$ 4,319,370,000	$ 291,105,000	$ 379,730,800	$ 22,012,000	
TOTAL - Bonding	$ *5,133,605,900*	$ *291,105,000*	$ *511,008,300*	$ *22,012,000*	
TOTAL - Lease-Purchase & Bonding	**$ 5,611,664,400**	**$ 732,152,100**	**$ 599,360,900**	**$ 97,506,700**	

1/ Represents principal balances as of June 30, 2027. 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 27 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 2027 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 $753,055,900 for Highway User Revenue Fund bonds and $61,180,000 for Grant Anticipation Notes.

6/ Represents outstanding balance as of the end of FY 2026 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. These amounts exclude any debt that will be incurred as a result of the additional $325,000,000 University Lottery bonding authority added by the FY 2026 enacted budget. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

7/ The universities will receive $31,324,900 from the General Fund in FY 2027 for the 2017 Capital Infrastructure Funding program. The General Fund is expected to pay $22,012,000 in FY 2027 for debt service.

LEASE-PURCHASE APPROPRIATIONS 1/
Department of Administration Building System

BUDGET UNITS	Fiscal Year 2026 Appropriations Report	Fiscal Year 2027 Appropriations Report	Difference FY 2027 - FY 2026
Arizona Department of Administration Buildings			
Accountancy, State Board of	$127,100	$126,700	($400)
Administration, Arizona Department of	825,500	823,000	(2,500)
Deaf and the Hard of Hearing, Commission for the	244,000	243,300	(700)
Education, Department of	1,140,800	1,137,300	(3,500)
Equalization, State Board of	99,500	99,200	(300)
Gaming, Department of	424,600	423,300	(1,300)
Homeland Security, Department of	136,300	135,900	(400)
Insurance & Financial Institutions, Department of	433,300	432,000	(1,300)
Juvenile Corrections, Department of	300,700	299,800	(900)
Real Estate Department, State	197,500	196,900	(600)
Tax Appeals, State Board of	38,300	38,100	(200)
Subtotal - ADOA Building	$3,967,600	$3,955,500	($12,100)
Department of Environmental Quality Building			
Agriculture, Department of	$777,700	$775,300	(2,400)
Citizens Clean Elections Commission	75,900	75,600	(300)
Criminal Justice Commission, Arizona	221,700	221,000	(700)
Environmental Quality, Department of	1,962,600	1,956,600	(6,000)
Forestry and Fire Management, AZ Department of	276,900	276,100	(800)
Housing, AZ Department of	235,800	235,100	(700)
State Land Department	940,700	937,800	(2,900)
Arizona State Parks Board	331,300	330,300	(1,000)
Pharmacy, Arizona State Board of	138,100	137,700	(400)
Residential Utility Consumer Office	118,600	118,300	(300)
Technical Registration, State Board of	204,000	203,400	(600)
Tourism, Office of	200,200	199,600	(600)
Water Resources, Department of	1,108,500	1,105,100	(3,400)
Subtotal - ADEQ Building	$6,592,000	$6,571,900	($20,100)
Health Services, Department of			
Arizona Health Care Cost Containment System	$891,900	$922,500	30,600
Health Services - Department of	3,470,000	3,588,900	118,900
Subtotal - Department of Health Services	$4,361,900	$4,511,400	$149,500
GRAND TOTAL	$14,921,500	$15,038,800	$117,300

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. The figures in this chart represent lease-purchase charges on a Total Funds basis and are not delineated between General Fund, Other Appropriated Fund, and Non-Appropriated Fund sources.

Capital Outlay - Local Assistance

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
SPECIAL LINE ITEMS			
Phoenix Convention Center	25,998,700	26,497,400	26,997,100 1/
Rio Nuevo District	19,383,900	19,000,000	19,000,000 2/
AGENCY TOTAL	**45,382,600**	**45,497,400**	**45,997,100** 3/
FUND SOURCES			
General Fund	45,382,600	45,497,400	45,997,100
SUBTOTAL - Appropriated Funds	**45,382,600**	**45,497,400**	**45,997,100**
TOTAL - ALL SOURCES	45,382,600	45,497,400	45,997,100

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, $26,997,100 of state general fund revenue is allocated in fiscal year 2026-2027 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriations 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 $19,000,000 in fiscal year 2026-2027. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriations Act footnote)

3/ General Appropriations Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The budget includes $26,997,100 from the General Fund in FY 2027 for state participation in repayment of $300,000,000 of debt financing for the expansion of the Phoenix Convention Center. Adjustments are as follows:

Distribution Increase

The budget includes an increase of $499,700 from the General Fund in FY 2027 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

Fiscal Year	Debt Service	Fiscal Year	Debt Service
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 $46,241,400 through CY 2025 (*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[2/]	Debt Service	Annual Net Revenues[3/]	Cumulative Net Revenues
2025	$36.4	$26.5	$9.9	$46.2
2024	33.3	26.0	7.3	$36.3
2023	42.3	25.5	16.8	$29.0
2022	21.5	25.0	(3.5)	12.2
2021	5.7	24.5	(18.8)	15.7
2020	6.0	24.0	(18.0)	34.5
2019	24.6	23.5	1.1	52.5
2018	23.5	23.0	0.5	51.4
2017	19.0	22.5	(3.5)	50.9
2016	20.6	20.4	0.2	54.4
2015	24.5	20.4	4.1	54.2
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/ The Auditor General report published in June 2025 amended previous revenue estimates for CY 2015, CY 2019, CY 2020, CY 2021, and CY 2022. This table has been updated to reflect the revised prior-year estimates.
3/ Represents gross revenue less debt service for each fiscal year.
Source: Auditor General report, *Phoenix Convention Center – Economic and Fiscal Impact Analysis Update (June 2026)*

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 scenario assumes the facility would become functionally obsolete and generate minimal revenues by 2021.

Rio Nuevo District

The budget includes $19,000,000 from the General Fund in FY 2027 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 2026.

The FY 2026 General Appropriations Act displayed the projected Rio Nuevo distribution as $19,000,000 in FY 2026. This amount was a continuation of the assumed Rio Nuevo distribution of $19,000,000 in FY 2025, which was based on the actual distribution of $18,767,800 in FY 2024.

Subsequent to the passage of the FY 2026 budget, actual FY 2025 information became available, and the FY 2025 actual distribution was $19,383,900. Given that data, the FY 2027 budget maintains the FY 2026 Rio Nuevo distribution estimate of $19,000,000 and continues this estimate into FY 2027.

While the General Appropriations Act each year displays a projected distribution amount for informational 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 2025	$19,383,900
FY 2024	18,767,800
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	**$277,719,600**

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 2025 regarding 3 projects that have been approved by the District. The board agreed to spend a total of $8.5 million on these projects.

Statutory Changes

The Tax Omnibus BRB makes the following statutory change:

- As permanent law, states that, after the payment of operating expenses and debt service, 80% of the Rio Nuevo District state sales tax diversion program funding must be expended on Transaction Privilege Tax (TPT) generating projects.

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted FY 2027 budget assumes total General Fund revenues of $18.33 billion. This amount is a decrease of (1.0)% compared to the FY 2026 General Fund revenues incorporated into the FY 2027 budget.

Net revenue, which excludes Urban Revenue Sharing, fund transfers, miscellaneous one-time revenues, and the beginning balance is projected to increase by 3.7% in FY 2027, to a total of $18.84 billion. Net revenue includes the impact of both previously and newly enacted tax legislation.

General Fund Revenue Forecast

FY 2026

The original FY 2026 budget enacted in June 2025 was based on total General Fund revenues of $17.77 billion. Net revenue was also projected to be $17.77 billion in FY 2026. (The reason that these amounts were the same in the budget adopted in June 2025 was that the FY 2026 revenue loss from Urban Revenue Sharing was almost exactly offset by the projected gain from various one-time revenue adjustments, including the beginning balance.)

As a result of higher revenue collections than projected during the first half of FY 2026, the January 2026 Baseline forecast raised the original FY 2026 total General Fund revenue forecast to $18.46 billion while the net revenue forecast, which as noted above excludes Urban Revenue Sharing, fund transfers, miscellaneous one-time revenues, and the beginning balance was increased to $18.25 billion. (The starting point for developing the January Baseline forecast is the 4-sector consensus process, which is described below.) This means that compared to the June 2025 enacted budget forecast, the January Baseline increased available resources by $692 million, of which $480 million was attributable to higher net revenue while the remaining $212 million was due to other factors, including a higher-than-expected FY 2025 ending balance carried into FY 2026.

The FY 2027 enacted budget included an additional $55.4 million in available resources compared to the January Baseline forecast. The $55.4 million General Fund revenue increase in the June 2026 adopted budget was due to a combination of $142.1 million in additional fund transfers and a loss of $(86.7) million in projected net revenue collections.

The $(86.7) million decrease of net revenue in the enacted budget was due to a combination of $79.2 million in additional projected revenues plus a one-time revenue forecast adjustment of $275.0 million in FY 2026 (both of which were based on higher-than-forecasted levels of collections through May) and an estimated loss of $(440.9) million from conforming Arizona tax statutes to the changes of the federal tax code in H.R. 1 adopted by the U.S. Congress in July of 2025.

FY 2027

As described at the beginning of the narrative, the enacted FY 2027 budget forecasts total General Fund revenues of $18.33 billion.

Table 1 below summarizes the changing revenue picture in FY 2026 to FY 2029 through the phases of budget development. The growth rates in the table reflect net revenue after the impact of enacted tax legislation.

Table 1

Net Revenue Change Over Prior Year 1/

	% Change
FY 2026	
January Baseline	3.6%
June Enacted Budget	3.1%
FY 2027	
January Baseline	3.6%
June Enacted Budget	3.7%
FY 2028	
January Baseline	4.4%
June Enacted Budget	4.1%
FY 2029	
January Baseline	4.6%
June Enacted Budget	4.9%

1/ Net Revenue includes the impact of enacted tax legislation. It excludes Urban Revenue Sharing, fund transfers, miscellaneous one-time revenues, and the beginning balance.

Table 2 provides an overview of net and total General Fund revenue growth in FY 2026 and FY 2027.

Long-Term Projections

The enacted budget also incorporates revenue planning estimates for FY 2028 and FY 2029, which are shown in *Table 5*. The net revenue growth rates included in the FY 2028 and FY 2029 revenue planning estimates under the June adopted budget are 4.1% in FY 2028 and 4.9% in FY 2029.

4-Sector Forecast

The projected growth rates for the "Big 3" revenue categories of sales, individual income, and corporate income taxes are initially developed and revised using a 4-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast. Consisting of 11 public and private sector economists, this independent panel normally 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 Center (EBRC) General Fund Baseline econometric 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.
- EBRC's more cautious forecast model, and
- JLBC Staff projections.

The estimates for the remaining revenue categories, which constitute about 10% of the total, were based on JLBC Staff projections.

Table 2

FY 2026 and FY 2027 General Fund Revenue ($ in Millions)

	FY 2026	%	FY 2027	%
Net Revenue 1/	$18,165.7	3.1%	$18,836.5	3.7%
Urban Revenue Sharing	(1,186.3)		(1,302.0)	
Other Financing Sources:				
Balance Forward	1,367.3		774.9	
Fund Transfers	157.6		9.7	
Vacant Property Sales Revenue	0.0		10.0	
Marana Prison Sale (Enacted in 2025)	14.6		0.0	
Subtotal	1,539.5		794.6	
Total Revenue	**$18,518.8**	**6.3%**	**$18,329.1**	**(1.0)%**

1/ Net Revenue includes the impact of enacted tax legislation. It excludes Urban Revenue Sharing, fund transfers, miscellaneous one-time revenues, and the beginning balance.

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, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

The next section provides a detailed description of budget legislation enacted during the 2026 Regular Session with an ongoing revenue impact through FY 2029. These newly enacted tax and revenue changes are projected to reduce ongoing revenue collections by $(440.9) million in FY 2026, $(236.6) million in FY 2027, $(261.2) million in FY 2028, and $(202.9) million in FY 2029. (See *Table 3* for a complete list of all statutory changes affecting ongoing revenue collections through FY 2029.) For more details on previously enacted tax legislation, see page 430 in the FY 2026 Appropriations Report.

Enacted Budget Legislation

1) Extension of Reduced Lottery Revenue Allocation to ACA – Pursuant to A.R.S. § 5-572, distributions from the State Lottery Commission to the Arizona Competes Fund (administered by the Arizona Commerce Authority) are capped at $3.5 million annually. Laws 2024, Chapter 210 reduces the annual allocation by $(1.75) million from FY 2025 through FY 2027. This has the effect of increasing the General Fund portion of the lottery revenue allocation by the same amount, or $1.75 million, from FY 2025 through FY 2027. Under the 2024 session law, the distribution to the Arizona Competes Fund was scheduled to be restored to $3.5 million, beginning in FY 2028.

Laws 2026, Chapter 129 extends the $1.75 million allocation for another 2 years through FY 2029. As a result, General Fund revenue from lottery distributions will increase by $1.75 million in FY 2028 and FY 2029. Beginning in FY 2030, the distribution to the Arizona Competes Fund will increase to its pre-FY 2025 level of $3.5 million.

2) State Conformity to Federal Tax Provisions in H.R. 1 – Laws 2026, Chapter 140 (Tax Omnibus) conforms Arizona state statute to the Internal Revenue Code retroactively to Tax Year (TY) 2025 to reflect the federal tax changes enacted in H.R.1, including the following provisions for individual filers:

- Increase of the standard deduction to match federal amounts in TY 2025. Beginning in TY 2026, Arizona amounts are adjusted for inflation annually based on the same inflation index used to adjust the federal amounts.
- Deduction of up to $25,000 for tips, beginning in TY 2025.
- Deduction of up to $12,500/$25,000 for overtime compensation, beginning in TY 2025.

- Deduction of up to $6,000 for taxpayer aged 65 and older, beginning in TY 2025.
- Deduction of up to $10,000 for new auto loan interest for TY 2025 only.
- Increase of the State and Local Tax (SALT) deduction cap for itemizing taxpayers from $10,000 to $40,000 for TY 2025 only. In Tax Year 2026, Arizona's SALT deduction cap will return to $10,000.
- Deduction of up to $1,000/$2,000 for charitable contributions by non-itemizing taxpayers, beginning in TY 2026.
- Apply 0.5% floor on deductions for charitable contributions by itemizing taxpayers, beginning in TY 2026.
- Establish Trump Accounts and Contribution Program, beginning in TY 2026.

Chapter 140 adds following state tax policies for individual filers beyond those included in H.R. 1:

- Increase of the current dependent tax credit from $100 to $125 for dependents under 17 years of age, beginning in TY 2026.
- Create a state deduction for child and dependent care expenses in excess of the amount claimed by the taxpayer for the federal Child and Dependent Care Credit, beginning in TY 2026.

As shown in *Table 3*, the estimated General Fund revenue loss of the individual filers' provisions is $(293.3) million in FY 2026, $(254.6) million in FY 2027, $(248.0) million in FY 2028, and $(206.2) million in FY 2029.

Chapter 140 also conforms Arizona state statute to the federal tax provisions in H.R. 1 claimed by business filers, including the following:

- Establish permanent full expensing (100% bonus depreciation) for certain business property, beginning in TY 2025.
- Restore full expensing of domestic research and development expenditures, beginning in TY 2025.
- Restore higher deduction on business loan interest, beginning in TY 2025.
- Increase of small business expensing allowance from $1.25 million to $2.5 million, beginning in TY 2025.
- Make the Opportunity Zone Program permanent along with other changes to the program, beginning July 1, 2026.
- Create a 100% depreciation allowance for nonresidential real property used for "qualified production activity" for TY 2025 only.

As shown in *Table 3*, the estimated General Fund revenue loss of the business filers' provisions is $(147.6) million in FY 2026, $(26.5) million in FY 2027, $(59.5) million in FY 2028, and $(43.0) million in FY 2029.

The total estimated net General Fund impact of the tax conformity provisions in Laws 2026, Chapter 140 is $(440.9) million in FY 2026, $(281.1) million in FY 2027, $(307.5) million in FY 2028, and $(249.2) million in FY 2029. (For more details see *Table 3*.)

3) Repeal of the New Employment Tax Credit – Laws 2026, Chapter 140 repeals the individual, corporate, and insurance premium tax credit for New Employment, retroactively to TY 2026. The credit is equal to $3,000 per net new job added by an employer claimed over 3 years for a cumulative total of $9,000. The repeal of this credit is estimated to result in General Fund savings of $10.3 million annually, beginning in FY 2027.

4) Repeal of the Refundable R&D Tax Credit – The Research and Development (R&D) credit is a corporate and individual income tax credit for increased research activities in this state. The R&D program provides both nonrefundable and refundable tax credits. Laws 2026, Chapter 140 repeals the refundable R&D tax credit program, retroactively to TY 2026. This refundable credit is only available to taxpayers that employ fewer than 150 full-time employees. The repeal of the refundable R&D credit is estimated to generate General Fund savings of $7.5 million annually, beginning in FY 2027.

5) Repeal of the Pollution Control Tax Credit – Laws 2026, Chapter 140 repeals the corporate income tax credit for Pollution Control Equipment, retroactively to TY 2026. The credit is equal to 10% of the cost of equipment used to control or prevent pollution, up to a maximum of $500,000. The repeal of this credit is estimated to result in General Fund savings of $1.7 million annually, beginning in FY 2027.

6) Reduction of Corporate STO Credit Cap – Under current law, a corporation can claim a tax credit for contributions made to a School Tuition Organization (STO) that provides education scholarships and tuition grants to students of low-income families. This credit was subject to a statewide aggregate cap of $135 million in FY 2025 and FY 2026. Laws 2026, Chapter 140 reduces the aggregate cap for this credit program to $110 million annually, beginning in FY 2027. The reduced credit cap is estimated to result in General Fund savings of $25.0 million annually, beginning in FY 2027.

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. The

amount distributed to cities and towns is 18% of net income tax collections from 2 years prior.

As shown in *Table 4*, total URS distributions will increase from $1.19 billion in FY 2026 to $1.30 billion in FY 2027. This URS increase results in a net General Fund revenue loss of $(115.7) million in FY 2027 relative to FY 2026. As displayed in *Table 5*, URS distributions are projected to increase to $1.37 billion in FY 2028 and $1.44 billion in FY 2029, which will result in a net General Fund loss of $(68.9) million and $(67.7) million in FY 2028 and FY 2029, respectively. The URS amounts in FY 2028 and FY 2029 do not reflect the impact of tax law changes.

One-Time Financing

The budget adopted in June 2026 includes the following one-time financing sources:

FY 2026

Fund Transfers

The enacted budget included fund transfers of $157.6 million to the General Fund in FY 2026, of which $15.5 million was authorized under the original FY 2026 budget adopted in June 2025. *(Please see the Summary of One-time General Fund Transfers in the Summary section.)*

Marana Prison Sale Proceeds

The sale of the state-owned Marana Prison to a private prison operator resulted in a deposit of $14.6 million to the General Fund in FY 2026.

One-Time Revenue Forecast Adjustment

As a result of higher-than-projected revenue collections in May of 2026, the budget adopted in June 2026 included a one-time revenue forecast adjustment of $275.0 million for FY 2026. This amount is included under net revenue in *Table 4*.

Balance Forward

The FY 2025 General Fund ending balance carried into FY 2026 was $1.37 billion.

FY 2027

Fund Transfers

The budget adopted in June 2025 included fund transfers of $9.7 million to the General Fund in FY 2027.

TPT Distribution Cap for Public Infrastructure Increased from $200 Million to $250 Million

Pursuant to A.R.S. § 42-5032.02, the State Treasurer is authorized to distribute prime contracting Transaction Privilege Tax (TPT) revenue generated from qualifying projects to a municipality or county to fund the costs of public infrastructure improvements needed to support the activities of a qualifying manufacturing facility located in that municipality or county. Laws 2026, Chapter 140 made several changes to this program, including an increase of the current statewide TPT distribution cap of $200 million to $250 million in FY 2027, which is estimated to result in a one-time revenue reduction of $(50.0) million in FY 2027. This amount is included under net revenue in *Table 4*.

3-Year Moratorium on Data Center TPT Exemption

Laws 2026, Chapter 140 prohibits the Arizona Commerce Authority (ACA) from accepting applications for any new computer data center from July 1, 2026 through June 30, 2029 and further clarifies that no new data center can qualify for the data center equipment TPT exemption during this 3-year period. This provision is estimated to generate General Fund savings of $12.0 million in FY 2027. This amount is included under net revenue in *Table 4*.

Vacant Property Sales Revenue

The budget adopted in June 2026 includes proceeds from the sales of vacant state property, which are estimated to generate $10.0 million in one-time revenues for FY 2027.

Balance Forward

The FY 2026 General Fund ending balance carried into FY 2026 is projected to be $774.9 million.

FY 2028

Fund Transfers

The budget adopted in June 2025 included fund transfers of $600,000 to the General Fund in FY 2028.

TPT Distribution Cap for Public Infrastructure Increased from $250 Million to $300 Million

As part of a 3-year phase-in, Laws 2026, Chapter 140 increases the statewide TPT distribution cap from $250 million in FY 2027 to $300 million in FY 2028, which is estimated to result in a one-time revenue reduction of $(50.0) million in FY 2028. This amount is included under net revenue in *Table 5*. *(Please see description of the program above.)*

3-Year Moratorium on Data Center TPT Exemption

As part of a 3-year legislation, this provision is estimated to generate General Fund savings of $19.0 million in FY 2028. This amount is included under net revenue in *Table 5*. *(Please see description of the 3-year moratorium above.)*

Balance Forward

The FY 2027 General Fund ending balance carried into FY 2028 is projected to be $43.8 million.

FY 2029

TPT Distribution Cap for Public Infrastructure Increased from $300 Million to $350 Million

As part of a 3-year phase-in, Laws 2026, Chapter 140 increases the statewide TPT distribution cap from $300 million in FY 2028 to $350 million, beginning in FY 2029, which is estimated to result in a one-time revenue reduction of $(50.0) million in FY 2029. This amount is included under net revenue in *Table 5*. *(Please see description of the program in the FY 2027 section.)*

3-Year Moratorium on Data Center TPT Exemption

As part of the 3-year legislation, this provision is estimated to generate General Fund savings of $26.0 million in FY 2029. This amount is included under net revenue in *Table 5*. *(Please see the description of the 3-year moratorium above.)*

Balance Forward

The FY 2028 General Fund ending balance carried into FY 2029 is projected to be $26.7 million.

Table 3

Budget Legislation with Ongoing General Fund Revenue Impact in FY 2026 through FY 2029
($ in Millions)

Legislation / Description of Provision	FY 2026	FY 2027	FY 2028	FY 2029
(1) Laws 2026, Ch. 129				
Extend the current $1.75 million yearly distribution from the State Lottery Fund to the Arizona Commerce Authority through FY 2029	--	--	1.8	1.8
(2) Laws 2026, Ch. 140				
Conform State Statute to the Internal Revenue Code retroactively to TY 2025 to reflect the changes enacted in H.R. 1 (see below):				
Revenue Adjustments – Individual Filers Provisions:				
• Increase Standard Deduction ($750/$1,500)	(65.0)	(65.0)	(65.0)	(65.0)
• Establish Additional $6,000 Deduction for Seniors	(74.4)	(74.4)	(74.4)	(74.4)
• Increase Dependent Tax Credit from $100 to $125 for Dependents under 17 Years of Age 1/	--	(33.5)	(33.5)	(33.5)
• Provide Deduction for Child and Dependent Care Expenses 1/	--	(15.7)	(15.7)	(15.7)
• Increase State and Local Tax (SALT) Deduction Cap from $10,000 to $40,000 (TY 2025 only). Cap returns to $10,000 in TY 2026.	(40.7)	--	--	--
• Create New Auto Loan Interest Deduction (TY 2025 only)	(12.6)	--	--	--
• Reduce Income Tax on Tips	(23.6)	(17.9)	(18.8)	(12.3)
• Reduce Income Tax on Overtime	(76.5)	(59.8)	(53.6)	(18.9)
• Apply 0.5% Floor on Deduction for Charitable Contributions by Itemizing Taxpayers	--	11.0	11.0	11.0
• Allow Non-Itemizing Taxpayers to Deduct up to $1,000/$2,000 for Charitable Contributions	--	(5.1)	(5.1)	(5.1)
• Establish Trump Accounts and Contribution Program	--	2/	2/	2/
• All Other Provisions	(0.5)	5.8	7.1	7.7
Subtotal – Individual Filers Provision	**(293.3)**	**(254.6)**	**(248.0)**	**(206.2)**
Revenue Adjustments – Business Filers Provisions:				
• Establish Permanent Full Expensing for Certain Business Property	(31.8)	(20.8)	(15.2)	(11.0)
• Restore Full Expensing of Domestic Research and Development Expenditures	(50.5)	(30.8)	(20.7)	(11.2)
• Restore Higher Deduction on Business Loan Interest	(9.8)	(9.3)	(8.5)	(7.9)
• Increase Small Business Expensing Allowance from $1.25 million to $2.5 million	(10.0)	(8.4)	(7.0)	(5.9)
• Create Special 100% Depreciation Allowance for Certain Non-Residential Production Property (TY 2025 only)	(45.5)	--	--	--
• Make Opportunity Zone Program Permanent along with Other Changes to the Program	--	42.8	(8.1)	(7.0)
Subtotal – Business Filers Provision	**(147.6)**	**(26.5)**	**(59.5)**	**(43.0)**
Total – Revenue Adjustments – All Tax Conformity	**(440.9)**	**(281.1)**	**(307.5)**	**(249.2)**
(3) Laws 2026, Ch. 140				
Repeal retroactively to TY 2026, the individual, corporate, and insurance premium tax credit for New Employment	--	10.3	10.3	10.3
(4) Laws 2026, Ch. 140				
Repeal retroactively to TY 2026, the individual and corporate refundable Research and Development (R&D) tax credit	--	7.5	7.5	7.5

(*Table 3* Continued)				
(5) Laws 2026, Ch. 140				
Repeal retroactively to TY 2026, the corporate tax credit for Pollution Control Equipment	--	1.7	1.7	1.7
(6) Laws 2026, Ch. 140				
Cap the aggregate dollar level of the Corporate Low-Income Student Tuition Tax Credit at $110 million annually, beginning in FY 2027	--	25.0	25.0	25.0
Total – 2026 Enacted Legislation	**$(440.9)**	**$(236.6)**	**$(261.2)**	**$(202.9)**

1/ Chapter 140 includes this change to state tax statutes, beginning in TY 2026. This provision was not part of H.R. 1 enacted by the U.S. Congress in July 2025.

2/ Provision is estimated to have a minimal state revenue impact.

Table 4

GENERAL FUND REVENUE - FY 2025 - FY 2027

FORECAST REVENUE GROWTH

($ in Thousands)

	ACTUAL FY 2025	% CHANGE PRIOR YR	FORECAST FY 2026	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2027	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	8,151,850.1	2.7%	8,460,047.0	3.8%	308,196.9	8,821,395.1	4.3%	361,348.1
Income - Individual	5,482,950.4	13.1%	5,695,701.2	3.9%	212,750.9	5,941,508.3	4.3%	245,807.1
- Corporate	1,750,547.2	0.3%	1,846,745.2	5.5%	96,198.0	1,922,984.7	4.1%	76,239.5
Property	35,136.7	35.2%	40,571.4	15.5%	5,434.8	41,229.7	1.6%	658.3
Luxury - Tobacco	16,233.8	-16.9%	16,436.2	1.2%	202.3	16,419.7	-0.1%	(16.4)
- Liquor	48,610.0	8.2%	50,307.6	3.5%	1,697.6	52,521.1	4.4%	2,213.5
Insurance Premium	923,760.0	12.6%	948,306.2	2.7%	24,546.2	988,130.0	4.2%	39,823.8
Other Taxes	19,006.4	10.5%	27,936.9	47.0%	8,930.5	29,013.5	3.9%	1,076.6
Subtotal - Taxes	16,428,094.6	6.3%	17,086,051.6	4.0%	657,957.1	17,813,202.0	4.3%	727,150.4
Other Non-Tax Revenues:								
Lottery	217,294.1	-2.2%	171,343.3	-21.1%	(45,950.8)	168,752.5	-1.5%	(2,590.8)
Gaming Revenue	39,734.4	8.9%	47,942.3	20.7%	8,207.9	64,946.8	35.5%	17,004.5
Licenses, Fees and Permits	55,470.5	5.3%	55,076.6	-0.7%	(393.9)	57,555.1	4.5%	2,478.4
Interest	286,881.2	-22.7%	228,000.0	-20.5%	(58,881.2)	175,000.0	-23.2%	(53,000.0)
Sales and Services	28,469.5	-7.4%	31,416.4	10.4%	2,946.9	32,830.2	4.5%	1,413.7
Other Miscellaneous	363,676.6	60.2%	363,676.6	0.0%	0.0	381,860.4	5.0%	18,183.8
Transfers and Reimbursements	111,219.3	-66.1%	88,846.2	-20.1%	(22,373.1)	49,212.0	-44.6%	(39,634.2)
Medicaid Hospital Revenue	93,477.4	3.7%	93,320.8	-0.2%	(156.6)	93,169.8	-0.2%	(151.0)
Subtotal - Other Non-Tax	1,196,222.9	-11.9%	1,079,622.2	-9.7%	(116,600.7)	1,023,326.7	-5.2%	(56,295.5)
Net Revenue	**17,624,317.5**	**4.8%**	**18,165,673.9**	**3.1%**	**541,356.3**	**18,836,528.8**	**3.7%**	**670,854.9**
Urban Revenue Sharing (URS)	(1,268,257.8)	N/A	(1,186,305.8)	N/A	81,952.0	(1,302,029.6)	N/A	(115,723.8)
Net Revenue w/ URS	**16,356,059.7**	**7.3%**	**16,979,368.1**	**3.8%**	**623,308.3**	**17,534,499.2**	**3.3%**	**555,131.1**
Other Financing Sources:								
Fund Transfers	30,491.8	-96.4%	157,600.0	416.9%	127,108.2	9,700.0	-93.8%	(147,900.0)
One-Time Income Tax Rebate	(16.1)	-100.0%	0.0	N/A	16.1	0.0	N/A	0.0
Vacant Property Sales Revenue	0.0		0.0	N/A	0.0	10,000.0	N/A	10,000.0
Other One-Time Revenue Adjustments	71,249.0	N/A	14,574.4	-79.5%	(56,674.6)	0.0	-100.0%	(14,574.4)
Subtotal - One-Time Financing Sources	101,724.7	-82.1%	172,174.4	69.3%	70,449.7	19,700.0	-88.6%	(152,474.4)
Subtotal - Revenues	**16,457,784.4**	**4.1%**	**17,151,542.5**	**4.2%**	**693,758.0**	**17,554,199.2**	**2.3%**	**402,656.7**
Balance Forward	962,823.0	-61.9%	1,367,290.0	42.0%	404,467.0	774,944.2	-43.3%	(592,345.8)
Total - Resources	**17,420,607.4**	**-5.0%**	**18,518,832.5**	**6.3%**	**1,098,225.0**	**18,329,143.4**	**-1.0%**	**(189,689.1)**

Table 5

GENERAL FUND REVENUE - FY 2028 - FY 2029

FORECAST REVENUE GROWTH

($ in Thousands)

	FORECAST FY 2028	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2029	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	9,214,251.8	4.5%	392,856.7	9,666,968.1	4.9%	452,716.3
Income - Individual	6,209,876.5	4.5%	268,368.2	6,550,683.6	5.5%	340,807.1
- Corporate	2,006,219.8	4.3%	83,235.2	2,099,479.4	4.6%	93,259.5
Property	41,676.5	1.1%	446.8	42,053.2	0.9%	376.8
Luxury - Tobacco	16,255.5	-1.0%	(164.2)	16,174.3	-0.5%	(81.3)
- Liquor	54,779.5	4.3%	2,258.4	57,025.5	4.1%	2,246.0
Insurance Premium	1,028,956.3	4.1%	40,826.4	1,075,979.9	4.6%	47,023.5
Other Taxes	30,169.2	4.0%	1,155.7	31,299.9	3.7%	1,130.6
Subtotal - Taxes	18,602,185.2	4.4%	788,983.2	19,539,663.8	5.0%	937,478.6
Other Non-Tax Revenues:						
Lottery	176,397.6	4.5%	7,645.1	184,321.8	4.5%	7,924.3
Gaming Revenue	83,842.2	29.1%	18,895.4	88,034.3	5.0%	4,192.2
Licenses, Fees and Permits	59,857.3	4.0%	2,302.2	62,850.2	5.0%	2,992.9
Interest	120,000.0	-31.4%	(55,000.0)	112,000.0	-6.7%	(8,000.0)
Sales and Services	34,143.4	4.0%	1,313.2	35,509.1	4.0%	1,365.7
Other Miscellaneous	397,134.8	4.0%	15,274.4	413,020.2	4.0%	15,885.4
Transfers and Reimbursements	49,761.4	1.1%	549.5	50,330.4	1.1%	568.9
Medicaid Hospital Revenue	93,169.8	0.0%	0.0	93,169.8	0.0%	0.0
Subtotal - Other Non-Tax	1,014,306.5	-0.9%	(9,020.2)	1,039,235.8	2.5%	24,929.3
Net Revenue	**19,616,491.7**	**4.1%**	**779,962.9**	**20,578,899.6**	**4.9%**	**962,407.9**
Urban Revenue Sharing (URS)	(1,370,906.4)	N/A	(68,876.8)	(1,438,612.7)	N/A	(67,706.4)
Net Revenue w/ URS	**18,245,585.3**	**4.1%**	**711,086.1**	**19,140,286.9**	**4.9%**	**894,701.5**
Other Financing Sources:						
Fund Transfers	600.0	-93.8%	(9,100.0)	0.0	-100.0%	(600.0)
One-Time Income Tax Rebate	0.0	N/A	0.0	0.0	N/A	0.0
Vacant Property Sales Revenue	0.0	-100.0%	(10,000.0)	0.0	N/A	0.0
Other One-Time Revenue Adjustments	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	600.0	-97.0%	(19,100.0)	0.0	-100.0%	(600.0)
Subtotal - Revenues	**18,246,185.3**	**3.9%**	**691,986.1**	**19,140,286.9**	**4.9%**	**894,101.5**
Balance Forward	43,808.4	-94.3%	(731,135.8)	26,657.4	-39.2%	(17,151.0)
Total - Resources	**18,289,993.7**	**-0.2%**	**(39,149.7)**	**19,166,944.3**	**4.8%**	**876,950.5**

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.
- The BSF's total balance cannot be larger than 10% of the current year's General Fund revenues, excluding the beginning balance.
- Laws 2026, Chapter 138, the State Budget Implementation Budget Reconciliation Bill (BRB), continues to notwithstand the requirements for any deposit to or withdrawals from the BSF through FY 2028. Chapter 138 also notwithstands the 10% BSF cap for FY 2027.
- 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 2025

Based on the EEC estimate of May 29, 2025, Arizona real adjusted personal income increased by 3.19% in CY 2024, with a trend growth rate of 3.96%. Since the annual growth rate of 3.19% was (0.77)% below the trend growth rate but above the 2.0% floor, the formula recommended no BSF deposit or withdrawal in FY 2025. (*For more details, see Table 1.*)

In FY 2025, the State Forester withdrew $(15.4) million from the BSF for the advance payment of wildfire

suppression claims and repaid $8.8 million to the BSF for outstanding claims.

Laws 2024, Chapter 209 authorized the Department of Economic Security (DES) to use up to $25.0 million from the BSF to provide funding for reimbursement grants in FY 2025. Chapter 209 required the BSF to be fully reimbursed by September 1, 2025. A total of $(25.0) million was withdrawn from the BSF at the end of FY 2025, and this amount was reimbursed to the BSF in the early part of FY 2026.

FY 2026

Based on the EEC estimate of May 29, 2026, Arizona real adjusted personal income increased by 0.54% in CY 2025, with a trend growth rate of 3.80%. Since the annual growth rate of 0.54% was (3.26)% below the trend growth rate and below the 2.0% floor, the formula recommended a withdrawal from the BSF of $(536.6) million in FY 2026. The enacted budget did not include this withdrawal. (*For more details, see Table 1.*)

In FY 2026, the State Forester withdrew $(8.4) million from the BSF for the advance payment of wildfire suppression claims and repaid $15.6 million to the BSF for outstanding claims.

Laws 2025, Chapter 233 authorized DES to use up to $25.0 million from the BSF to provide funding for reimbursement grants in FY 2026. Chapter 233 requires the BSF to be fully reimbursed by September 1, 2026. A total of $(25.0) million was withdrawn from the BSF at the end of FY 2026, and this amount is required to be reimbursed to the BSF in the early part of FY 2027.

FY 2027

The University of Arizona's Economic and Business Research Center (EBRC) currently projects that Arizona real adjusted personal income will increase by 1.04% in CY 2026. Since this is (2.17)% below the estimated trend growth rate of 3.21% and below the 2.0% floor, the BSF formula is projected to recommend a BSF withdrawal of $(368.5) million in FY 2027. The enacted FY 2027 budget did not include this withdrawal from the BSF. (*For more details, see Table 1.*)

Laws 2026, Chapter 126 authorizes DES to use up to $25.0 million from the BSF for reimbursement grants in FY 2027. Chapter 126 requires the BSF to be fully reimbursed by September 1, 2027.

Statutory Changes

The State Budget Implementation BRB (Laws 2026, Chapter 138), as session law, continues to notwithstand the requirements for 1) any deposit to or withdrawals from the Budget Stabilization Fund through FY 2028 and 2) a 10% BSF cap for FY 2027.

Table 1

Budget Stabilization Fund [1/]
($ in Thousands)

	Actual FY 2025	Estimate FY 2026	Estimate FY 2027
General Fund Revenues			
Adjusted Revenues	$16,459,760.6	$16,979,368.1	$17,534,499.2
Statutory Limit of Revenues	10.0%	10.0%	10.0%
Maximum Balance [2/]	1,645,976.1	1,697,936.8	1,753,449.9
Arizona Personal Income in Prior CY			
Real Adjusted Annual Income Growth	3.19%	0.54%	1.04%
7-Year Average Income Growth	3.96%	3.80%	3.21%
Annual Difference	(0.77)%	(3.26)%	(2.17)%
BSF Transactions			
Beginning BSF Balance	1,485,992.1	1,545,367.3	1,618,078.0
BSF Formula Recommendation	0.0	(536,588.2)	(368,452.3)
Actual Transfer In			
State Forester Claims [3/]	8,791.5	15,602.4	0.0
DES Reimbursement Grants [4/5/6/]	25,000.0	25,000.0	25,000.0
SUBTOTAL	33,791.5	40,602.4	25,000.0
Actual Transfer Out			
State Forester Claims [3/]	(15,420.3)	(8,407.5)	0.0
DES Reimbursement Grants [4/5/6/]	(25,000.0)	(25,000.0)	0.0
SUBTOTAL	(40,420.3)	(33,407.5)	0.0
Balance	1,479,363.3	1,552,562.2	1,643,078.0
Interest Earnings & Equity Gains/Losses [7/]	66,004.0	65,515.8	60,000.0
Ending BSF Balance	$1,545,367.3	$1,618,078.0	$1,703,078.0
Percent of Revenues [2/]	9.39%	9.53%	9.71%

1/ BSF history prior to FY 2025 can be found on the JLBC website.

2/ Laws 2026, Chapter 138 is notwithstanding the 10% BSF cap for FY 2027. The notwithstanding of the 10% BSF cap for FY 2026 was authorized by Laws 2025, Chapter 246.

3/ 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.

4/ Laws 2024, Chapter 209 authorized DES to use up to $25 million from the BSF to provide funding for reimbursement grants in FY 2025. Chapter 209 required the BSF to be fully reimbursed by September 1, 2025. A total of $(25) million was withdrawn from the BSF in FY 2025 and this amount was reimbursed to the BSF in the early part of FY 2026.

5/ Laws 2025, Chapter 233 authorized DES to use up to $25 million from the BSF to provide funding for reimbursement grants in FY 2026. A total of $(25) million was withdrawn from the BSF in FY 2026 and this amount must be fully reimbursed by September 1, 2026

6/ Laws 2026, Chapter 126 authorizes DES to use up to $25 million from the BSF to provide funding for reimbursement grants in FY 2027. Chapter 126 requires the BSF to be fully reimbursed by September 1, 2027.

7/ Net earnings for FY 2027 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 2027 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 2027 is $184.4 million and the Total State Funds cost is $663.8 million. *(Please see Table 1 for the total costs.)*

Employer contribution rates 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 2027 is estimated to be $95.9 million and the Total State Funds cost is $490.5 million.

At its November 2025 meeting, the ASRS Board of Trustees increased the pension contribution rate to 11.87% of Personal Services in FY 2027. The FY 2026 rate was 11.86%. The Board decreased the employer contribution rate for disability insurance from 0.14% to 0.11%, for a total overall employer contribution rate of 11.98% (compared to 12.00% last year) *(Please see Table 2 for historical ASRS contribution rates.)*

Table 1

Arizona Public Retirement FY 2027 System Employer Cost

	FY 2027 Total Cost [1/ 2/]		
	General Fund	All Other Funds	Total
Arizona State Retirement System	$ 95,894,300	$ 394,581,200	$ 490,475,500
Public Safety Personnel Retirement System	17,072,300	9,598,700	26,671,000
Corrections Officer Retirement Plan	30,781,000	780,900	31,561,900
Elected Officials' Retirement Plan	19,336,100	329,300	19,665,400
Defined Contribution Retirement System			
University Optional Retirement Plan	21,281,800	74,116,000	95,397,800
Grand Total	**$ 184,365,500**	**$ 479,406,100**	**$ 663,771,600**

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2027 change in Personal Services costs. In instances where salary data is limited, 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)

Table 2

Historical ASRS Contribution Rates
(Includes Long-Term Disability)

Fiscal Year	Rate	Fiscal Year	Rate
FY 1989	5.09	FY 2009	9.45
FY 1990	2.00	FY 2010	9.40
FY 1991	3.82	FY 2011	9.85
FY 1992	3.60	FY 2012	10.74
FY 1993	3.59	FY 2013	11.14
FY 1994	3.14	FY 2014	11.54
FY 1995	3.75	FY 2015	11.60
FY 1996	3.85	FY 2016	11.47
FY 1997	3.69	FY 2017	11.48
FY 1998	3.54	FY 2018	11.50
FY 1999	3.34	FY 2019	11.80
FY 2000	2.66	FY 2020	12.11
FY 2001	2.66	FY 2021	12.22
FY 2002	2.49	FY 2022	12.41
FY 2003	2.49	FY 2023	12.17
FY 2004	5.70	FY 2024	12.29
FY 2005	5.70	FY 2025	12.27
FY 2006	7.40	FY 2026	12.00
FY 2007	9.10	FY 2027	11.98
FY 2008	9.60		

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 2027 is estimated to be $17.1 million and the Total State Funds cost is $26.7 million.

In aggregate, the FY 2027 Tier 1 and Tier 2 PSPRS employer contribution rate is 45.79%, representing no net change from FY 2026. *(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 $30.8 million in FY 2027 and the Total State Funds cost is $31.6 million.

In aggregate, the FY 2027 Tier 1 and Tier 2 CORP employer contribution rate is 12.70%, or (1.68)% lower than in FY 2026 *(see Table 3)*.

EORP and EODCRS

The General Fund cost associated with EORP and the EODCRS in FY 2027 is estimated to be $19.3 million and the Total State Funds cost is $19.7 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 2027 EORP employer contribution rate is 70.44%, or (0.26)% lower than in FY 2026 *(see Table 3)*.

Table 3

Reasons for Change In the Employer Contribution Rate 1/
(Consolidated Valuation)

	PSPRS	CORP	EORP
FY 2026 Contribution Rate	45.79%	14.38%	70.70%
Asset (Gain)/Loss	(0.54%)	(0.39%)	(0.46%)
Payroll	(0.87%)	(0.07%)	0.12%
Liability Experience	0.22%	(0.25%)	(0.95%)
Additional Contribution	(0.99%)	(0.83%)	-
Assumption Changes	1.02%	0.11%	2.66%
Other	1.16%	(0.25%)	(1.63%)
FY 2027 Contribution Rate	**45.79%**	**12.70%**	**70.44%**
Net Change	**0.00%**	**(1.68%)**	**(0.26%)**

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.

The EORP employer contribution rate of 70.44% consists of 16.84% for the normal cost of the member accruing additional service and 53.60% to amortize the unfunded EORP liability. For EODCRS members, the total employer contribution rate is 59.74%, which consists of a 6.0% contribution rate deposited into the individual employees' retirement investment account, 0.14% for disability coverage and the same 53.60% contribution rate allocated to amortize the unfunded EORP liability.

UORP

The General Fund cost associated with UORP in FY 2027 is estimated to be $21.3 million and the Total State Funds cost is $95.4 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 2027.

2026 Session Legislation

The retirement systems were affected by legislation relating to the following issues in the 2026 Regular Session:

ASRS Long-Term Disability

Laws 2026, Chapter 40 modifies ASRS disability requirements. Currently, a member is deemed to have a disability if they receive long-term disability benefits for a total of 24 months over a 5-year period. Chapter 40 removes this 5-year requirement.

ASRS Eligibility Waiver

Laws 2026, Chapter 41 allows an employee eligible to participate in ASRS to fully waive their participation within 30 days of employment if they are at least 65 years old.

CORP Voluntary Supplemental Contributions

Laws 2026, Chapter 165 allows a CORP employer to make a supplemental contribution to an employee's defined contribution account, as long as the supplement does not exceed $5,000 per employee per year of employment, is made equally to all similarly-situated employees, and does not obligate the employee to match any portion of the supplement. Any such voluntary supplemental contributions would be made available to employees on a 5-year graded vesting schedule.

ASRS Elected Officials Retirement

Laws 2026, Chapter 201 allows an ASRS member who is an elected official and who reaches normal retirement age to retire without resigning from the member's elected position. The employer of the elected official would pay the alternate contribution rate on behalf of the retired member pursuant to subsection 38-766.02.

Funded Status

As of June 30, 2025, there were 736,533 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:

- 78.8% for ASRS (excluding the disability program);
- 74.9% for PSPRS;
- 95.2% for CORP; and
- 47.8% for EORP

Table 4

PSPRS/CORP State Employer Group Retirement Rates

Retirement System	Employer				Employee	
	FY 2026		FY 2027		FY 2027	
	Tier 1 and 2	*Tier 3 1/*	*Tier 1 and 2*	*Tier 3 1/*	*Tiers 1 and 2*	*Tier 3 1/*
Public Safety Personnel Ret. System						
Attorney General Investigators	7.52%	8.69%	7.01%	8.66%	7.65%	8.66%
DEMA Firefighters	13.02%	9.65%	12.80%	9.78%	7.65%	8.66%
Game and Fish Department	9.98%	8.69%	9.65%	8.66%	7.65%	8.66%
Liquor License Investigators	9.22%	9.48%	8.19%	8.85%	7.65%	8.66%
Parks Police	2.91%	9.11%	5.96%	8.66%	7.65%	8.66%
Department of Public Safety 2/	21.20%	16.03%	20.48%	15.56%	2.65%	4.09%
Arizona State University Police	16.75%	11.90%	18.37%	13.09%	7.65%	8.66%
Northern Arizona University Police	10.33%	8.69%	9.84%	8.66%	7.65%	8.66%
University of Arizona Police	19.01%	15.84%	21.93%	18.52%	7.65%	8.66%
Corrections Officer Ret. Plan						
Corrections Officer - ADC	6.66%	7.98%	6.00%	7.58%	7.65%	7.61%
Corrections Officer - DJC	6.00%	6.34%	6.00%	6.11%	7.65%	7.61%
DPS Dispatchers 3/	6.00%	N/A	6.00%	N/A	7.65%	N/A
DPS Detention	6.00%	5.63%	6.00%	6.11%	7.65%	7.61%
Probation Officers	37.71%	40.90%	36.71%	40.53%	8.41%	7.63%

1/ FY 2026 and 2027 rates for Tier 3 for PSPRS are based on Defined Benefit Plan and for CORP are based on Defined Contribution Plan.

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, 2025

	ASRS		PSPRS		CORP		EORP	
Membership								
	FY 2026	**FY 2027**	**FY 2026**	**FY 2027**	**FY 2026**	**FY 2027**	**FY 2026**	**FY 2027**
Active (working and contributing)	224,989	223,413	18,748	19,054	7,312	6,734	285	236
State Active Members	*N/A*	*N/A*	*1,266*	*1,232*	*3,942*	*3,532*	*N/A*	*N/A*
Other Active Members	*N/A*	*N/A*	*17,482*	*17,822*	*3,370*	*3,202*	*N/A*	*N/A*
Inactive	259,127	263,629	3,289	3,526	3,858	3,853	167	181
Retired Members, Disabled and Survivor Beneficiaries	182,520	187,439	16,533	17,173	7,321	7,646	1,315	1,315
Deferred Retirement Option Plan	N/A	N/A	2,269	2,334	N/A	N/A	N/A	N/A
Total	**666,636**	**674,481**	**40,839**	**42,087**	**18,491**	**18,233**	**1,767**	**1,732**
Funding Status (dollar values in millions) 1/								
	June 30, 2024	**June 30, 2025**	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**	**June 30, 2025**
Market Value of Assets	*$53,360*	*$57,648*	*$16,755*	*$18,666*	*$4,674*	*$5,123*	*$465*	*$505*
Total Actuarial Liability	*$69,631*	*$73,173*	*$23,868*	*$24,930*	*$5,226*	*$5,380*	*$1,047*	*$1,055*
Unfunded Actuarial Liability 2/	$16,272	$15,526	$7,113	$6,264	$552	$257	$582	$550
Funded Status 2/	76.6%	78.8%	70.2%	74.9%	89.4%	95.2%	44.4%	47.8%

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.

Table 6

State Retirement Plan Summary

	PSPRS			CORP			EORP			ASRS
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC 1/	Tier 1	Tier 2	DC Plan	DB Plan
Hire Date	**Before 1/1/12**	**1/1/12 thru 7/1/17**	**After 7/1/17**	**Before 1/1/12**	**1/1/12 thru 7/1/18**	**After 7/1/18**	**Before 1/1/12**	**1/1/12 thru 1/1/14**	**After 1/1/14**	**Present**
Normal Retirement Age	None	52.5	55; 52.5 with reduced pension	25 years of Service with no age or; years of Service and Age must equal 80	52.5	Not Applicable	None	62	Not Applicable	Years of Service and Age must equal 80
Minimum Years of Service	20 years; 15 years if aged 62 or older	15 years	15 years		25 years		20 years	10 years		
Multiplier	50%+ <20 years: 4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: 4.00% 25+ years: 2.50% May use Tier 3 multiplier if better	15 to <17 years: 1.50% 17 to <19 years: 1.75% 19 to <22 years: 2.00% 22 to <25 years: 2.25% 25+ years: 2.50%	50%+ 20+ years: 2.50% If 80 point rule is used for hires prior to 8/9/2001: Average Salary X years of service X 2.5%	62.5%+ 25+ years: 2.50% (Max 7 years) If less than 25 years: Avg. Salary X Yrs of srvc X 2.5%		4% of average salary x years of service	3% of average salary x years of service		<20 years: 2.10% 20 to <25 years: 2.15% 25 to <30 years: 2.20% 30+ years: 2.30%
PBI or COLA	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA eligible after 7 years or age 60; COLA dependent on plan funded status	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%		COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%		PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.
Benefit Calculation Limit	Adjusted by IRS	Adjusted by IRS	$143,771	Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS		Adjusted by IRS
Normal Cost Split	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50; Employer Pays Legacy Cost Balance	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		50/50
Assumed Rate of Return	7.20%	7.20%	7.00%	7.20%	7.20%		7.20%	7.20%		7.00%
Employee Rate	7.65%	7.65%	8.68% DC: 10.78%	7.86%	7.86%	7.61%	7.00%	7.00%	8.14%	11.98%
Aggregate Employer Rate	45.79%	45.79%	DB 40.14% (Normal+Legacy Costs) DC:10.78%+Legacy Costs	12.70%	12.70%	6.11% + Legacy Cost	70.44%	70.44%	59.74% (6.00% to employer account)	11.98%

1/ CORP includes a Tier 3 Defined Benefit plan; however, essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.

GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

GENERAL PROVISIONS OF THE GENERAL APPROPRIATIONS ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments, and institutions, the FY 2027 General Appropriations Act provides direction regarding several general provisions.

General Provisions

Statewide Adjustments — In addition to the individual agency sections, Section 125 of the FY 2027 General Appropriations Act makes technical adjustments to agency budgets in a statewide lump sum. The Joint Legislative Budget Committee Staff, in consultation with the Governor's Office of Strategic Planning and Budgeting, determines the distribution of the lump sum amounts to individual agencies.

Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency.

The components of Section 125 are as follows:

- Employer Health Insurance Contribution One-time Reduction: $(194,788,900) General Fund and $(45,876,400) Other Appropriated Funds for a reduction in the employer contribution rates for employee health insurance. This amount backs out the FY 2026 one-time premium adjustment. *(Please see Health Insurance discussion below for more details.)*
- Employer Health Insurance Contribution One-time Increase: $324,684,500 General Fund and $80,000,000 Other Appropriated Funds for a one-time increase in the employer contribution rates for employee health insurance. *(Please see the Health Insurance discussion below for more details.)*
- State Fleet Operations Reduction: $(5,205,900) General Fund and 10,000 Other Appropriated Funds to remove one-time adjustments to agencies for operating charges for the state motor pool fleet in ADOT.
- State Fleet Operations Increase: $5,690,600 General Fund and $500,000 Other Appropriated Funds for adjustments to agencies for operating charges for the state motor pool fleet in ADOT. Of the General Fund amount, $2,900,000 is ongoing and $2,790,600 is one-time. Of the Other Appropriated Funds amount, $250,000 is ongoing and $250,000 is one-time.
- State Fleet Replacement Reduction: $(2,422,400) General Fund and $(2,700,000) Other Appropriated Funds to remove one-time rate adjustments for vehicle replacement costs in the state motor pool fleet in ADOT.
- State Fleet One-Time Replacement Increase: $1,964,200 General Fund and $1,000,000 Other Appropriated Funds for one-time rate adjustments for vehicle replacement costs in the state motor pool fleet in ADOT.
- Agency Risk Management Reduction: $(19,999,600) General Fund and $(5,888,700) Other Appropriated Funds to remove one-time adjustments to agency budgets for risk management charges.
- Agency Risk Management Increase: $9,897,300 General Fund and $3,000,000 Other Appropriated Funds for adjustments to agency budgets for increased risk management charges. Of the General Fund amount, $4,900,000 is ongoing and $4,997,300 is one-time. Of the Other Appropriated Funds amount, $1,500,000 is ongoing and $1,500,000 is one-time.
- Retirement Adjustments: $(3,135,800) General Fund and $(271,500) Other Appropriated Funds for retirement contribution rate adjustments. *(Please see State Retirement Systems below for more details.)*
- Agency Rent Adjustments: $87,000 General Fund and $50,000 Other Appropriated Funds for adjustments associated with relocation to and within state-owned and lease-purchase buildings. *(Please see Building Payments below for more details.)*
- Accounting System Charge One-Time Adjustments: $1,260,300 General Fund and $1,500,000 Other Appropriated Funds for one-time adjustments to agency charges for the state accounting system (AZ360). *(Please see the Arizona Department of Administration (ADOA) narrative for more details on AFIS charges.)*

Federal Funds — Section 128 outlines reporting requirements for the Office of the Governor, and Superintendent of Public Instruction regarding expenditures from the Federal American Rescue Plan Act (ARPA) of 2021. Such reports are to be made within forty-five days after the end of each calendar quarter up through June 30, 2028, and shall include both total planned allocations and actual expenditures. Section 128 also states the legislative intent that the Executive Branch report similarly on any major additional federal aid to the state through federal legislation enacted by the end of FY 2027.

In addition, Section 2 of the Budget Implementation Budget Reconciliation Bill (Laws 2026, Chapter 138) continues a session law from prior years that requires

unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Quarterly Expenditure and Encumbrance Reporting — Section 127 requires the Arizona Department of Administration (ADOA) to reports the year-to-date expenditures and encumbrances for all agency operating and capital appropriations in FY 2027 to the Directors of JLBC and OSPB on a quarterly basis. The information shall be separately delineated by agency, budget fiscal year and fund source, and shall classify each appropriation by agency lump sum, special line item, or project.

Budget Request Reporting — Section 129 continues to state that it is the intent of the Legislature that all budget units receiving appropriations 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. The purpose of this section is to ensure stability and consistency in the expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

Border Security Federal Reimbursement – Section 130 states that if a budget unit receives federal monies in FY 2027 as reimbursement for expenditures made by the state for border security, the budget unit shall promptly deposit the monies in the General Fund. Section 130 directs the director of any budget unit that receives reimbursement to notify the JLBC, OSPB and the state comptroller in writing of the deposits.

FTE Position Reporting — Section 131 continues to state that the Full-Time Equivalent (FTE) Positions contained in the General Appropriations Act sections are subject to appropriation. The section directs the ADOA Director to account for the utilization of all appropriated and non-appropriated FTE Positions, excluding FTE Positions in the Universities. The Director shall submit the FY 2027 report by October 1, 2027, to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. The Universities shall report to the JLBC Director in a manner comparable to the ADOA report.

Filled FTE Position Reporting — Section 132 continues to state that by October 1, 2026, each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated and non-appropriated FTE Positions by fund source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2026.

Transfer Authority — Section 133 continues to require ADOA to provide a monthly report to the JLBC Staff on any agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 134 continues to require the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2026 General Fund ending balance by September 15, 2026. Based on this information, JLBC Staff shall report to JLBC by October 15, 2026, as to whether FY 2027's revenues and ending balance are expected to change by more than $50,000,000 from the budgeted projections. Section 134 states the revenues are forecasted to be $18,516,400,000 for FY 2026 and $18,326,800,000 for FY 2027. As a result of technical re-estimates, these figures are now $18,518,832,500 for FY 2026 and $18,329,143,400 for FY 2027.

Section 134 also provides revenue and expenditure estimates for FY 2028 and FY 2029 pursuant to A.R.S. § 35-125, which requires the General Appropriations Act to delineate the revenue and expenditure estimates for the budget year and the following 2 years based on existing statutory funding requirements. *(Please see the Budget Highlights section for more details on FY 2028 and FY 2029 estimates.)*

Expenditure Authority — Section 136 continues to state that for purposes of the General Appropriations Act, "expenditure authority" means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review — Section 137 continues to state that for purposes of the General Appropriations Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

Employee Related Expenditures

The following employee benefits and other issues are funded within the Employee Related Expenditures line item, which can be found in the budget table for each individual agency.

Table 1

Health Insurance
State Employee and Employer Monthly Contributions 1/
PY 2026 Employee and FY 2027 Employer Rates

	State Employee Contribution	Employer Contribution
Preferred Provider Organization		
Employee	$ 56.70	$ 1,207.46
Employee Plus One Adult	154.90	2,486.62
Employee Plus One Child	124.15	1,617.24
Family	263.49	2,815.61
Health Spending Account (HSA) Option		
Employee	22.00	875.36 2/
Employee Plus One Adult	66.00	1,809.85 2/
Employee Plus One Child	56.10	1,224.68 2/
Family	122.10	2,002.77 2/

1/ FY 2027 employer rates are effective July 2026 to June 2027. PY employee rates are effective from January 2026 to December 2026.
2/ Includes deposit of $60 into Single Employee account and $120 into all other Employee accounts.

Health Insurance — Under a self-insurance plan, the state assumes the risk of providing health coverage to state employees and pays the health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between a Preferred Provider Organization (PPO) or a Health Savings Account (HSA). An HSA allows for pre-tax contributions and healthcare-related withdrawals, combined with a high-deductible coinsurance plan.

Employee and employer premiums are shown in *Table 1*.

Table 2

Dental Insurance
State Employee and Employer Monthly Contributions
PY 2026 Employee and FY 2027 Employer Rates

	State Employee Contribution	Employer Contribution
DHMO		
Employee	$3.56	$4.96
Employee + 1 Adult	7.12	9.92
Employee + 1 Child	6.67	9.92
Family	11.84	13.70
PPO		
Employee	30.98	4.96
Employee + 1 Adult	65.72	9.92
Employee + 1 Child	50.57	9.92
Family	104.56	13.70

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Employee and employer premiums are shown in *Table 2*.

(Please see the Health Insurance Trust Fund section in the ADOA narrative for more details on overall HITF balances.)

Employer Contribution Rates — *Table 3* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2027. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, these rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

Life Insurance - $5.46 per employee per year in CY 2026, compared to the CY 2025 rate of $7.20.

Unemployment Insurance – 0.10% of Personal Services for each agency, unchanged from the rate assumed in the FY 2026 budget. Since September 2022, ADOA has 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 2026 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, Ombudsman-Citizens Aide Office, 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 2026 rate established in statute. Statewide cyber security 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 2026 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.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2026 workers' compensation rates. ADOA estimates the average statewide rate is 0.86%.

Table 3

FY 2027 Employer Contribution Rates

Category	Rate
Life Insurance (per FTE Position)	$7.28
Unemployment Insurance	0.00%
Personnel Division Pro Rata	0.86%
Disability (ASRS)	0.11%
Disability (PSPRS Defined Benefit)	1.96%
Disability (PSPRS Defined Contribution)	1.60%
Disability (CORP Defined Benefit)	0.32%
Disability (CORP Defined Contribution)	0.43%
Disability (Elected Officials' Defined Contribution)	0.14%
Information Technology Planning and Security	0.61%
Retiree Accumulated Sick Leave	0.40%
Workers' Compensation	Varies
Federal Insurance Contributions Act (FICA)	
Social Security (salary max $160,200)	6.20%
Medicare (no salary cap)	1.45%
Retirement System	1/

1/ See the Consolidated Retirement Report section for contribution rates.

Federal Insurance Contributions Act (FICA) – Effective January 1, 2026, Social Security employer taxes are paid at a rate of 6.20% up to $184,500 an increase from the previous maximum of $176,100. The rate is unchanged.

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 2026. 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 2027 rates as determined by the state's retirement systems have changed from the FY 2026 rates. The total FY 2027 contribution from ASRS employees and employers combined will be 23.96%, a decrease from the FY 2026 rate of 24.00%; both employers and employees will see their rates decrease in FY 2027 to 11.98% from 12.00% in FY 2026. These rates include 0.11% for both employers and employees to pay for disability insurance, a decrease from 0.14% in FY 2026.

Employer rates in the Public Safety Personnel Retirement System (PSPRS), the Corrections Officer Retirement Plan (CORP) and the Elected Officials' Retirement Plan vary depending on whether the employee is participating in the defined benefit plan or defined contribution plans. These 3 systems build the disability rate into the main rate.

Other Operating Expenditures

The following expenses are funded within the Other Operating Expenditures line item, which can be found in the budget table for each individual agency.

Risk Management — Individual agency budgets' Other Operating Expenditures include funding to pay the Risk Management charges billed to agencies by the ADOA Risk Management Program.

Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state.

Attorney General — Section 126 outlines $1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2026 amount. *(Please see the Attorney General narrative for details.)*

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges for both state-owned and privately-owned space, lease-purchase payments, and privatized lease-to-own (PLTO) payments for certain buildings.

Rent charges for state-owned office space will remain at $17.87/square foot, with the charge for state-owned storage space remaining at $6.43/square foot. These rates are set in statute and are based upon usable square feet. *(Please see the ADOA Capital Outlay section for more details.)*

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. *(Please refer PLTO schedules in the Capital Outlay section for more details.)*

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will expend $137,310,000 in FY 2027 for FY 2026 obligations. Agencies are permitted to make "administrative adjustments" for expenditures obligated in FY 2026 but for which the state was unbilled until FY 2027. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority.

The enacted FY 2027 budget assumed FY 2026 administrative adjustments of $132,984,000.

Revertments — The budget assumes that state agencies will revert $(217,865,200) of FY 2027 appropriations back to the General Fund because the agencies will not spend their entire appropriation. In comparison, the enacted FY 2027 budget assumed FY 2026 revertments of $(211,001,300).

Budget Format — The format governs how an agency's appropriation appears in the General Appropriations Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum - The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items without further review.

Lump Sum with Special Line Items - The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Agencies are typically permitted to transfer funding between line items with Executive Branch approval but without further Legislative Branch review. Footnotes may require JLBC review, however, prior to transfers between certain line items.

90/10 Agencies — The following 26 regulatory agencies are called "90/10" agencies since they retain 90% of their revenues and deposit the other 10% into the General Fund:

Arizona State Board of Accountancy
Acupuncture Board of Examiners
Board of Athletic Training
Board of Barbering and Cosmetology
Board of Behavioral Health Examiners
State Board of Chiropractic Examiners
Registrar of Contractors
State Board of Dental Examiners
Board of Homeopathic and Integrated Medicine Examiners
Board of Massage Therapy
Arizona Medical Board
Naturopathic Physicians Medical Board
State Board of Nursing
Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers
Board of Occupational Therapy Examiners
State Board of Dispensing Opticians
State Board of Optometry
Arizona Board of Osteopathic Examiners in Medicine and Surgery
Arizona State Board of Pharmacy
Board of Physical Therapy
State Board of Podiatry Examiners
State Board for Private Postsecondary Education
State Board of Psychologist Examiners
Board of Respiratory Care Examiners
State Board of Technical Registration
Arizona State Veterinary Medical Examining Board

Laws 2024, Chapter 222 modifies the above agency funds to require that 85% of revenues be retained and 15% be deposited to the General Fund in FY 2025 through FY 2028. In FY 2029, the agencies will revert back to the "90/10" structure.

SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2017

	General Fund								Other Appropriated Funds	
	General Salary Adjustments				Additional Increases for Selected Classes				All Salary Adjustments	
Fiscal Year	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	Dollars Appropriated	Effective Date	Annual Cost		Dollars Appropriated	Annual Cost
FY 2017	$0	NA	$0	0.00%	$4,696,400	Varies	$4,791,700	1/2/	$1,041,700	$1,041,700 3/
FY 2018	$0	NA	$0	0.00%	$97,700	January 1	$195,300	4/	$1,201,400	$1,201,400 5/
FY 2019	$0	NA	$0	0.00%	$223,500	January 1	$0	6/	$0	$0
FY 2020	$0	NA	$0	0.00%	$69,735,100	July 1	$69,735,100	7/	$2,291,600	$2,291,600 7/
FY 2021	$0	NA	$0	0.00%	$0	NA	$0		$0	$0
FY 2022	$0	NA	$0	0.00%	$64,698,000	July 1	$64,698,000	8/	$12,375,300	$12,375,300 9/
FY 2023	$126,365,000 10/	July 9	$126,365,000	10.00% 10/	$86,051,800	Varies	$89,190,500	11/	$62,572,600	$62,572,600 12/
FY 2024	$0	NA	$0	0.00%	$1,136,100	January 1	$2,272,200	13/	$8,967,500	$8,967,500 14/
FY 2025	$0	NA	$0	0.00%	$1,134,900	January 1	$4,539,300	15/	$0	$0
FY 2026	$0	NA	$0	0.00%	$4,956,000	July 1	$4,956,000	16/	$8,889,100	$9,212,500 16/
FY 2027	$0	NA	$0	0.00%	$22,139,700	Varies	$23,247,900	17/	$0	$0

1/ Funds a 3.0% pay increase for all sworn officers and civilian staff within the DPS Highway Patrol Division, effective July 1, 2016.

2/ Funds the first half-year of a 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The pay raise became effective on January 1, 2017 and will be followed by another 1.5% increase effective on January 1, 2018.

3/ Funds the OF cost of FY 2017 DPS salary increases and a salary increase for Wildlife Rangers in the Game and Fish Department.

4/ Funds the first half-year of a second 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise becomes effective January 1,

5/ Funds a 3.0% pay increase for non-Highway Patrol civilian staff in DPS.

6/ Funds the annualization of the second-year 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise became effective January 1, 2018. Annual cost of $195,300 reflected in FY 2018. Also funds a salary increase for the Board of Executive Clemency members, including a 17% increase for the chairman and a 39% increase for the other 4 board members.

7/ Funds salary increases for select state employees in the Department of Agriculture, Attorney General, Department of Child Safety (DCS), Corporation Commission, Department of Corrections (ADC), Game and Fish Department, DHS, Department of Insurance, Judiciary, Department of Juvenile Corrections (DJC), Department of Liquor Licenses and Control (DLLC), Arizona State Parks Board, DPS and the Department of Transportation (ADOT). See General Provisions section in *FY 2020 Appropriations Report* for more information.

8/ Funds salary increase for select state employees in the Department of Agriculture, DCS, ADC, Department of Economic Security (DES), DJC, DPS and Department of Water Resources.

9/ Funds the OF cost of salary incresases for select employees in the Parks Board, ADOT, Board of Dispensing Opticians, and Game and Fish Department.

10/ Funds General Fund cost of a 10% salary increase for all state employees excluding the Universities, judges, and elected officials.

11/ Funds the General Fund cost of an additional 10% increase for ADC staff (20% total), 10% for DJC (20% total) and 5% for DPS (15% total). Also includes the cost to increase the Supreme Court Chief Justice's salary to $212,000, other Supreme Court Justices to $205,000 and Court of Appeals Judges salaries to $190,000 effective January 1, 2023. Also funds the state's share of the cost to increase Superior Court Judges salaries to $164,700 effective January 1, 2023. Also includes salary increases above 10% for selected employees in the Department of Agriculture, AHCCCS, DCS, DES, Board of Executive Clemency, DHS, Judiciary, Land Department and the Auditor General. See General Provisions section in the *FY 2023 Appropriations Report* for more information.

12/ Funds the OF cost of a 10% minimum statewide salary increase and increases above 10% for selected employees at the Pioneers' Home, Corporation Commission, Department of Insurance and Financial Institutions, DLLC and the State Board of Funeral Directors and Embalmers. See General Provisions section in the *FY 2023 Appropriations Report* for more

13/ Funds the cost to increase Superior Court judges salaries to $180,000 effective January 1, 2024.

SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2017

14/ Funds the OF cost of salary increase for selected employees in the Corporation Commission, ADOT and the State Board of Podiatry Examiners See General Provisions section in the *FY 2024 Appropriations Report* for more information.

15/ Funds salary increases for justices and judges in the Supreme Court, Court of Appeals, and the Superior Court over two years. The first increase will go into effect January 1, 2025 (a $10,000 increase for each justice or judge). On January 1, 2026 salaries will be increased by an additional $10,000. The full cost of these increases will be $4.5 million. The full implementation of this increase will occur in FY 2027.

16/ Funds a 5% salary increase for all AZPOST-certified positions , a 5% salary increase for dispatchers at DPS, a 15% salary increase for firefighters, and a 10% salary increase for all staff at the Pioneers Home. Also funds unspecified salary increases at the Corporation Commission, Osteopathic Examiners Board and the Pyschologist Examiners Board.

17/ Funds a 4% salary increase for ADC and DJC corrections officers. Funds salary increases for justices and judges in the Supreme Court, Court of Appeals, and the Superior Court. Each judge is receiving a $10,000 salary increase effective January 1, 2027. The FY 2027 budget includes the annualized cost in FY 2028.

SALARY ADJUSTMENTS FOR ELECTED OFFICIALS

	Jan. 1, 2024 1/	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027
Governor	$ 95,000	$ 95,000	$ 95,000	$ 95,000
Secretary of State	$ 70,000	$ 70,000	$ 70,000	$ 70,000
Treasurer	$ 70,000	$ 70,000	$ 70,000	$ 70,000
Attorney General	$ 90,000	$ 90,000	$ 90,000	$ 90,000
Superintendent of Public Instruction	$ 85,000	$ 85,000	$ 85,000	$ 85,000
Corporation Commissioners	$ 79,500	$ 79,500	$ 79,500	$ 79,500
Mine Inspector	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Supreme Court Chief Justice	$ 212,000	$ 222,000	$ 232,000	$ 242,000
Other Supreme Court Justices	$ 205,000	$ 215,000	$ 225,000	$ 235,000
Appellate Judges	$ 190,000	$ 200,000	$ 210,000	$ 220,000
Superior Court Judges	$ 180,000	$ 190,000	$ 200,000	$ 210,000
Legislators	$ 24,000	$ 24,000	$ 24,000	$ 24,000

1/ See the FY 2024 Approriations Report for elected officials salary adjustments prior to January 1, 2024.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised		FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
	OPERATING SPENDING CHANGES							
1	**DOA - Arizona Department of Administration**	32,058,300		32,059,300				30,380,600
2	DOA - Remove One-Time Fire Incident Management Grants					(2,291,600)		
3	DOA - Remove One-Time Records Mgmt System/Data Sharing Funding					(2,708,500)		
4	DOA - Remove One-Time Tribal Healthcare Investment					(3,000,000)		
5	DOA - Remove One-Time Healthcare Interoperability Grants					(1,000,000)		
6	DOA - Remove One-Time Erroneous Convictions Fund (Pilot)					(3,000,000)		
7	DOA - County Support for Corrections Officer Employer Contributions						377,100	
8	DOA - Local Distribution County Sheriff Support						7,000,000	
9	DOA - Food Bank Capital						3,000,000	
10	DOA - Named Claimants (Laws 2026 Chapter 15)		1,000			(1,000)		
11	DOA - Statewide Adjustments						180,500	
12	DOA - Lump Sum Reduction						(235,200)	
13	**APF - Automation Projects Fund/ADOA**	3,762,000		3,762,000				15,134,100
14	APF - Remove One-Time AHCCCS IT Mainframe Replacement					(1,800,000)		
15	APF - Remove One-Time Real Estate System Modernization					(1,962,000)		
16	APF - Restore DOR Tax System as Part of Enacted 3-Yr Plan					12,538,400	(10,344,300)	
17	APF - Shift DOR from ADOA Mainframe (Mainframe Will Be Retired Dec 2027)						OF	
18	APF - One-Time AHCCCS MES Modernization						12,940,000	
19	**SFD - School Facilities Division/ADOA**	352,955,500		352,955,500				319,112,900
20	SFD - Remove One-Time Building Renewal Grants Admin Funding					(750,000)		
21	SFD - Remove One-Time Building Renewal Funding					(183,300,000)		
22	SFD - Remove New School Construction Projects (FY 25 Starts)					(45,077,100)		
23	SFD - Continue New School Construction Projects (FY 26 Starts)					(1,459,800)	(26,074,500)	
24	SFD - Agua Fria Construction Adjustment and Site Conditions					38,809,400		
25	SFD - Building Renewal Grants Funding						183,300,000	
26	SFD - Building Renewal Grants Admin Funding						750,000	
27	SFD - Lump Sum Reduction						(40,600)	
28	**OAH - Office of Administrative Hearings**	985,200		985,200				991,700
29	OAH - Statewide Adjustments						31,100	
30	OAH - Lump Sum Reduction						(24,600)	

* Any "Remove" references indicate that one-time FY 2026 funding is not continued in FY 2027. The original FY 2026 funding remains available.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised		FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
31	**AGR - Department of Agriculture**	16,247,500		16,247,500				16,537,800
32	AGR - Remove One-Time Equipment Funding					(381,100)		
33	AGR - Statewide Adjustments						1,061,900	
34	AGR - Lump Sum Reduction						(390,500)	
35	**AXS - AHCCCS**	2,613,652,600		2,718,381,000				2,920,591,900
36	AXS - Formula Adjustments					183,092,100	(42,000,000)	
37	AXS - Remove One-Time Enhanced FMAP Savings					6,000,000		
38	AXS - Continue One-Time Critical Access Hospital Supplemental Pool					(4,300,000)	4,300,000	
39	AXS - Remove One-Time Backfill of Fed Fund for Income Verification Charges					(2,220,000)		
40	AXS - Remove One-Time PDRF Rebate Shift					50,000,000		
41	AXS - Remove One-Time Hospital Assessment Behavioral Health Shift					100,000,000		
42	AXS - Remove One-Time Funding for GME Payments					(4,000,000)		
43	AXS - Office of Inspector General (OIG) - 7 FTE for Fraud Enforcement						365,000	
44	AXS - H.R. 1 Eligibility [150 FTEs] [Eligibility Verification Semi-Annually] (One-Time)						10,200,000	
45	AXS - Behavioral Health Crisis Services Hotline (One-Time)						4,000,000	
46	AXS - Urban Traditional Healing [3-Year Pilot Program]						421,000	
47	AXS - Formula Costs (Supplemental)		104,728,400			(104,728,400)		
48	AXS - Statewide Adjustments						1,081,200	
49	**ART - Arizona Commission on the Arts**	2,000,000		2,000,000				2,000,000
50	ART - Continue One-Time Arts Trust Fund Deposit					(2,000,000)	2,000,000	
51	**ATT - Attorney General**	27,692,600		27,692,600				35,514,600
52	ATT - Coordinated Reentry (One-Time; Plus $8.6 M OF)						8,400,000	
53	ATT - Statewide Adjustments						32,000	
54	ATT - Lump Sum Reduction						(610,000)	
55	**CHA - State Board for Charter Schools**	2,811,100		2,811,100				2,806,100
56	CHA - Statewide Adjustments						65,300	
57	CHA - Lump Sum Reduction						(70,300)	
58	**DCS - Department of Child Safety**	488,771,000		488,771,000				522,010,700
59	DCS - Continue and Expand Extended Foster Coaching					(6,400,000)	8,196,100	
60	DCS - Remove One-Time Vehicle Replacement Funding					(2,610,000)		
61	DCS - Continue One-Time IT System (Guardian) Maintenance Funding					(9,823,000)	9,823,000	
62	DCS - Remove One-Time Congregate Care Funding					(19,359,500)		

* Any "Remove" references indicate that one-time FY 2026 funding is not continued in FY 2027. The original FY 2026 funding remains available.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised		FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
63	DCS - Remove One-Time Group Home Training (Human Trafficking)					(100,000)		
64	DCS - Extended Foster Care Caseload Increase						1,018,100	
65	DCS - Federal Match Rate Adjustment						1,867,100	
66	DCS - Continue One-Time Congregate Care Funding						36,896,700	
67	DCS - Statewide Adjustments						13,731,200	
68	**ACA - Arizona Commerce Authority**	15,175,000		15,175,000				12,800,000
69	ACA - Remove One-Time Applied Research Centers Funding					(500,000)		
70	ACA - Remove One-Time Office of Defense Innovation Funding					(300,000)		
71	ACA - Remove One-Time State Rural Development Council Funding					(1,200,000)		
72	ACA - Remove One-Time Romania Trade Office Funding					(125,000)		
73	ACA - Lump Sum Reduction						(250,000)	
74	**CCO - Arizona Community Colleges**	103,901,900		103,651,900				108,737,500
75	CCO - Formula Adjustments					5,338,000	747,600	
76	CCO - Remove One-Time Eastern Arizona College (Graham Co.) Expenses					(1,000,000)		
77	CCO - Transfer Maricopa CCD Wrestling Scholarship Funding to ADE		(250,000)					
78	**COR - Corporation Commission**	792,700		792,700				-
79	COR- Shift Railroad Safety Funding from General Fund to Securities Fund						(792,700)	
80	**ADC - Department of Corrections**	1,574,149,400		1,578,252,500				1,678,981,100
81	ADC - Remove One-Time Operating Funding (23 FTE)					(9,488,500)		
82	ADC - Remove One-Time Correctional Officer Stipend					(20,842,500)		
83	ADC - Continue FY 26 4% Correctional Officer Stipend (FY 26 = $20.8 M)						24,034,300	
84	ADC - Body Worn Cameras (One-Time)						3,533,600	
85	ADC - Non-Contract Medication - Substance Abuse/Hep C - Opioid $ Backfill						6,700,000	
86	ADC - Shift Other Fund Spending to General Fund for Operating Needs						15,859,800	
87	ADC - Shift $10 M Other Fund Spending to Capital Uses - Backfill with General Fund						10,000,000	
88	ADC - Operating Budget Supplemental		4,100,000			(4,100,000)		
89	ADC - Named Claimants (Laws 2026, Chapter 15)		3,100			(3,100)		
90	ADC - Health Care Federal Injunction Costs						55,800,000	
91	ADC - Statewide Adjustments						19,235,000	
92	**JUS - Arizona Criminal Justice Commission**	4,600,000		4,600,000				6,852,300
93	JUS - Victims of Crime Act (VOCA) Federal Funds Backfill						2,250,000	
94	JUS - Statewide Adjustments						2,300	

* Any "Remove" references indicate that one-time FY 2026 funding is not continued in FY 2027. The original FY 2026 funding remains available.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised		FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
95	**SDB - AZ State Schools for the Deaf and the Blind**	25,645,100		25,645,100				25,863,200
96	SDB - Remove One-Time Supplemental Childhood Therapies					(100,000)		
97	SDB - Statewide Adjustments						318,100	
98	**OEC - Office of Economic Opportunity**	4,031,900		4,031,900				521,800
99	OEC - Remove One-Time Dual Enrollment Incentive Program					(1,500,000)		
100	OEC - Remove One-Time Adult Workforce Diploma Program					(2,000,000)		
101	OEC - Statewide Adjustments						3,200	
102	OEC - Lump Sum Reduction						(13,300)	
103	**DES - Department of Economic Security**	1,888,688,400		1,973,268,900				2,148,224,800
104	DES - Formula Adjustments					286,331,300	(42,400,000)	
105	DES - SNAP Administrative Rate Adjustment					32,700,000	(900,000)	
106	DES - Remove One-Time Enhanced FMAP Savings					8,400,000		
107	DES - Remove One-Time Backfill - Prior Year DD Actuarial Loss					(32,300,000)		
108	DES - Continue One-Time Out of School Child Care					(3,000,000)	3,000,000	
109	DES - Continue One-Time Child Care Subsidy Funding					(44,900,000)	44,757,100	
110	DES - Remove One-Time Food Benefit Administration (SUN Bucks)					(200,000)		
111	DES - Remove One-Time Backfill of Fed Fund for Income Verification Charges					(990,000)		
112	DES - Remove One-Time Mainframe as a Service Contract Increase					(4,010,000)		
113	DES - Continue One-Time DD High Need Client Supplement					(14,800,000)	17,900,000	
114	DES - Remove One-Time Adult Protective Services ARPA Backfill					(3,700,000)		
115	DES - Remove One-Time Benefit Services Digital Portal Implementation					(1,170,000)		
116	DES - Remove One-Time Coordinated Homelessness Services Funding					(15,500,000)		
117	DES - Remove One-Time Veteran Homelessness Strategic Plan Funding					(500,000)		
118	DES - Remove One-Time Veteran Homelessness Services Funding					(1,500,000)		
119	DES - Continue One-Time Produce Incentive (Double Up Food Bucks) (And $2.0 M in FY 28)					(2,000,000)	2,000,000	
120	DES - Remove One-Time Education Workforce Innovation Initiative					(500,000)		
121	DES - Continue One-Time Civil Legal Aid Funding					(3,000,000)	3,000,000	
122	DES - Remove One-Time Area Agency on Aging Housing Assistance Funding					(5,000,000)		
123	DES - Continue One-Time Area Agency on Aging Funding					(2,000,000)	5,000,000	
124	DES - Remove One-Time DD Group Home Monitoring Pilot					(1,200,000)		
125	DES - Increased Contractual Costs for Legacy Mainframe Systems (One-Time)						6,105,300	
126	DES - Continue One-Time Admin for Summer SNAP $120 Payment Food Benefit						1,767,300	
127	DES - SNAP Error Rate Reduction Workload [146 FTEs] (One-Time)						10,800,000	
128	DES - Victims of Crime Act (VOCA) Federal Fund Backfill						11,500,000	
129	DES - Reentry Employment Services (One-Time) (+ $1.5 M OF)						1,500,000	

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DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised	FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
130	DES - Formula Costs (Supplemental)		84,580,500		(84,580,500)		
131	DES - Statewide Adjustments					4,345,400	
132	**BOE - State Board of Education**	3,462,800		3,462,800			3,473,500
133	BOE - Statewide Adjustments					91,300	
134	BOE - Lump Sum Reduction					(80,600)	
135	**ADE - Arizona Department of Education**	8,287,685,600		8,255,826,600			8,450,608,200
136	ADE - Formula Adjustments				277,781,100	(92,065,600)	
137	ADE - Continue One-Time FRPL Group B Weight (Already Ongoing in FY 28)				(37,000,000)	37,000,000	
138	ADE - Continue One-Time DAA/CAA Per Pupil Funding (Already Ongoing in FY 28)				(29,000,000)	29,000,000	
139	ADE - Remove One-Time Flagstaff Unified Robotics Funding				(10,000)		
140	ADE - Continue One-Time No School Meal Copay for 130-185% FPL (One-Time)				(3,800,000)	2,000,000	
141	ADE - Remove One-Time Comm College Adult Ed. Workforce Program				(6,000,000)		
142	ADE - Remove One-Time 9th Grade On Track Program Funding				(3,400,000)		
143	ADE - Remove One-Time Rural School Nurse Access Grant Fund				(2,500,000)		
144	ADE - Remove One-Time AEDs for Public High School Athletic Events				(500,000)		
145	ADE - Remove One-Time Virtual School Assessments				(400,000)		
146	ADE - Remove One-Time Apache Junction Unified Robotics Funding				(200,000)		
147	ADE - Remove One-Time Teacher Retention Study Funding				(100,000)		
148	ADE - Remove One-Time Adult Education Skills Center Funding				(1,000,000)		
149	ADE - Remove One-Time Show Low Robotics Funding				(10,000)		
150	ADE - Fund Shift to Land Trust Balance (One-Time)					(7,963,500)	
151	ADE - Community Gardens (One-Time; Plus $500K in FY 28)					600,000	
152	ADE - Wrestling Program Grade 6-12 Grant (One-Time)					250,000	
153	ADE - Formula Costs (Ex-Appropriation)		(31,859,000)		31,859,000		
154	ADE - Statewide Adjustments					584,100	
155	ADE - Lump Sum Reduction					(343,500)	
156	**EMA - Department of Emergency & Military Affairs**	16,692,900		16,692,900			16,509,400
157	EMA - Remove One-Time Emergency Division Grant Support				(500,000)		
158	EMA - Statewide Adjustments					466,700	
159	EMA - Lump Sum Reduction					(150,200)	
160	**DEQ - Department of Environmental Quality**	-		-			17,000,000
161	DEQ - Remove One-Time WQARF Funding Offset				15,000,000		
162	DEQ - Continue State Share of Iron King Mine/Humboldt Smelter Cleanup (One-Time)					2,000,000	

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DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised	FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
163	**EQU - State Board of Equalization**	734,700		734,700			729,200
164	EQU - Statewide Adjustments					12,900	
165	EQU - Lump Sum Reduction					(18,400)	
166	**EXE - Board of Executive Clemency**	1,488,600		1,488,600			1,626,300
167	EXE - Remove One-Time Equipment Funding				(6,000)		
168	EXE - Increase Board Member Salaries					156,700	
169	EXE - Statewide Adjustments					24,100	
170	EXE - Lump Sum Reduction					(37,100)	
171	**FOR - Department of Forestry and Fire Management**	47,222,200		47,222,200			57,937,100
172	FOR - Wildfire Suppression Funding (One-Time)					10,000,000	
173	FOR - Statewide Adjustments					714,900	
174	**GAM - Department of Gaming**	9,104,500		9,104,500			8,104,500
175	GAM - Remove One-Time Racing Purse Enhancement Funding				(1,000,000)		
176	GAM - Continue One-Time Racing Regulation Fund Deposit				(1,900,000)	1,900,000	
177	**GOV - Office of the Governor**	10,394,700		10,394,700			9,492,100
178	GOV - Remove One-Time Funding				(750,000)		
179	GOV - Statewide Adjustments					51,000	
180	GOV - Lump Sum Reduction					(203,600)	
181	**OSP - Gov's Office of Strategic Planning and Budgeting**	2,854,500		2,854,500			2,860,700
182	OSP - Statewide Adjustments					77,600	
183	OSP - Lump Sum Reduction					(71,400)	
184	**DHS - Department of Health Services**	127,571,300		127,571,300			125,659,600
185	DHS - Remove One-Time Biomedical Research Funding Shift				2,000,000		
186	DHS - Remove One-Time Dementia Awareness Campaign Funding				(750,000)		
187	DHS - Remove One-Time Ibogaine Clinical Research Grant Funding				(5,000,000)		
188	DHS - Remove One-Time Nurse Education Investment (Comm Colleges)				(1,500,000)		
189	DHS - Continue One-Time ASH Operating Shortfall Funding				(1,807,900)	2,115,300	
190	DHS - Continue One-Time ASH Sexually Violent Persons Funding				(1,520,300)	1,480,200	
191	DHS - Remove One-Time Contract Facilitator - Rural Maternal Health				(100,000)		
192	DHS - Remove One-Time Intl. Medical School Collaboration Funding				(125,000)		

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DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised		FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
193	DHS - Remove One-Time Clinical Health Training Program Funding					(100,000)		
194	DHS - Statewide Adjustments						3,396,000	
195	**AZH - Arizona Historical Society**	4,113,500		4,113,500				3,077,400
196	AZH - Remove One-Time Flagstaff Pioneer Museum Re-Opening					(1,079,100)		
197	AZH - Statewide Adjustments						102,900	
198	AZH - Lump Sum Reduction						(59,900)	
199	**PAZ - Prescott Historical Society**	1,574,300		1,574,300				1,046,500
200	PAZ - Remove One-Time Territorial Governor Mansion Remodeling					(500,000)		
201	PAZ - Statewide Adjustments						(900)	
202	PAZ - Lump Sum Reduction						(26,900)	
203	**HLA - Department of Homeland Security**	10,107,800		10,107,800				10,015,900
204	HLA - Remove One-Time Federal Cybersecurity Grant State Match					(107,800)		
205	HLA - Statewide Adjustments						15,900	
206	**IND - Industrial Commission**	90,100		90,100				91,900
207	IND - Statewide Adjustments						1,800	
208	**DIF - Department of Insurance and Financial Institutions**	6,321,200		6,321,200				1,580,300
209	DIF - Shift Agency GF to Non-GF Source with New Fee Authority						(6,321,200)	
210	DIF - One-Time Funding to Transition to New Fee Authority						1,580,300	
211	**SPA - Judiciary - Supreme Court**	31,325,600		31,325,600				31,353,400
212	SPA - Remove One-Time Juvenile Monetary Sanctions Backfill					(250,000)		
213	SPA - Remove One-Time Child and Family Representation Funding					(600,000)		
214	SPA - Prior Judicial Salary Increase Annualization					63,000		
215	SPA - Judicial Salary Increase ($10,000 Effective 1/1/27)						60,900	
216	SPA - Statewide Adjustments						1,117,900	
217	SPA - Lump Sum Reduction						(364,000)	
218	**COA - Judiciary - Court of Appeals**	25,308,700		25,308,700				25,537,900
219	COA - Remove One-Time Equipment Funding					(10,000)		
220	COA - Prior Judicial Salary Increase Annualization					252,200		
221	COA - Judicial Salary Increase ($10,000 Effective 1/1/27)						243,400	

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DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised		FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
222	COA - Statewide Adjustments						382,400	
223	COA - Lump Sum Reduction						(638,800)	
224	**SUP - Judiciary - Superior Court**	117,217,300		117,217,300				129,196,100
225	SUP - Prior Judicial Salary Increase Annualization					819,600		
226	SUP - Fund Prior County Probation Salary Increases						10,460,800	
227	SUP - Judicial Salary Increase ($10,000 Effective 1/1/27)						803,900	
228	SUP - Statewide Adjustments						17,500	
229	SUP - Lump Sum Reduction						(123,000)	
230	**DJC - Department of Juvenile Corrections**	31,085,800		31,085,800				33,594,300
231	DJC - Remove One-Time Operating Shift to Land Trust Fund					800,000		
232	DJC - Remove One-Time Operating Shift to CJEF					100,000		
233	DJC - Continue FY 26 4% Correctional Officer Stipend					(542,200)	764,400	
234	DJC - Operating Shortfall [+600k Other Fund]						600,000	
235	DJC - Statewide Adjustments						786,300	
236	**LAN - State Land Department**	12,199,900		12,199,900				12,089,000
237	LAN - Central Arizona Project (CAP) Fees Technical Adjustment					56,400	(226,300)	
238	LAN - Statewide Adjustments						324,600	
239	LAN - Lump Sum Reduction						(265,600)	
240	**Legislature**							
241	**AUD - Auditor General**	32,009,000		32,009,000				27,403,300
242	AUD - Remove One-Time Special Audit Funding					(5,300,000)		
243	AUD - Statewide Adjustments						694,300	
244	**HOU - House of Representatives**	22,545,300		22,545,300				21,851,900
245	HOU - Remove One-Time Funding					(750,000)		
246	HOU - Statewide Adjustments						601,500	
247	HOU - Lump Sum Reduction						(544,900)	
248	**JLBC - Joint Legislative Budget Committee**	3,071,000		3,071,000				3,043,200
249	JLBC - Statewide Adjustments						49,000	
250	JLBC - Lump Sum Reduction						(76,800)	

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		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised	FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
251	**LEG - Legislative Council**	9,422,400		9,422,400			9,411,600
252	LEG - Statewide Adjustments					224,800	
253	LEG - Lump Sum Reduction					(235,600)	
254	**OMB - Ombudsman-Citizens Aide Office**	1,608,900		1,608,900			1,621,300
255	OMB - Statewide Adjustments					52,600	
256	OMB - Lump Sum Reduction					(40,200)	
257	**SEN - Senate**	18,814,300		18,814,300			18,086,200
258	SEN - Remove One-Time Funding				(750,000)		
259	SEN - Statewide Adjustments					473,500	
260	SEN - Lump Sum Reduction					(451,600)	
261	**MIN - State Mine Inspector**	2,431,400		2,431,400			2,451,400
262	MIN - Statewide Adjustments					59,700	
263	MIN - Lump Sum Reduction					(39,700)	
264	**NRB - State Natural Resource Conservation Board**	739,400		739,400			389,400
265	NRB - Remove One-Time Operating Costs				(100,000)		
266	NRB - Remove One-Time Groundwater Recharge Facilities Funding				(250,000)		
267	**NAV - Navigable Stream Adjudication Commission**	143,900		143,900			145,700
268	NAV - Statewide Adjustments					5,400	
269	NAV - Lump Sum Reduction					(3,600)	
270	**NUR - State Board of Nursing**	500,000		500,000			-
271	NUR - Remove One-Time Certified Nurse Anesthetist Preceptor Grant				(500,000)		
272	**SPB - Arizona State Parks Board**	2,500,000		2,500,000			-
273	SPB - Remove One-Time Heritage Fund Deposit				(1,000,000)		
274	SPB - Remove One-Time State Lake Improvement Fund Deposit				(1,500,000)		
275	**DPS - Department of Public Safety**	313,660,800		314,026,800			309,788,700
276	DPS - Remove One-Time State Crime Lab Funding				(200,000)		
277	DPS - Remove One-Time Local Border Support Funding				(5,000,000)		
278	DPS - Remove One-Time Vehicle Replacements				(8,667,500)		
279	DPS - Remove One-Time Civil Air Patrol Maintenance and Operations				(106,000)		

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		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised	FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
280	DPS - Remove One-Time Recruitment Funding				(150,000)		
281	DPS - Remove One-Time Sex Offender Management Board Funding				(400,000)		
282	DPS - Remove One-Time Yuma County Family Advocacy Center				(750,000)		
283	DPS - Remove One-Time Anti-Human Trafficking Fund Deposit				(1,600,000)		
284	DPS - Remove One-Time One-Time ACTIC Funding Increase				(1,500,000)		
285	DPS - Victims of Crime Act (VOCA) Federal Funds Backfill					9,300,000	
286	DPS - Security for Newly Established Lieutenant Governor Office					705,300	
287	DPS - Named Claimants (Laws 2026, Chapter 15)		366,000		(366,000)		
288	DPS - Statewide Adjustments					4,496,100	
289	**PSP - Public Safety Personnel Retirement System**	6,000,000		6,000,000			5,000,000
290	PSP - Remove Prescott Fire Pension Liability Funding				(1,000,000)		
291	**REA - State Real Estate Department**	3,119,300		3,119,300			3,221,400
292	REA - IT Project Ongoing Maintenance Costs					140,100	
293	REA - Statewide Adjustments					40,000	
294	REA - Lump Sum Reduction					(78,000)	
295	**REV - Department of Revenue**	60,871,900		60,871,900			60,708,600
296	REV - Remove One-Time Prop 312 Property Tax Refund Admin Costs				(500,000)		
297	REV - Statewide Adjustments					1,592,200	
298	REV - Lump Sum Reduction					(1,255,500)	
299	**SOS - Secretary of State**	22,857,100		26,857,100			18,818,600
300	SOS - Remove One-Time CD7 Special Election Expenses				(8,000,000)		
301	SOS - Continue One-Time Address Confidentiality Program Fund Deposit				(400,000)	400,000	
302	SOS - 2026 Primary/General Election Funding [+ $4.0 M in FY 2026]				4,000,000		
303	SOS - Election Expenses (Supplemental)		4,000,000		(4,000,000)		
304	SOS - Statewide Adjustments					300,000	
305	SOS - Lump Sum Reduction					(338,500)	
306	**TAX - State Board of Tax Appeals**	319,300		319,300			319,000
307	TAX - Statewide Adjustments					7,700	
308	TAX - Lump Sum Reduction					(8,000)	

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		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised	FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
309	**TOU - Office of Tourism**	8,702,700		8,702,700			8,020,200
310	TOU - Remove One-Time Southern AZ Sports, Tourism and Film Authority				(500,000)		
311	TOU - Statewide Adjustments					(400)	
312	TOU - Lump Sum Reduction					(182,100)	
313	**DOT - Department of Transportation**	500,000		500,000			-
314	DOT - Remove One-Time Spaying and Neutering Fund Deposit				(500,000)		
315	**TRE - State Treasurer**	42,734,700		42,734,700			4,706,000
316	TRE - Remove One-Time Distributions to Local Governments				(27,445,000)		
317	TRE - Remove One-Time Distributions to Nonprofit Organizations				(5,500,000)		
318	TRE - Remove One-Time Transportation Innovation Fund Deposit				(2,000,000)		
319	TRE - Remove One-Time Advanced Air Mobility Fund Deposit				(2,000,000)		
320	TRE - Remove One-Time Statewide Infrastructure Trust Fund Deposit				(1,000,000)		
321	TRE - Remove One-Time Veterans Health Innovation Pilot				(150,000)		
322	TRE - JP Salary Increase Impact					75,000	
323	TRE - Statewide Adjustments					(100)	
324	TRE - Lump Sum Reduction					(8,600)	
325	**OTR - Governor's Office on Tribal Relations**	66,900		66,900			67,200
326	OTR - Statewide Adjustments					2,000	
327	OTR - Lump Sum Reduction					(1,700)	
328	**UNI - Universities**						
329	**UNI - Arizona Board of Regents**	71,382,600		71,382,600			54,835,600
330	UNI - ABOR - Remove One-Time Washington D.C. Internships				(150,000)		
331	UNI - ABOR - Remove One-Time Arizona Promise Program Funding				(16,300,000)		
332	UNI - ABOR - Statewide Adjustments					(14,700)	
333	UNI - ABOR - Lump Sum Reduction					(82,300)	
334	**UNI - ASU**	412,671,200		412,671,200			434,594,900
335	UNI - ASU - Lease-Purchase Adjustment				(3,800)		
336	UNI - ASU - Inflation Adjustment (2017 Capital Infrastructure)				271,300		
337	UNI - ASU - Remove One-Time Decision Theater - Pinal Co. Transportation Plan				(500,000)		
338	UNI - ASU - Statewide Adjustments					30,252,200	
339	UNI - ASU - Lump Sum Reduction					(8,096,000)	

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		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised	FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
340	**UNI - NAU**	124,707,700		124,707,700			122,610,500
341	UNI - NAU - Lease-Purchase Adjustment				(200)		
342	UNI - NAU - Inflation Adjustment (2017 Capital Infrastructure)				102,800		
343	UNI - NAU - Statewide Adjustments					424,700	
344	UNI - NAU - Lump Sum Reduction					(2,624,500)	
345	**UNI - UA - Main Campus**	289,867,500		289,867,500			306,268,900
346	UNI - UA - Main Campus - Lease-Purchase Adjustment				2,900		
347	UNI - UA - Main Campus - Inflation Adjustment (2017 Capital Infrastructure)				240,000		
348	UNI - UA - Main Campus - Remove One-Time Yuma Center for Excellence for Desert Agriculture				(1,350,000)		
349	UNI - UA - Main Campus - Remove One-Time Geological Survey				(500,000)		
350	UNI - UA - Main Campus - Remove One-Time Extractive Modular Metallurgy Facility				(850,000)		
351	UNI - UA - Main Campus - Remove One-Time On-Farm Irrigation Fund Deposit				(2,000,000)		
352	UNI - UA - Main Campus - Natural Resource Users Law and Policy Center					(1,589,800)	
353	UNI - UA - Main Campus - Water Adjudication Funding					500,000	
354	UNI - UA - Main Campus - Statewide Adjustments					26,674,200	
355	UNI - UA - Main Campus - Lump Sum Reduction					(4,725,900)	
356	**UNI - UA - Health Sciences Center**	75,978,400		75,978,400			74,900,700
357	UNI - UA - Health Sciences Center - Continue One-Time AZ REACH Funding				(500,000)	500,000	
358	UNI - UA - Health Sciences Center - Remove One-Time Medical Mission Scholarship Funding				(50,000)		
359	UNI - UA - Health Sciences Center - Lump Sum Reduction					(1,027,700)	
360	**VSC - Department of Veterans' Services**	12,814,700		15,814,700			14,389,000
361	VSC - Remove One-Time Mental Health Pilot Program				(1,000,000)		
362	VSC - Veterans Trust Fund Deposit (Supplemental)		3,000,000		(3,000,000)		
363	VSC - Statewide Adjustments					2,574,300	
364	**WIF - Water Infrastructure Finance Authority**	750,000		750,000			-
365	WIF - Remove One-Time Water Conservation Fund Deposit				(250,000)		
366	WIF - Remove One-Time Gila Valley Irrigation District				(500,000)		
367	**WAT - Department of Water Resources**	25,077,500		25,077,500			25,729,200
368	WAT - Statewide Adjustments					651,700	

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		FY 2026 GF JLBC Baseline	FY 2026 Changes	FY 2026 GF Revised	FY 2027 Baseline Above FY 26	FY 2027 Changes	FY 2027 GF Enacted Budget
369	**OTH - Other**						
370	Ex-Appropriate Unused Appropriations Prior to FY 2026						
371	OTH - ADE FY 2020 High-Quality Teacher Prof. Dev. Pilot Program (Ex-Appropriation)	-		-		(344,300)	(344,300)
372	OTH - ADE FY 2021 High-Quality Teacher Prof. Dev. Pilot Program (Ex-Appropriation)	-		-		(400,000)	(400,000)
373	OTH - ADE FY 2022 High Quality Teacher Prof. Dev. Pilot Program (Ex-Appropriation)	-		-		(400,000)	(400,000)
374	OTH - ADE FY 2024 Live, Remote Instructional Courses (Ex-Appropriation)	-		-		(100,000)	(100,000)
375	OTH - ADE FY 2025 Live, Remote Instructional Courses (Ex-Appropriation)	-		-		(100,000)	(100,000)
376	OTH - ADOA Retirement of Defeasance of Financing Agreements (Ex-Appropriation)	-		-		(5,037,800)	(5,037,800)
377	OTH - TRE Lapse Prior Budget Funding for Ballot Paper (FY 2024)					(5,000,000)	(5,000,000)
378	OTH - TRE Lapse Prior Budget Funding for Ballot Paper (FY 2025)					(6,000,000)	(6,000,000)
379	Statewide Adjustments						
380	OTH - CORP Employer Contribution Increase - DC Rate Increase	-		-	1,000,000	(1,000,000)	-
381	OTH - FY 2026 Unallocated Health Insurance Adjustments	152,100		152,100	(152,100)		-
382	OTH - FY 2026 Unallocated Fleet Operating Adjustments	125,600		125,600	(125,600)		-
383	OTH - FY 2026 Unallocated Fleet Replacement Adjustments	859,000		859,000	(859,000)		-
384	OTH - FY 2026 Unallocated Retirement Adjustments	(18,300)		(18,300)	18,300		-
385	OTH - FY 2026 Unallocated Risk Management Adjustments	400		400	(400)		-
386	OTH - FY 2026 Unallocated AZ360 Adjustments	(3,900)		(3,900)	3,900		-
387	OTH - FY 2026 Unallocated Salary Adjustments	63,100		63,100	(63,100)		-
388	OTH - Unallocated FY 2026 Unallocated Health Insurance Adjustments					(393,400)	(393,400)
389	OTH - Unallocated FY 2027 Health Insurance Adjustments					758,400	758,400
390	OTH - Unallocated FY 2027 Fleet Operating Adjustments - Ongoing					117,900	117,900
391	OTH - Unallocated FY 2027 Fleet Operating Adjustments - One-Time					113,400	113,400
392	OTH - Unallocated FY 2027 Retirement Adjustments					(9,500)	(9,500)
393	OTH - Unallocated FY 2027 AZ360 Adjustments					29,600	29,600
394	Other Changes						
395	OTH - Phoenix Convention Center Debt Service	26,497,400		26,497,400	499,700		26,997,100
396	OTH - Rio Nuevo District	19,000,000		19,000,000			19,000,000
397	OTH - Administrative Adjustments	135,000,000	(2,016,000)	132,984,000	10,000,000	(5,674,000)	137,310,000
398	OTH - Revertments	(206,500,000)	(4,501,300)	(211,001,300)	6,500,000	(13,363,900)	(217,865,200)
399	**TOTAL - OPERATING SPENDING CHANGES**	**17,445,519,500**	**162,152,700**	**17,607,672,200**	**198,190,800**	**459,840,100**	**18,265,703,100**

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
	OPERATING SPENDING CHANGES							
1	**SBA - State Board of Accountancy**	2,257,400		2,257,400				2,297,600
2	SBA - Statewide Adjustments						40,200	
3	**ACU - Acupuncture Board of Examiners**	217,000		217,000				225,900
4	ACU - Statewide Adjustments						8,900	
5	**DOA - Arizona Department of Administration**	280,901,000		282,941,200				270,893,400
6	DOA - Remove One-Time State Employee Child Care Study					(100,000)		
7	DOA - Remove One-Time Records Mgmt. System/Data Sharing					(500,000)		
8	DOA - Remove One-Time State Personnel IT System Software Transition					(1,911,800)		
9	DOA - Continue One-Time State FTE Professional Dev/Univ. Partnership					(1,000,000)	1,000,000	
10	DOA - Globe/Miami Disaster Aid Funding						10,000,000	
11	DOA - Establish Enterprise Resource Planning Division						7,512,200	
12	DOA - Risk Management Claims and Premiums						6,596,600	
13	DOA - 9-1-1 Call Response Times						4,000,000	
14	DOA - Remove Risk Management Claims-Related Adjustments						(37,000,000)	
15	DOA - Federal Repayment Supplemental		2,018,700			(2,018,700)		
16	DOA - Named Claimants (Laws 2026, Ch. 15)		21,500			(21,500)		
17	DOA - Statewide Adjustments						1,395,400	
18	**APF - Automation Projects Fund/ADOA**	16,898,700		16,898,700				18,171,800
19	APF - Remove One-Time ADOA State Web Portal Software Upgrades					(375,000)		
20	APF - Remove One-Time ADOA Business One-Stop Funding					(1,700,000)		
21	APF - Remove One-Time ADOA State Web Portal Platform Funding					(1,750,000)		
22	APF - Remove One-Time AHCCCS IT Mainframe Multi-year Replacement					(1,800,000)		
23	APF - Remove One-Time Real Estate IT Software Update Funding					(1,962,000)		
24	APF - Remove One-Time ADOA A to Z Single Access to State Services Funding					(3,370,000)		
25	APF - Remove One-Time ADOA State Personnel IT System Funding					(5,941,700)		
26	APF - Partially Fund FY 2027 DOR Tax System					19,756,800	(16,100,000)	
27	APF - One-Time AHCCCS Mainframe Replacement						12,940,000	
28	APF - One-Time DOR Mainframe Migration Funding						1,425,000	
29	APF - One-Time Medical Board Website Modernization						150,000	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
30	**AGR - Department of Agriculture**	3,977,400		3,977,400				2,525,800
31	AGR - Nuclear Emergency Mgmt. Fund Changes (Laws 2025, Ch. 56)					5,800		
32	AGR - Remove One-Time Water and Innovation Fund Deposit					(2,000,000)		
33	AGR - Licensing IT System Maintenance Costs (FY 23 Development)						500,000	
34	AGR - Screw Worm Investigator - Redirect from Existing Avian Influenza Monies						Redirect	
35	AGR - Statewide Adjustments						42,600	
36	**AXS - AHCCCS**	621,178,500		621,178,500				560,181,400
37	AXS - Formula Adjustments					(8,818,000)		
38	AXS - Remove One-Time Secure Behavioral Health Residential Facility Costs					(5,000,000)		
39	AXS - Remove One-Time Prescription Drug Rebate Fund Shift to GF					(50,000,000)		
40	AXS - Continue One-Time Contracted Legal Costs - Sober Living Homes					(1,375,000)	1,375,000	
41	AXS - Enhanced Residential Treatment (One-Time in FY27, FY28, & FY29)						2,739,600	
42	AXS - Statewide Adjustments						81,300	
43	**BAT - Board of Athletic Training**	166,000		166,000				169,700
44	BAT - Statewide Adjustments						3,700	
45	**ATT - Attorney General**	111,996,800		111,996,800				113,671,000
46	ATT - Expand One-Time Coordinated Re-Entry Funding (Includes $8.4 M GF)					(10,000,000)	8,600,000	
47	ATT - Statewide Adjustments						3,074,200	
48	**BCB - Barbering and Cosmetology Board**	3,227,300		3,227,300				3,349,500
49	BCB - Remove One-Time IT Development Costs (Laws 2024, Ch. 250)					(200,000)		
50	BCB - Additional Staffing Costs (3 FTEs)						235,000	
51	BCB - Statewide Adjustments						87,200	
52	**BHE - Board of Behavioral Health Examiners**	2,975,200		3,125,200				2,875,600
53	BHE - Remove One-Time E-Licensing Transition Consultant					(20,400)		
54	BHE - Remove One-Time Office Space Reorganization					(187,900)		
55	BHE - Operating Expenses Supplemental		150,000			(150,000)		
56	BHE - Statewide Adjustments						108,700	
57	**DCS - Department of Child Safety**	204,235,700		204,235,700				204,257,600
58	DCS - Statewide Adjustments						21,900	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
59	**BCE - State Board of Chiropractic Examiners**	660,600		660,600				664,100
60	BCE - Statewide Adjustments						3,500	
61	**COM - Arizona Commerce Authority**	-		-				2,000,000
62	COM - Shift Advanced Air Mobility Funding from Treasurer to ACA						2,000,000	
63	**ROC - Registrar of Contractors**	14,328,200		14,328,200				14,285,500
64	ROC - Statewide Adjustments						(42,700)	
65	**COR - Corporation Commission**	38,732,900		38,732,900				40,002,500
66	COR - Shift Railroad Safety from General Fund to Securities Fund						792,700	
67	COR - Technical Staffing Adjustment (0.1 FTE)						Yes	
68	COR - Statewide Adjustments						476,900	
69	**ADC - Department of Corrections**	63,451,500		63,451,500				42,284,600
70	ADC - Remove One-Time Cloud and Data Warehouse Systems					(165,900)		
71	ADC - Remove One-Time Kitchen Equipment Replacement					(1,535,300)		
72	ADC - Remove One-Time Correctional Information System Improvements					(2,000,000)		
73	ADC - Braille Transcription Program						300,000	
74	ADC - Reduce OF Funding for Operating and Shift Elsewhere						(20,373,600)	
75	ADC - Statewide Adjustments						2,607,900	
76	**JUS - Arizona Criminal Justice Commission**	9,961,100		9,961,100				9,972,000
77	JUS - Continue One-Time Law Enforcement Crime Victim Notification Fund					(2,594,800)	2,594,800	
78	JUS - Ongoing Operating Budget Increase						32,500	
79	JUS - Statewide Adjustments						(21,600)	
80	**SDB - AZ State Schools for the Deaf and the Blind**	33,259,500		33,259,500				28,599,400
81	SDB - Formula Adjustments for Less Revenue and Base Level Increases					(4,957,700)		
82	SDB - Transfer Early Childhood Listening/Spoken Language to DES						50,000	
83	SDB - Statewide Adjustments						247,600	
84	**HEA - Comm for the Deaf and the Hard of Hearing**	5,045,800		5,045,800				5,125,600
85	HEA - Statewide Adjustments						79,800	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
86	**DEN - Board of Dental Examiners**	2,150,900		2,150,900				2,193,300
87	DEN - Statewide Adjustments						42,400	
88	**DES - Department of Economic Security**	499,805,500		499,805,500				451,079,800
89	DES - Formula Adjustments Long Term Care System Fund (non-matched)					545,800		
90	DES - Remove One-Time Child Care Assistance Program Funding (CCDF)					(51,080,500)		
91	DES - Backfill WIOA Funding for Reentry Employment Support (31 FTEs)						1,500,000	
92	DES - Blind Adults Skills Training and Education						150,000	
93	DES - Transfer ASDB Early Childhood Listening/Spoken Language to AZEIP						150,000	
94	DES - Statewide Adjustments						9,000	
95	**ADE - Arizona Department of Education**	87,507,600		87,507,600				95,585,300
96	ADE - Offset ADE Formula Expenses with Unspent Land Trust Monies						7,963,500	
97	ADE - Statewide Adjustments						114,200	
98	**EMA - Department of Emergency & Military Affairs**	5,620,900		5,620,900				2,408,500
99	EMA - Nuclear Emergency Mgmt. Fund Changes (Laws 2025, Ch. 56)					87,600		
100	EMA - Remove One-Time Evacuation Protocols Awareness Campaign					(300,000)		
101	EMA - Remove One-Time Local Law Enforcement Fentanyl Interdiction					(3,000,000)		
102	**DEQ - Department of Environmental Quality**	128,029,600		128,029,600				121,996,300
103	DEQ - Remove One-Time Clean Air Plan/Diesel Match/Air Emission Data					(1,170,100)		
104	DEQ - Remove One-Time Iron King Mine/Humboldt Smelter Cleanup					(2,000,000)		
105	DEQ - Remove One-Time WQARF Funding Offset					(15,000,000)		
106	DEQ - Continue One-Time Water Quality Fee Fund Deposit					(9,000,000)	9,500,000	
107	DEQ - Backfill Federal Air Quality Reductions (Air Quality Fund)						3,900,300	
108	DEQ - Emissions Inspection Contract Increases						3,094,500	
109	DEQ - Expand Voluntary Vehicle Repair Eligibility (Air Quality Fund)						2,170,200	
110	DEQ - Geothermal Energy Research (Air Quality Fund)						1,500,000	
111	DEQ - Air Permit Portal						371,200	
112	DEQ - Statewide Adjustments						600,600	
113	**OEO - Governor's Office of Equal Opportunity**	317,400		317,400				331,000
114	OEO - Statewide Adjustments						13,600	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
115	**COL - Arizona Exposition and State Fair Board**	19,762,800		19,762,800				19,899,300
116	COL - Statewide Adjustments						136,500	
117	**FOR - Department of Forestry and Fire Management**	4,000,000		4,000,000				
118	FOR - Remove One-Time Northern AZ Wildland Fire Training Facility					(4,000,000)		
119	**FIS - Arizona Game and Fish Department**	48,521,400		48,521,400				49,400,900
120	FIS - Remove One-Time Livestock Loss Board (Wolf Depredation) Funding					(250,000)		
121	FIS - Selected Staff Salary Statewide Adjustment Correction						246,800	
122	FIS - Statewide Adjustments						882,700	
123	**GAM - Department of Gaming**	23,783,700		23,783,700				24,619,300
124	GAM - Division of Problem Gambling						680,000	
125	GAM - Increase HISA Assessment Funding						644,900	
126	GAM - Shift Fantasy Sports/Unarmed Combat Monies to Event Wagering						(549,800)	
127	GAM - Statewide Adjustments						60,500	
128	**DHS - Department of Health Services**	74,512,900		74,512,900				74,654,700
129	DHS - Remove One-Time Biomedical Research Funding Shift					(2,000,000)		
130	DHS - Remove One-Time Health Care Directives Registry Funding					(2,000,000)		
131	DHS - Continue One-Time ASH Technology Improvements					(946,600)	946,600	
132	DHS - Radiation Protection Grants						1,500,000	
133	DHS - Add Duchenne Muscular Dystrophy to Newborn Screening Panel (2 FTEs)						754,900	
134	DHS - Alzheimer's Funding						700,000	
135	DHS - Continue Existing Cooling Centers for Heat Relief						400,000	
136	DHS - Enhanced Residential Treatment - One-Time Licensing Costs						250,000	
137	DHS - Statewide Adjustments						536,900	
138	**HLS - Arizona Department of Homeland Security**	11,695,200		11,695,200				13,607,700
139	HLS - Continue One-Time Multi-factor Authentication Funding					(550,000)	850,000	
140	HLS - Cyber Ready Arizona						1,500,000	
141	HLS - Statewide Adjustments						112,500	
142	**HOM - Board of Homeopathic & Integrated Medicine Examiners**	64,200		64,200				66,700
143	HOM - Statewide Adjustments						2,500	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
144	**DOH - Department of Housing**	360,700		360,700				517,700
145	DOH - Statewide Adjustments						157,000	
146	**IND - Industrial Commission**	23,213,100		23,216,600				23,571,600
147	IND - Named Claimants (Laws 2026, Ch. 15)		3,500			(3,500)		
148	IND - Statewide Adjustments						358,500	
149	**DIF - Department of Insurance and Financial Institutions**	13,145,100		13,145,100				21,407,800
150	DIF - Shift Agency GF Budget to Financial Surveillance Fund						7,414,900	
151	DIF - Statewide Adjustments						847,800	
152	**SPA - Judiciary - Supreme Court**	35,825,200		35,825,200				37,672,300
153	SPA - Electronic Monitoring System (CASAVP)						1,300,000	
154	SPA - Statewide Adjustments						547,100	
155	**SUP - Judiciary - Superior Court**	12,014,500		12,014,500				12,014,400
156	SUP - Statewide Adjustments						(100)	
157	**DJC - Department of Juvenile Corrections**	13,597,800		13,597,800				13,291,100
158	DJC - Remove One-Time Operating Budget Shift to CJEF					(100,000)		
159	DJC - Remove One-Time Operating Budget Shift to Land Trust Fund					(800,000)		
160	DJC - Adobe Mountain School Operating Shortfall (Includes $600k GF)						600,000	
161	DJC - Statewide Adjustments						(6,700)	
162	**LAN - State Land Department**	14,239,000		14,239,000				14,266,300
163	LAN - Statewide Adjustments						27,300	
164	**AUD - Legislature - Auditor General**	-		-				500,000
165	AUD - State Employee Health Plan Contracted Audit						500,000	
166	**LIQ - Department of Liquor Licenses & Control**	6,552,800		6,552,800				7,062,600
167	LIQ - Continue Records Management System Support (1 FTE)					600,000		
168	LIQ - Remove One-Time Operating Expenses					(100,000)		
169	LIQ - Statewide Adjustments						9,800	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
170	**LOT - Arizona State Lottery Commission**	181,935,600		187,583,100				194,171,000
171	LOT - Retailer Commissions		4,915,200			4,135,900		
172	LOT - Instant Ticket Sales		9,400			1,595,100		
173	LOT - On-Line Vendor Fees		788,100			670,100		
174	LOT - Tab Tickets		(65,200)			76,000		
175	LOT - Statewide Adjustments						110,800	
176	**BMT - Board of Massage Therapy**	601,200		601,200				614,600
177	BMT - Statewide Adjustments						13,400	
178	**MED - Arizona Medical Board**	8,472,700		8,472,700				8,627,500
179	MED - Statewide Adjustments						154,800	
180	**MIN - State Mine Inspector**	112,800		112,800				113,000
181	MIN - Statewide Adjustments						200	
182	**NRB - State Natural Resource Conservation Board**	260,600		260,600				260,600
183	**NAT - Naturopathic Physicians Medical Board**	271,800		271,800				227,000
184	NAT - Remove One-Time Record Digitization/IT Costs					(50,000)		
185	NAT - Statewide Adjustments						5,200	
186	**NAV - Navigable Stream Adjudication Commission**	200,000		200,000				200,000
187	**NUR - State Board of Nursing**	7,094,200		7,094,200				7,950,100
188	NUR - New Complaint Prioritization and 180 Day Investigation Timeline						620,800	
189	NUR - Statewide Adjustments						235,100	
190	**NCI - Nursing Care Inst. Administrators Board**	611,600		611,600				631,100
191	NCI - Statewide Adjustments						19,500	
192	**OCC - Board of Occupational Therapy Examiners**	298,000		298,000				306,100
193	OCC - Statewide Adjustments						8,100	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
194	**DIS - State Board of Dispensing Opticians**	199,700		199,700				232,500
195	DIS - Retiree Accumulated Sick Leave Payout and Onboarding						30,000	
196	DIS - Statewide Adjustments						2,800	
197	**OPT - State Board of Optometry**	288,000		288,000				293,700
198	OPT - Statewide Adjustments						5,700	
199	**OST - AZ Board of Osteopathic Examiners in Medicine/Surgery**	1,526,100		1,526,100				1,960,700
200	OST - Increased Board Staffing (5 FTEs)						400,000	
201	OST - Statewide Adjustments						34,600	
202	**SPB - Arizona State Parks Board**	22,578,500		22,578,500				23,551,600
203	SPB - Remove One-Time Family Campout Program Expenses					(231,000)		
204	SPB - State Park Staffing (6 Ranger FTEs & 5 Water Operator FTEs)						996,600	
205	SPB - Statewide Adjustments						207,500	
206	**PER - Personnel Board**	369,900		369,900				380,700
207	PER - Statewide Adjustments						10,800	
208	**PHA - Arizona State Board of Pharmacy**	3,804,000		3,804,000				3,777,200
209	PHA - Remove One-Time Investigations Funding					(60,100)		
210	PHA - Statewide Adjustments						33,300	
211	**PHY - Board of Physical Therapy Examiners**	624,400		624,400				635,400
212	PHY - Statewide Adjustments						11,000	
213	**PIO - Arizona Pioneers' Home**	9,160,800		9,160,800				9,278,100
214	PIO - Statewide Adjustments						117,300	
215	**POD - State Board of Podiatry Examiners**	204,200		204,200				206,900
216	POD - Statewide Adjustments						2,700	
217	**PRI - State Board for Private Postsecondary Education**	557,500		557,500				566,200
218	PRI - Statewide Adjustments						8,700	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
219	**PSY - State Board of Psychologist Examiners**	872,600		872,600				896,300
220	PSY - Statewide Adjustments						23,700	
221	**DPS - Department of Public Safety**	91,955,200		96,705,200				113,320,700
222	DPS - Remove One-Time Aircraft Maintenance Costs					(693,000)		
223	DPS - Remove One-Time North Loop Comm Network Conversion to Digital					(1,300,000)		
224	DPS - 47 Highway Patrol and 136 Non-Patrol Replacement Vehicles						15,540,300	
225	DPS - Aircraft Maintenance for Airplanes and Helicopters						2,079,200	
226	DPS - Backfill AZPOST Training Academy Reimbursements						2,045,000	
227	DPS - Wellness and Crisis Care Program						1,595,300	
228	DPS - Public Safety Grant Support Staff (Continue FY26 DEMA Approp Ongoing in DPS)						472,600	
229	DPS - Redaction Processing Workload (5 FTEs)						446,800	
230	DPS - Scrap Metal Dealer Compliance and Enforcement (2 FTEs)						250,000	
231	DPS - Civil Air Patrol Maintenance and Operations						106,000	
232	DPS - Move Border Security Fund Shift to Highway Patrol Fund						Yes	
233	DPS - Operating Expenses Supplemental		4,750,000			(4,750,000)		
234	DPS - Statewide Adjustments						823,300	
235	**RUC - Residential Utility Consumer Office**	1,951,200		1,951,200				1,989,800
236	RUC - Statewide Adjustments						38,600	
237	**RES - Board of Respiratory Care Examiners**	420,500		420,500				428,300
238	RES - Statewide Adjustments						7,800	
239	**RET - Arizona State Retirement System**	28,966,100		28,966,100				29,642,500
240	RET - Statewide Adjustments						676,400	
241	**REV - Department of Revenue**	28,732,800		28,732,800				28,814,000
242	REV - Statewide Adjustments						81,200	
243	**SOS - Secretary of State**	2,604,900		2,604,900				3,846,700
244	SOS - Pay for FY27 County Share of AVID Costs with HAVA Monies						1,000,500	
245	SOS - Record Retention Workload Costs						194,600	
246	SOS - Statewide Adjustments						46,700	

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
247	**TEC - State Board of Technical Registration**	2,735,900		2,735,900				2,872,300
248	TEC - Renew E-licensing Contract						77,000	
249	TEC - Statewide Adjustments						59,400	
250	**DOT - Department of Transportation**	614,325,700		614,333,700				647,202,900
251	DOT - Remove One-Time Passenger Rail Planning					(200,000)		
252	DOT - Remove One-Time Building Management System Upgrade					(238,000)		
253	DOT - Remove One-Time MVD Security System Modernization					(789,100)		
254	DOT - Remove I-17 Flex Lane Highway Maintenance					(813,600)		
255	DOT - Remove One-Time Maintenance Mgmt. System Replacement					(3,222,500)		
256	DOT - Remove One-Time Construction Mgmt. System Replacement					(6,272,000)		
257	DOT - Remove One-Time Vehicle Purchases Funding					(8,101,600)		
258	DOT - Highway Maintenance - 487 New Lane Miles						10,178,500	
259	DOT - Construction Management System Replacement - Phase 4 of 5						6,844,600	
260	DOT - State Fleet - Replace 284 Vehicles (State Fleet Vehicle Replacement Fund)						6,361,300	
261	DOT - Ongoing Highway Maintenance of Poor and Fair-Rated Roads						5,201,600	
262	DOT - Maintenance Management System Replacement - Phase 2 of 3						4,570,600	
263	DOT - Fueling Facilities Increased Utilization						4,200,000	
264	DOT - State Fleet - Exempt Rate Increases (State Fleet Operations Fund)						1,682,400	
265	DOT - Highway Maintenance - I-17 Flex Lane Operations and Maintenance						1,142,000	
266	DOT - Expand Current Line for Livestock Control to Include Wildlife Crossings						700,000	
267	DOT - MVD Office Security Upgrades (Remaining 5 Offices) (MVLIE Fund)						563,100	
268	DOT - Driver License and ID Card Production						386,100	
269	DOT - License Plate Production						137,100	
270	DOT - Selected Staff Salary Statewide Adjustment Correction						76,600	
271	DOT - Highway Maintenance - South Mountain Freeway Contract COLA						66,000	
272	DOT - State Fleet - Statewide Adjustment (State Fleet Operations Fund)						46,700	
273	DOT - Ongoing $2.5M HURF Deposit to SMART Fund						Yes	
274	DOT - Named Claimants (Laws 2026, Ch. 15)		8,000			(8,000)		
275	DOT - Statewide Adjustments						10,357,400	

* Any "Remove" references indicate that one-time FY 2026 funding is not continued in FY 2027. The original FY 2026 funding remains available.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
276	**TRE - State Treasurer**	7,562,900		7,562,900				13,946,800
277	TRE - Remove One-Time Bullhead City - Main Water Line Transmission					(1,000,000)		
278	TRE - Record Management Systems for Police and Sheriffs						4,079,300	
279	TRE - Virtual Police Training Simulators for ADC, Police, and Sheriffs						1,746,000	
280	TRE - Distribution to ACJC for Law Enforcement Recruitment & Technology Grants						1,000,000	
281	TRE - Distribution to ADE for School Hardening Grants						300,000	
282	TRE - Paradise Valley Law Enforcement Equipment						150,000	
283	TRE - Statewide Adjustments						108,600	
284	**UNI - Universities**							
285	**UNI - ASU**	907,759,500		907,759,500				907,759,500
286	**UNI - NAU**	125,450,500		125,450,500				125,450,500
287	**UNI - UA - Main Campus**	443,990,600		443,990,600				443,990,600
288	**UNI - UA - Health Sciences Center**	44,684,000		44,684,000				44,684,000
289	**VSC - Department of Veterans' Services**	60,986,900		60,986,900				59,655,300
290	VSC - Statewide Adjustments						(1,331,600)	
291	**VME - Veterinary Medical Examining Board**	922,700		922,700				951,700
292	VME - Digitize Licensee Prior Record Digitization						16,800	
293	VME - Statewide Adjustments						12,200	
294	**WIF - Water Infrastructure Finance Authority**	8,000,000		8,000,000				500,000
295	WIF - Remove One-Time Kingman Wells Project					(3,000,000)		
296	WIF - Remove One-Time Gilbert Wells Project					(5,000,000)		
297	WIF - Transfer $500k from WSDRF to Small Drinking Water Systems Fund						500,000	

* Any "Remove" references indicate that one-time FY 2026 funding is not continued in FY 2027. The original FY 2026 funding remains available.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised	FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
298	**WAT - Department of Water Resources**	3,767,300		3,767,300			8,769,700
299	WAT - Remove One-Time Colorado River Legal Defense				(1,000,000)		
300	WAT - Colorado River Litigation Fund Deposit					6,000,000	
301	WAT - Statewide Adjustments					2,400	
302	**OTH - Other**						
303	OTH - Lapse FY24 SHF Appropriation for EV Charging at ADOT Fleet Facilities	-	(5,000,000)	(5,000,000)	5,000,000		-
304	OTH - Unallocated One-Time FY 2026 Health Insurance Adjustments	-		-	-	(228,200)	(228,200)
305	OTH - Unallocated FY 2026 Risk Management Adjustments	5,611,300		5,611,300	(5,611,300)		-
306	OTH - Unallocated FY 2026 Health Insurance Adjustments	4,123,600		4,123,600	(4,123,600)		-
307	OTH - Unallocated FY 2026 Law Enforcement Salary Adjustments	1,172,200		1,172,200	(1,172,200)		-
308	OTH - Unallocated FY 2026 Fleet Operating Adjustments	510,000		510,000	(510,000)		-
309	OTH - Unallocated FY 2026 Rent and COP Adjustments	3,700		3,700	(3,700)		-
310	OTH - Unallocated FY 2026 AZ360 Adjustments	(8,400)		(8,400)	8,400		-
311	OTH - Unallocated FY 2026 Retirement Adjustments	(1,373,600)		(1,373,600)	1,373,600		-
312	OTH - Unallocated FY 2027 Health Insurance Adjustments	-		-		6,134,100	6,134,100
313	OTH - Unallocated FY 2027 Risk Management Adjustments	-		-		91,900	91,900
314	OTH - Unallocated FY 2027 AZ360 Adjustments	-		-		262,300	262,300
315	OTH - Unallocated FY 2027 Fleet Replacement Adjustments	-		-		483,300	483,300
316	OTH - Unallocated FY 2027 Fleet Operating Adjustments	-		-		18,900	18,900
317	OTH - Unallocated FY 2027 Rent Adjustments	-		-		25,300	25,300
318	OTH - Unallocated FY 2027 Retirement Adjustments	-		-		(19,400)	(19,400)
319	**TOTAL - OPERATING SPENDING CHANGES**	**5,063,090,600**	**7,599,200**	**5,070,689,800**	**(218,051,000)**	**150,534,600**	**5,003,173,400**
320	**CAPITAL SPENDING CHANGES**						
321	**Building Renewal**						
322	Arizona Department of Administration	20,313,500		20,313,500	(3,513,500)	(11,646,000)	5,154,000
323	Arizona Department of Corrections	5,864,300		5,864,300		9,787,900	15,652,200
324	Arizona Exposition and State Fair Board	3,815,100		3,815,100	(3,815,100)	3,905,900	3,905,900
325	Game & Fish Department	1,815,700		1,815,700	117,200		1,932,900
326	Arizona Lottery Commission	218,200		218,200	19,600	(137,800)	100,000
327	State Parks Board	3,633,300		3,633,300	(3,633,300)	3,552,200	3,552,200
328	Pioneers' Home	470,400		470,400	(470,400)	482,000	482,000
329	Arizona Department of Transportation	23,385,300		23,385,300		1,188,800	24,574,100

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
330	**New Projects**							
331	Game & Fish - Property Maintenance	300,000		300,000		(300,000)		-
332	Game & Fish - Hatchery Repairs at 6 Facilities	4,700,000		4,700,000		(4,700,000)		-
333	Game & Fish - State Match - Black Canyon/Fool Hollow Lakes Dam Repairs	6,850,000		6,850,000		(6,850,000)		-
334	Game & Fish - Dam Maintenance	150,000		150,000		(150,000)	150,000	150,000
335	Game & Fish - Hatchery Maintenance	400,000		400,000		(400,000)	400,000	400,000
336	Game & Fish - Hatchery Renovations - Phase 3	-		-		-	11,000,000	11,000,000
337	DHS - ASH Perimeter Detection System	83,000		83,000		(83,000)		-
338	DHS - ASH Above Ground Isolation Valve Installation	160,000		160,000		(160,000)		-
339	DHS - ASH Anti-Ligature Renovations	695,000		695,000		(695,000)		-
340	DJC - Adobe Mountain School Door and Lock Replacements	303,000		303,000		(303,000)		-
341	DJC - Fire Line Booster Pumps Replacement	536,600		536,600		(536,600)		-
342	DJC - Adobe Mountain School Kitchen Air Unit	641,000		641,000		(641,000)		-
343	Parks - Tonto Natural Bridge State Park Land Shift & Monitoring	-		-		-	200,000	200,000
344	Pioneers' Home - Replace All Windows/Doors	1,515,000		1,515,000		(1,515,000)		-
345	ADOT - Grand Canyon Airport Terminal Renovation - State Match	850,300		850,300		(850,300)		-
346	ADOT - Maint. Offices (Little Antelope/Gray Mountain) (SHF)	6,861,000		6,861,000		(6,861,000)		-
347	ADOT - Avondale Vehicle Repair Shop Improvements (SHF)	6,951,000		6,951,000		(6,951,000)		-
348	ADOT - Phoenix Traffic Signal & Lighting Warehouse Design (SHF)	-		-		-	611,000	611,000
349	ADOT - Replace 3 Statewide Vehicle Fueling Facilities (SHF)	-		-		-	4,944,000	4,944,000
350	ADOT - Replace Kingman Materials Lab (SHF)	-		-		-	5,038,000	5,038,000
351	**State Highway Fund and Aviation Fund Adjustments**							
352	ADOT - Airport Planning	44,340,700		44,340,700		(15,291,800)		29,048,900
353	ADOT - Debt Service	118,773,000		118,773,000		405,000		119,178,000
354	ADOT - Controlled Access	141,314,000		141,314,000		795,000		142,109,000
355	ADOT - Statewide Highway Construction	198,683,000		198,683,000		(27,307,000)		171,376,000
356	**TOTAL - CAPITAL SPENDING CHANGES**	**593,622,400**	**-**	**593,622,400**		**(83,690,200)**	**29,476,000**	**539,408,200**
357	**TOTAL - OPERATING & CAPITAL SPENDING**	**5,656,713,000**	**7,599,200**	**5,664,312,200**		**(301,741,200)**	**180,010,600**	**5,542,581,600**

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DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

		FY 2026 OF JLBC Baseline	FY 2026 Changes	FY 2026 OF Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 OF Enacted Budget
358	**FUND TRANSFERS**							
359	APF/DOA - Automation Projects Fund - All for IT Projects							
360	APF/DOA - ADOA State Personnel System Replacement (IT Fund)	5,941,700		5,941,700		(5,941,700)		-
361	APF/DOA - ADOA A to Z Single Access to State Services (Web Portal Fund)	3,370,000		3,370,000		(3,370,000)		-
362	APF/DOA - ADOA Move State Agencies to State Web Portal (IT Fund)	1,750,000		1,750,000		(1,750,000)		-
363	APF/DOA - ADOA State Web Portal Software and Security (Web Portal Fund)	375,000		375,000		(375,000)		-
364	APF/DOA - Business One-Stop (IT Fund)	1,700,000		1,700,000		(1,700,000)		-
365	APF/DOA - DOR Integrated Tax System (IT Fund)	-		-		7,218,400	(5,755,700)	1,462,700
366	APF/DOA - Medical Board (Medical Board Fund)	-		-			150,000	150,000
367	APF/DOA - DOR Mainframe Migration (Admin Fund)	-		-			1,425,000	1,425,000
368	Other Fund Transfers							
369	OTH - ROC Recovery Fund to ROC Operating Fund	2,700,000		2,700,000		(2,700,000)		-
370	OTH - Peace Office Training Equip. Fund to School Safety Interop. Fund	2,000,000		2,000,000		(2,000,000)		-
371	**TOTAL - FUND TRANSFERS**	**17,836,700**	-	**17,836,700**		**(10,618,300)**	**(4,180,700)**	**3,037,700**

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DETAILED LIST OF EXPENDITURE AUTHORITY CHANGES BY AGENCY

		FY 2026 EA JLBC Baseline	FY 2026 Changes	FY 2026 EA Revised		FY 27 Baseline Above FY 26	FY 2027 Changes	FY 2027 EA Enacted Budget
372	**EXPENDITURE AUTHORITY CHANGES**							
373	**AXS - AHCCCS**	19,423,891,500		19,895,633,300				19,483,976,400
374	AXS - Formula Adjustments					298,580,000	(222,322,900)	
375	AXS - One-Time Removals					(72,805,700)		
376	AXS - One-Time CHP Reconciliation Payment					15,285,900		
377	AXS - Remove Hospital Assessment Fund Shift					(100,000,000)		
378	AXS - MES System Development & Maintenance						82,700,000	
379	AXS - Urban Traditional Healing						1,179,000	
380	AXS - H.R. 1 Eligibility - Non-Lapsing (75 FTEs)						41,300,000	
381	AXS - Office of the Inspector General (7 FTEs)						365,000	
382	AXS - Critical Access Rural Hospitals						7,581,700	
383	AXS - AXS - Enhanced Residential Treatment						5,072,400	
384	AXS - Statewide Adjustments						3,149,500	
385	AXS - Formula Supplemental		471,741,800			(471,741,800)		
386	**DCS - Department of Child Safety**	645,932,900		645,932,900				655,230,300
387	DCS - Formula Adjustments					15,047,100		
388	DCS - One-Time Removals					(8,849,300)		
389	DCS - Child Safety Information System						6,149,300	
390	DCS - Extended Foster Care Success Coaches						2,545,900	
391	DCS - Extended Foster Care						1,055,100	
392	DCS - Federal Match Rate Adjustment						(1,867,100)	
393	DCS - Statewide Adjustments						(4,783,600)	
394	**DES - Department of Economic Security**	4,629,258,500		4,845,563,200				5,220,020,500
395	DES - Formula Adjustments					661,112,300	(75,190,000)	
396	DES - Statewide Adjustments						4,839,700	
397	DES - Formula Supplemental		216,304,700			(216,304,700)		
398	**ADE - Arizona Department of Education**	1,345,678,600		1,345,678,600				1,370,260,300
399	ADE - Classroom Site Fund Recalculation						24,581,700	
400	**TOTAL - EXPENDITURE AUTHORITY CHANGES**	**26,044,761,500**	**688,046,500**	**26,732,808,000**		**120,323,800**	**(123,644,300)**	**26,729,487,500**

* Any "Remove" references indicate that one-time FY 2026 funding is not continued in FY 2027. The original FY 2026 funding remains available.

GENERAL FUND SPENDING BY BUDGET UNITS - ONGOING FUNDING 1/

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
EXPENDITURES				
Operating Budget				
-- Department of Administration	$19,345,400	$19,730,500	$19,730,500	$19,730,500
-- ADOA - School Facilities Division	28,170,500	28,170,500	25,715,900	18,232,400
-- Office of Administrative Hearings	925,100	925,000	925,000	925,000
-- Arizona Department of Agriculture	15,271,300	15,110,100	15,110,100	15,110,100
-- AHCCCS	2,705,237,300	2,896,826,000	3,028,361,200	3,151,004,000
-- Attorney General	26,106,500	26,227,300	26,227,300	26,227,300
-- State Board for Charter Schools	2,697,700	2,697,800	2,697,800	2,697,800
-- Department of Child Safety	440,512,900	443,255,700	443,255,700	443,255,700
-- Commerce Authority	13,050,000	13,050,000	13,050,000	13,050,000
-- Community Colleges	102,651,900	108,737,500	110,782,200	112,681,400
-- Corporation Commission	739,600			
-- Department of Corrections	1,431,814,400	1,543,486,600	1,597,770,100	1,597,770,100
-- Arizona Criminal Justice Commission	4,600,000	6,850,000	6,850,000	6,850,000
-- Schools for the Deaf and the Blind	24,066,800	24,004,500	24,004,500	24,004,500
-- Office of Economic Opportunity	495,400	498,100	498,100	498,100
-- Department of Economic Security	1,754,346,100	2,041,553,600	2,199,427,900	2,369,724,100
-- State Board of Education	3,317,200	3,316,800	3,316,800	3,316,800
-- Department of Education	8,202,861,100	8,388,562,900	8,689,540,500	9,025,527,700
-- Dept. of Emergency & Military Affairs	15,379,000	15,468,100	15,468,100	15,468,100
-- Department of Environmental Quality	15,000,000	15,000,000	15,000,000	15,000,000
-- State Board of Equalization	711,800	711,400	711,400	711,400
-- Board of Executive Clemency	1,457,300	1,607,800	1,607,800	1,607,800
-- Dept. of Forestry and Fire Management	46,457,700	46,538,500	46,538,500	46,538,500
-- Department of Gaming	6,204,500	6,204,500	6,204,500	6,204,500
-- Office of the Governor	9,300,800	9,301,100	9,301,100	9,301,100
-- Gov's Ofc of Strategic Planning and Budgeting	2,766,000	2,765,700	2,765,700	2,765,700
-- Department of Health Services	114,352,300	114,434,100	114,434,100	114,434,100
-- Arizona Historical Society	2,849,700	2,857,100	2,857,100	2,857,100
-- Prescott Historical Society	943,800	964,500	964,500	964,500
-- Arizona Dept. of Homeland Security	10,000,000	10,000,000	10,000,000	10,000,000
-- Industrial Commission	84,500	84,500	84,500	84,500
-- Dept. of Insurance and Financial Institutions	5,989,800			
-- Judiciary	170,076,300	172,228,800	173,337,000	183,797,800
-- Department of Juvenile Corrections	29,311,300	30,104,100	30,104,100	36,828,100
-- State Land Department	11,594,800	11,416,800	11,416,800	11,416,800
-- Legislature				
Auditor General	25,822,200	25,819,100	25,819,100	25,819,100
House of Representatives	20,772,900	20,768,400	20,768,400	20,768,400
Joint Legislative Budget Committee	2,963,200	2,962,700	2,962,700	2,962,700
Legislative Council	9,058,700	9,058,600	9,058,600	9,058,600

GENERAL FUND SPENDING BY BUDGET UNITS - ONGOING FUNDING 1/

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
Ombudsman	1,540,300	1,540,100	1,540,100	1,540,100
Senate	17,439,500	17,418,500	17,418,500	17,418,500
SUBTOTAL - Legislature	$77,596,800	$77,567,400	$77,567,400	$77,567,400
-- State Mine Inspector	2,248,500	2,309,000	2,309,000	2,309,000
-- State Natural Resource Conservation Board	389,400	389,400	389,400	389,400
-- Navigable Stream Adjudication Commission	133,400	133,400	133,400	133,400
-- Department of Public Safety	290,644,200	301,066,300	300,785,000	300,785,000
-- Public Safety Personnel Retirement System	6,000,000	5,000,000	5,000,000	5,000,000
-- State Real Estate Department	3,003,700	3,141,600	3,141,600	3,141,600
-- Department of Revenue	57,240,900	57,211,400	57,211,400	57,211,400
-- Secretary of State	13,971,600	17,966,600	17,966,600	17,966,600
-- Tax Appeals, State Board of	305,600	305,400	305,400	305,400
-- Office of Tourism	8,202,700	8,202,300	8,202,300	8,202,300
-- State Treasurer	4,639,700	4,714,600	4,789,600	4,789,600
-- Governor's Office on Tribal Relations	64,500	64,500	64,500	64,500
-- Universities	850,931,800	851,562,800	852,187,900	852,813,300
-- Department of Veterans' Services	11,395,300	11,391,100	11,391,100	11,391,100
-- Department of Water Resources	23,990,700	23,996,700	23,996,700	23,996,700
-- Phoenix Convention Center Payment	26,497,400	26,997,100	27,495,100	27,998,700
-- Rio Nuevo District	19,000,000	19,000,000	19,000,000	19,000,000
-- FY 29 HITF Ongoing Base Funding				100,000,000
-- Unallocated FY 27 Budget Fleet Adjustment		117,900	117,900	117,900
-- Unallocated FY 27 Budget Retirement Adj.		(9,500)	(9,500)	(9,500)
-- Unallocated FY 26 Statewide AZ360 Adj.	(3,900)			
-- Unallocated FY 26 Statewide Retirement Adj.	(18,300)			
-- Unallocated FY 26 Salary Adjustments	63,100			
Total - Operating Budget	$16,614,985,900	$17,413,817,900	$18,060,103,600	$18,801,759,300
-- One-Time 2.5% Lump Sum Reduction		(23,838,700)		
-- Hospital Assessment Savings	(100,000,000)			
-- Capital Outlay	26,227,100	10,000,000		25,000,000
-- FY 26 One-Time Supplementals	200,779,000			
-- FY 26 One-Time Ex-Appropriations	(32,109,000)			
-- Prior Year Ex-Appropriations		(37,750,200)		
-- Transportation Funding	109,989,000	30,000,000	125,000,000	
-- One-Time Operating Spending	1,002,033,600	973,661,200	158,596,500	178,509,700
-- Administrative Adjustments	132,984,000	137,310,000	136,983,800	141,247,500
-- Revertments	(211,001,300)	(217,865,200)	(217,347,600)	(224,112,700)
Total Spending	$17,743,888,300	$18,285,335,000	$18,263,336,300	$18,922,403,800

1/ Individual agency spending amounts listed above exclude "One-Time Operating Spending" amounts. These amounts are accounted for in the "One-Time Operating Spending" line and are summarized in the Summary of One-Time General Fund Adjustments chart.

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
One- Time Operating Spending				
FY 2026 Previously Enacted One-Time Operating Spending 1/	243,425,900			
ADOA - Continue State FTE Professional Development/University Partnership		1,000,000		
ADOA - Globe/Miami Disaster Aid Funding		10,000,000		
ADOA - 9-1-1 Call Response Times		4,000,000		
APF - One-Time AHCCCS Mainframe Replacement		12,940,000		
APF - One-Time DOR Mainframe Migration Funding		1,425,000		
APF - One-Time Medical Board Website Modernization		150,000		
Agriculture - Continue Nuclear Emergency Management Funding		352,900		
AHCCCS - Continue Contracted Legal Costs for Sober Living Homes		1,375,000		
AHCCCS - Enhanced Residential Treatment		2,739,600	2,739,600	2,739,600
Attorney General - Continue Coordinated Re-Entry Programs		8,600,000		
ACA - Shift Advanced Air Mobility Funding from Treasurer		2,000,000		
ADC - Braille Transcription Program		300,000		
ACJC - Continue Law Enforcement Crime Victim Notification Fund Deposit		2,594,800		
ASDB - Transfer Early Childhood Listening/Spoken Language to DES		50,000		
DES - Backfill WIOA Funding for Reentry Support (31 FTEs)		1,500,000		
DES - Blind Adults Skills Training and Education		150,000		
DES - Transfer Early Childhood Listening/Spoken Language to AZEIP		150,000		
ADE - Continue Assessment Contract Increase		5,000,000		
ADE - Offset Formula Expenses with Unspent Land Trust Monies		7,963,500		
DEMA - Continue Nuclear Emergency Management Funding		2,408,500		
DEQ - Water Quality Feed Fund Deposit		9,500,000		
DEQ - Backfill Federal Air Quality Reductions		3,900,300		
DEQ - Expand Voluntary Vehicle Repair Eligibility		2,170,200		
DEQ - Geothermal Energy Research		1,500,000		
DEQ - Air Permit Portal		371,200		
DHS - Continue ASH Technology Improvements		946,600		
DHS - Radiation Protection Grants		1,500,000		
DHS - Alzheimer's Funding		700,000		
DHS - Continue Existing Cooling Centers for Heat Relief		400,000		
DHS - Enhanced Residential Treatment Licensing Costs		250,000		
Homeland Security - Continue Multi-factor Authentication		850,000		
Homeland Security - Cyber Ready Arizona		1,500,000		
Judiciary - Supreme Court - Electronic Monitoring System		1,300,000		
DJC - Adobe Mountain School Operating Shortfall		600,000		
Leg - Auditor General - State Employee Health Plan Contract Audit		500,000		
Nursing - New Complaint Prioritization Workload Increase		12,000		
Dispensing Opticians - RASL Payout and Onboarding		30,000		

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
Private Postsecondary - Record Digitization Project (FY26-30)		100,000	100,000	100,000
DPS - Move Border Patrol Fund Shift to Highway Patrol Fund		10,900,000		
DPS - 183 Replacement Vehicles (Incl. 47 Highway Patrol)		15,540,300		
DPS - Aircraft Maintenance for Airplanes and Helicopters		2,079,200		
DPS - Backfill AZPOST Training Academy Reimbursements		2,045,000		
DPS - Redaction Processing Workloads		131,800		
DPS - Civil Air Patrol Maintenance and Operations		106,000		
DPS - Wellness and Crisis Care Program		57,500		
SOS - Pay for FY27 County Share of AVID Costs with HAVA Monies		1,000,500		
Technical Registration - Renew E-Licensing Contract		77,000		
ADOT - Construction Management System Replacement (Phase 4)		6,844,600		
ADOT - State Fleet - Replace 284 Vehicles		6,361,300		
ADOT - Maintenance Management System Replacement (Phase 2)		4,570,600		
ADOT - Fueling Facilities Increased Utilization		4,200,000		
ADOT - Highway Maintenance - I-17 Flex Lane Operations/Maintenance		860,500		
ADOT - MVD Office Security Upgrades (Remaining 5 Offices)		563,100		
ADOT - Driver License and ID Card Production		386,100		
State Treasurer - Records Management Systems for Police & Sheriffs		4,079,300		
State Treasurer - Virtual Police Training Simulators for ADC, Police, and Sheriffs		1,746,000		
State Treasurer - Distribution to ACJC for Law Enforcement Recruitment/Tech Grants		1,000,000		
State Treasurer - Distribution to ADE for School Hardening Grants		300,000		
State Treasurer - Paradise Valley Law Enforcement Equipment		150,000		
Veterinary Board - Digitize Licensee Prior Record Digitization		16,800		
WIFA - Small Drinking Water Systems Fund Deposit		500,000		
DWR - Colorado River Litigation Fund Deposit		6,000,000		
Subtotal - One-Time Operating Spending	**243,425,900**	**160,345,200**	**2,839,600**	**2,839,600**
Capital Outlay				
Capital - FY 2026 Previously Enacted Capital Outlay 1/	594,072,400			
ADOA - Building Renewal		5,154,000		
State Fair - Building Renewal		3,905,900		
ADC - Building Renewal		15,652,200		
Game and Fish - Building Renewal		1,932,900		
Lottery - Building Renewal		100,000		
Parks - Building Renewal		3,552,200		
Pioneers' Home - Building Renewal		482,000		
ADOT - Building Renewal		24,574,100		
Game and Fish - Dam Maintenance		150,000		
Game and Fish - Hatchery Maintenance		400,000		

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2026 Enacted	FY 2027 Enacted	FY 2028 Estimate	FY 2029 Estimate
Game and Fish - Hatchery Renovations - Phase 3		11,000,000		
Parks - Tonto Natural Bridge State Park Land Shift and Monitoring		200,000		
ADOT - Airport Planning		29,048,900		
ADOT - Controlled Access		142,109,000		
ADOT - Debt Service		119,178,000		
ADOT - Statewide Highway Construction		171,376,000		
ADOT - Phoenix Traffic Signal & Lighting Warehouse Design		611,000		
ADOT - Replace 3 Statewide Vehicle Fueling Facilities		4,944,000		
ADOT - Replace Kingman Materials Lab		5,038,000		
Subtotal - Capital Outlay	**594,072,400**	**539,408,200**	-	-
FY 2026 One-Time Supplementals				
ADOA - Federal Repayment Supplemental	2,018,700			
ADOA - Named Claimants	21,500			
Behavioral Health Examiners - Operating Expenses Supplemental	150,000			
Industrial Commission - Named Claimants	3,500			
DPS - Operating Expenses Supplemental	4,750,000			
ADOT - Named Claimants	8,000			
Subtotal - FY 2026 One-Time Supplementals	**6,951,700**	-	-	-
Total - One-Time Spending	**844,450,000**	**699,753,400**	**2,839,600**	**2,839,600**

1/ See the *FY 2026 Appropriations Report* for more detail.

The Crosswalk of FY 2027 General Appropriation Act to Appropriations Report Totals for General Fund and Other Fund Pages 461 through 469 of the *FY 2027 Appropriations Report* are only available online.

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BUDGET RECONCILIATION BILLS
AND MAJOR FOOTNOTE CHANGES

FY 2027 BUDGET RECONCILIATION BILLS (BRBs) AND MAJOR FOOTNOTE CHANGES *

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*Chapter numbers refer to Laws 2026, 2nd Regular Session.

FY 2027 BUDGET RECONCILIATION BILL PROVISIONS

AMUSEMENTS - Chapter 127 (HB 4155)

Department of Gaming

1.	As session law, continues to set the Regulatory Wagering Assessment at 0.5% in FY 2027 only.	AMUS 8
2.	As session law, the Department of Gaming may continue to allow a first-time starter horse to race in 2026 and 2027 as long as the horse has gate approval and at least 2 timed workouts. One of the timed workouts shall be an out-of-the-gate workout that is conducted within 60 days of the race. (For reference, "gate approval" means a demonstration to confirm a racehorse has been trained on how to safely enter and exit the starting gate prior to racing at a commercial racetrack.)	AMUS 9
3.	As permanent law, combines the Fantasy Sports Contest Fund into the Event Wagering Fund and moves the Unarmed Combat subaccount into the Event Wagering Fund. Allows the department to transfer monies from the Event Wagering Fund into the Unarmed Combat subaccount. Allows Event Wagering Fund to be used on problem gambling and adds up to $500,000 for grantmaking authority.	AMUS 2,3,4,5,6,7

Department of Liquor Licenses and Control

4.	As permanent law, amends A.R.S. § 4-120(c) to require that monies in excess of $700,000 be transferred from the Liquor Licenses Fund to the General Fund by December 31 of each fiscal year.	AMUS 1

STATE BUDGET IMPLEMENTATION - Chapter 138 (HB 4166)

Statewide

5.	As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	BI 2
6.	As session law, continues to notwithstand the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund (BSF) through FY 2029. Also, notwithstands the 10% BSF cap for FY 2027.	BI 3
7.	As permanent law, grants ADOA the ability to delegate authority or specific information technology functions to any budget unit and the authority to enter into agreements with any state agency or political subdivision of this state to furnish IT services. Additionally, requires ADOA to adopt certain software and data sharing practices and develop a statewide IT strategic plan.	BI 1

COMMERCE - Chapter 129 (HB 4157)

Arizona Commerce Authority

8.	As session law, extend the current $1.75 million yearly distribution from the State Lottery Fund to the Arizona Commerce Authority through FY 2029. In FY 2030, the distribution will increase to its pre-FY 2025 level of $3.5 million.	COMM 1,2
9.	As permanent law, moves the administration of the Advanced Air Mobility Fund from the Treasurer to the Arizona Commerce Authority (ACA) and amends the fund purpose to allow for the Office of Defense Innovation within ACA to enter into a contract with an entity to advance the	COMM 4,7

state's defense, aerospace, dual use and national security innovation ecosystem. Requires a report on or before September 1, 2029 to the Governor, President of the Senate, and Speaker of the House with a summary on the activities and accomplishments of the Office of Defense Innovation. Removes requirement of JCCR review of expenditure plan prior to expending monies from the Advanced Air Mobility Fund.

10. As permanent law, extend the Arizona Competes Fund through the end of fiscal year 2028. COMM 6,11

Registrar of Contractors

11. As permanent law, amending A.R.S. 32-1334 to increase the Residential Contractors' Recovery Fund administrative expenditure cap from 14% to 20% of prior year deposits. COMM 5

Corporation Commission

12. As permanent law, adds "safety" to the allowable uses of the Securities Regulatory and Enforcement Fund. COMM 10

Office of Economic Opportunity

13. As permanent law, amend A.R.S. § 41-2257 to increase the population threshold for a city or town to one hundred fifty thousand persons and increase the population threshold for a county to five hundred thousand persons. COMM 8

Department of Insurance and Financial Institutions

14. As permanent law, allow the department to annually assess and collect from all insurers (domestic and foreign) at the current statutory fee schedule with the intent to pay for the department's operating expenses plus $2.0 million in additional resources. Further makes the Financial Surveillance Fund an appropriated fund. COMM 3

Office of Tourism

15. As permanent law, allow gifts, grants, and donations to be deposited into the Tourism Fund. COMM 9

CRIMINAL JUSTICE - Chapter 130 (HB 4158)

Arizona Department of Administration

16. As permanent law, amends A.R.S 41-710.03 to specify that the state shall not use monies from any source other than the Erroneous Convictions Fund to pay erroneous convictions compensation claims. Specifies that the state is not liable to pay any amount for erroneous convictions claims in excess of the available monies in the Erroneous Convictions Fund. Applies this change retroactive to December 31, 2025. CJ 7,16

Attorney General

17. As permanent law, continues the Civil Rights Division within the Attorney General's Office and terminates the Civil Rights Advisory Board. The Civil Rights Division previously had a repeal date of January 1, 2027. CJ 8,9,10,14

Arizona Department of Corrections

18. As permanent law, amend A.R.S. § 31-281 and A.R.S. § 31-285 to combine the reporting requirements on the transition program. ADC currently reports separately on both the cost reductions associated with the transition program as well as details on the program participation. — CJ 4,5,6
19. As permanent law, amend A.R.S. § 41-1641 by increasing the amount transferred from the Corrections Fund to the DOC Building Renewal Fund from $2.5 million to $12.5 million. — CJ 11

Arizona Criminal Justice Commission

20. As permanent law, renames the Peace Officer Training Equipment Fund to the Law Enforcement Equipment Fund. Changes the administration of the fund from the State Treasurer to the Arizona Criminal Justice Commission (ACJC) and allows ACJC to use the fund for administrative costs. — CJ 1,2,12,13

Judiciary

21. As permanent law, requires the Administrative Office of the Courts to submit an annual report to the Governor, Speaker of House, President of the Senate, JLBC, OSPB, and Secretary of State by December 1 on the enforcement and collection of restitution, fines, fees, surcharges, and assessments under A.R.S. § 13-810, including detail on amounts ordered and collected, collection rates, and instances in which a person was incarcerated due to nonpayment. — CJ 3

Department of Public Safety

22. As permanent law, delay the full implementation of the Major Incident Division to FY 2029. — CJ 15

ENVIRONMENT - Chapter 131 (HB 4159)

Department of Environmental Quality

23. As session law, continues to allow the department to utilize up to $6,531,000 from the Underground Storage Tank Fund in FY 2027 for department administrative expenses and for sewage remediation. — ENV 5
24. As session law, maintain emission inspection fees in FY 2027 for Area A at the June 30, 2025, Area A fee level. Area A refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties. — ENV 8
25. As session law, continue 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. — ENV 9

Arizona Navigable Stream Adjudication Commission

26. As session law, continues to allow use of the Water Banking Fund for the commission's legal obligations. — ENV 6

Department of Water Resources

27. 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 2027. — ENV 7
28. As session law, extend the March 31, 2027 repeal of the Arizona System Conservation Fund to March 31, 2031. — ENV 3

29. As permanent law, for the Pinal County Active Management Area (AMA), extends from January 1, 2027 to December 31, 2030, the following: 1) The moratorium on levying and collecting annual groundwater withdrawal fee for Arizona water banking purposes; 2) the $2.50 per acre-foot per year cap on the annual groundwater withdrawal fee for groundwater and efficiency projects in the Pinal AMA. ENV 1

30. As permanent law, monies collected for groundwater withdrawal fees from Pinal County for groundwater and irrigation efficiency projects in the Pinal AMA are deposited into the Temporary Groundwater and Irrigation Efficiency Projects Fund. Delays by 5 years, from 2027 to 2032, the year in which any unencumbered monies in the Fund must be proportionally distributed to the Fund's contributors. ENV 2

31. As session law, extends the repeal of the Temporary Groundwater and Irrigation Efficiency Projects Fund from March 31, 2028 to March 31, 2033. ENV 4

HEALTH CARE - Chapter 132 (HB 4160)

Arizona Department of Administration

32. As permanent law, establishes the Health Insurance Trust Fund (HITF) Oversight Board to approve changes to the state employee medical and dental insurance plans beginning in PY 2028. Establishes the following provisions governing the Board: HLTH 4,5
    - The Board consists of 5 voting members:
        - The ADOA Benefits Division Assistant Director, Chair of the Board.
        - The ADOA Director or their designee.
        - The Department of Insurance and Financial Institutions Director or their designee.
        - One member appointed by the Speaker of the House of Representatives.
        - One member appointed by the President of the Senate.
    - None of the 5 members may be sitting elected officials, and the 2 members appointed by the Speaker/President must have at least 3 years of experience in the health care industry in Arizona and may not be a registered lobbyist.
    - The Board is required to meet at least twice per year and must vote to approve changes proposed by ADOA staff for any of the following:
        - Benefits.
        - Premiums.
        - Cost sharing (e.g. deductibles, copays, coinsurance, and out-of-pocket maximums).
        - Request for Proposals (RFP) contracts greater than $3 million.
    - The Board is required to design policies that seek to achieve the following by PY 2035:
        - An 85% employer/15% employee medical premium cost share.
        - A consistent HITF reserve balance that is 2× the health plan's "Incurred But Not Reported" (IBNR) costs.
        - Optimal retiree cross-subsidization.

33. As permanent law, require that the HITF Oversight Board develop requirements for the sharing of state employee health plan anonymized and aggregated claims and trend data with participating employers. HLTH 3

AHCCCS

Rates and Services

34. As session law, continues 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. HLTH 18

35. As session law, requires AHCCCS to report by January 31, 2027, on aggregate spending and aggregate utilization of mental health medications, including antipsychotics and antidepressants, during the contract year ending on September 30, 2025. HLTH 14

36. As session law, conditional on federal approval, establishes a 3-year pilot program in FY 2027 through FY 2029 for AHCCCS to cover traditional healing services when delivered at an Urban Indian Organization facility. HLTH 9

37. As session law, exempts AHCCCS from rulemaking requirements for policy changes related to service frequency or hour limitations in FY 2027. Requires that the agency provide an opportunity for public comment at least 30 days before implementing the changes. HLTH 19

Counties

38. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations. HLTH 15

39. As session law, sets the FY 2027 County Acute Care contribution at $42,447,600. HLTH 13

40. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2027, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act. HLTH 12

41. As session law, sets the FY 2027 county Arizona Long Term Care System (ALTCS) contributions at $445,813,900. HLTH 10

Hospitals

42. As session law, continues to establish FY 2027 disproportionate share (DSH) distributions to the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. HLTH 11

43. As session law, continues to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions. HLTH 11

44. As session law, continues to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2027 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. HLTH 11

45. As session law, exempts AHCCCS from rulemaking requirements for implementing the hospital assessment in FY 2027 and makes the rulemaking exemption retroactive to July 1, 2026. HLTH 20

Available Funding

46. As session law, continues to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation. HLTH 21

HR 1 Implementation

47. As session law, makes the following changes in AHCCCS enrollment verification and presumptive eligibility in FY 2027: HLTH 6,7

- Requires AHCCCS to comply with federal Medicaid law and regulations on member eligibility redeterminations, which include a new requirement that states must renew the eligibility of Medicaid expansion adults at least every 6 months beginning January 1, 2027.
- Requires AHCCCS to do the following when determining member eligibility:
    - Review Department of Health Services death records.
    - Review federal data on out-of-state enrollment in Medicaid, TANF, and SNAP, as well as out-of-state vital death records, to identify potential changes in residency.
    - Review Department of Economic Security information on changes to unemployment benefits, employment status, or wages.
    - Review Arizona Lottery Commission and Department of Gaming information to identify substantial lottery or gambling winnings, including online gambling winnings.

- Prohibits the use of self-attestation in verifying residency.
- Prohibits the agency from accepting eligibility determinations made under the federal health insurance exchange without independent agency verification.
- Regarding the hospital presumptive eligibility program:
    - Limits the program to children and pregnant women.
    - Establishes standards for hospitals when making presumptive eligibility determinations.

48. As permanent law, establishes the Arizona Rural Health Transformation (RHT) Fund as a non-appropriated fund under AHCCCS for federal RHT grants. Requires AHCCCS to hold 3 public meetings and provide a report to the JLBC detailing its expenditure plan for federal RHT grants before the Executive branch may spend any of the monies from the fund. HLTH 2

Attorney General

49. As session law, if a local jurisdiction exceeds its expenditure limit in FY 2027 due to spending monies from the One Arizona opioid settlement agreement, the "exceedance" penalty shall be reduced by the amount of the One Arizona distribution. HLTH 17
50. As permanent law, prevent a local government from spending opioid claims-related monies on safer smoking equipment. HLTH 1,22

Department of Health Services

51. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations. HLTH 16
52. As session law, continues the Dementia Services Program within DHS in FY 2027 and continues to require the Department to develop an Alzheimer's Disease State Plan. Requires DHS to review and submit an updated state plan to the Legislature on or before June 30, 2027. HLTH 8

HIGHER EDUCATION - Chapter 133 (HB 4161)

Arizona Community Colleges

53. 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 2027 for only Maricopa and Pima Counties. HEd 5
54. 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 2027 for all community college districts. HEd 4

Universities

55. 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). HEd 3
56. As permanent law, increase the Veterinary Loan Assistance Program maximum from $100,000 to $200,000 and require ABOR to distribute funds to veterinarians in proportional distributions to the total assistance amount after each year of the 4 year service requirement. HEd 2
57. As permanent law, amend A.R.S. § 15-1626 to limit the Board of Regents authority to retain University monies to supplement the Board's operating budget to no more than $5 million annually. HEd 1

HUMAN SERVICES - Chapter 134 (HB 4162)

Arizona Schools for the Deaf and Blind

58. As session law, requires ASDB, on or before November 1, 2026, to transfer existing contracts for supplemental early childhood listening and spoken language services to DES. Further requires the agency to transfer the remaining balance of the FY 2027 appropriation for supplemental early childhood listening and spoken language services to DES. Adds succession language transferring authority, powers, responsibilities, duties, and contracts related to the speech and audition services from ASDB to DES. HS 17,18

Department of Economic Security

59. As session law, establishes the Supplemental Nutrition Assistance Program (SNAP) Fund as a non-appropriated fund used to house the federal share of the administrative costs of SNAP. HS 10

60. As session law, continues to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs. HS 15

61. As session law, requires DES to make the following changes regarding SNAP eligibility verification procedures: HS 12,14

- To determine or evaluate SNAP eligibility:
  - Review DES' own information, information from the Lottery Commission and Department of Gaming to identify lottery or gambling winnings under the federal substantial winnings definition.
  - Review information from the Department of Health Services (DHS) that identifies individuals who have had a change in circumstances.
  - Review DES' own information as the state wage information collection agency and the agency that administers unemployment insurance benefits.
  - Review information from the Department of Corrections (ADC) that identifies individuals who have had a change in circumstances that affect SNAP eligibility.
  - Review information from federal sources including information on earned income, death master file, supplemental security income, beneficiary records, earnings and pension, child support enforcement data, and national fleeing felons.
- Requires DES to review a SNAP case if the Department receives reliable information that indicates a recipient's change in circumstances.
- Prohibits DES from relying solely on self-attestation to confirm residency for SNAP eligibility except in unusual circumstances.
- Requires DES to publicly post the number of SNAP cases investigated for intentional program violations or fraud, the number of SNAP cases referred to the Attorney General's office, the amount of improper payments or expenditures, the amount of monies recovered, the amount of monies spent for improper payments as a percentage of cases that were investigated and reviewed, the amount of monies spent by EBT card that occurred outside of the state.

62. As session law, requires DES to submit a report detailing the Department's efforts to improve the quality and timeliness of SNAP eligibility determinations, including specific goals for, actions taken and barriers faced during the reporting period by June 30, 2027. HS 13

63. As session law, requires DES to submit a report on the anticipated SNAP error rate within 30 days of submission of the final month of quality control reviews to the US Department of Agriculture Food and Nutrition Service for FY 2026 and a monthly report on the number of SNAP cases, number of program participants and total benefits paid to persons who are categorically eligible for SNAP. HS 11

64. As permanent law, beginning July 1, 2027, requires the department to contract with listening and spoken language providers in the state that provide speech and audition services to early intervention programs to infant and toddler children who are deaf or hard of hearing. Further requires the department to refer all eligible families with infants and toddlers who are deaf or hard of hearing to both contracted listening and spoken language providers and ASDB. HS 6

65. As permanent law, modifies the Out-of-School Grant program within DES to state that the program shall target out-of-school time care for school aged children who are at least 5 years old and eligible for or enrolled in Kindergarten and not older than 18. Removes requirement to reduce cost of out-of-school time care by at least two-thirds. HS 5

66. As session law, allow the out-of-school time grant monies for rural communities to be spent for capital purposes in a public building if a school district partners with a nonprofit organization with a history of offering out-of-school time services to eligible pupils. HS 16

Department of Housing

67. As permanent law, revises the existing order of priority for Housing Trust Fund awards that occur during the first 4 months of each fiscal year. Adds a new first priority of "state matching of monies for various federally funded housing programs". Under current law, the priorities are: 1) emergency shelter facilities, 2) transitional housing units, and 3) shelter for individuals with a serious mental illness. HS 7

68. As permanent law, increase the maximum payment amount from the Mobile Home Relocation Fund by $10,000 to $22,500 for single section mobile homes and by $10,000 to $30,000 for multi-section mobile homes. Allow tenants to move anywhere within the state. HS 1,2,3

Department of Veterans' Services

69. As session law, extends the lapsing date of the Military Family Relief Fund by five years, to December 31, 2031. Extends the tax credit from private donations to the fund until December 31, 2031. HS 4,8,9

K-12 EDUCATION - Chapter 135 (HB 4163)

Arizona Schools for the Deaf and Blind

70. As permanent law, establish the appropriated Property Proceeds Fund consisting of proceeds from the sale or lease of school buildings or grounds owned by ASDB. Excludes proceeds from leases of property to other schools and leases of property for less than one year. Authorizes the State Treasurer to invest and divest monies in the fund on notice of ASDB and credit any monies earned to the fund. Specifies that in any fiscal year in which the legislature appropriates monies from the fund, ASDB shall prepare and submit an expenditure plan to the Joint Legislative Budget Committee for review. K12 4

71. As permanent law, requires that, prior to the sale of buildings or grounds, ASDB shall order two independent appraisals of the property and submit a proposal to sell the school buildings or grounds to the Joint Committee on Capital Review for review. Requires the sale of ASDB property to adhere to the requirements of A.R.S. 37-803, which governs the disposal of real property for state agencies. K12 4

Department of Education

Formula Requirements

72. 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. K12 1, 2, 3

73. 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 2027. K12 5

Other

74. 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. K12 9

75. As session law, continue to notwithstand A.R.S. 15-241 to allow ADE to expend monies in FY 2027 from the Failing Schools Tutoring Fund for school improvement. Require ADE to report on proposed expenditures from the fund to the Governor, Speaker of the House, President of the Senate, JLBC and OSPB by September 1, 2026. K12 6

76. As session law, establish the child sexual abuse and assault awareness and prevention pilot program within ADE. Require ADE to select six public schools that have applied to participate in the pilot program in FY 2028. Participating schools shall develop a child sexual abuse and assault response policy and provide instructional modules and resources to teachers and parents of students regarding the identification and prevention of child sexual abuse and assault. Require ADE to contract with an organization subject to certain requirements to provide the instructional resources, including the provision of printed materials to parents upon request, and requires each participating school to publish a report by October 1, 2028 on the outcomes of the pilot program. K12 7

77. As session law, require ADE to recalculate state aid paid to Alhambra Elementary School District in FY 2025 as a result of a change in the district's assessed valuation, and to increase FY 2027 state aid paid to Alhambra Elementary School District by $852,200. K12 8

LOCAL GOVERNMENT - Chapter 136 (HB 4164)

Counties and Cities & Towns

78. 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 2027, up to $1,250,000 of county revenue for each county. The bill continues 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, 2026. LG 1

STATE PROPERTIES; MANAGEMENT - Chapter 139 (HB 4167)

Statewide

79. As session law, continues to set the FY 2027 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. SPM 1

Arizona Department of Administration

80. As session law, requires the department to report sales of state property within the Capitol Mall to the Speaker of the House, President of the Senate, and JLBC within 10 days of the final transaction. The report shall include the address, square footage and final sales price of the property. SPM 2

Legislative Council

81. As session law, allows Legislative Council to place a plaque in the governmental mall that recognizes the service of the Arizona America 250 Commission. Prohibits public monies and state sponsored fund raising for costs of the plaque. Includes a repeal date of September 30, 2029. SPM 3

REVENUE - Chapter 137 (HB 4165)

Department of Revenue

82. As session law, continues to stipulate legislative intent regarding the amounts to be charged to all counties, cities, towns, Council of Governments and regional transportation authorities with a population greater than 800,000 for the DOR Integrated Tax System project. The charges shall not exceed $1,273,800 for FY 2027. Each local government type 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. REV 4

83. As permanent law, extend the end date of the IT charge for the new tax modernization system from FY 2028 to FY 2030 since the charge was suspended for FY 2026 and reduced in FY 2027. REV 1,3

84. As permanent law, clarifies that the IT charge continue to be levied against the reauthorized Maricopa County Road Tax which went into effect on January 1, 2026. REV 2

85. As session law, continues to stipulate legislative intent regarding the amounts to be charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax for the Integrated Tax System Project. The charges shall not exceed $34,400 and $154,500, respectively, in FY 2027. REV 4

TAX OMNIBUS - Chapter 140 (HB 4168)

Department of Economic Security

86. As session law, establishes the non-appropriated Unemployment Insurance Operating Fund for the administrative costs of the unemployment insurance (UI) program. Requires that experienced-rated employers pay a fee equal to 3.15% of their UI tax liability each quarter to the department in Calendar Year 2027. Of these fee collections, the first $8.0 million is deposited into the Unemployment Insurance Operating Fund, and any monies in excess of $8.0 million are deposited into the UI Benefits Fund. Requires the department to hold employers harmless by reducing each employer's UI tax liability by (3.15)% each quarter. Includes a repeal date of December 31, 2027. TAX 33

Department of Revenue

87. As permanent law, conforms Arizona state statute to the Internal Revenue Code retroactively to Tax Year (TY) 2025 to reflect the federal tax changes enacted in H.R. 1, including: TAX 9,12,15,16,35
    - Increase of standard deduction to match federal amounts in TY 2025. Beginning in TY 2026, Arizona amounts are adjusted for inflation annually based on the same inflation index used to adjust the federal amounts.
    - Deduction of up to $25,000 for tips, beginning in TY 2025.
    - Deduction of up to $12,500/$25,000 for overtime compensation, beginning in TY 2025.
    - Deduction of up to $6,000 for taxpayers aged 65 and older (seniors), beginning in TY 2025.
    - Deduction of up to $10,000 for new auto loan interest for TY 2025 only.
    - Deduction of up to $1,000/$2,000 for charitable contributions by non-itemizing taxpayers, beginning in TY 2026.

88.	As permanent law, beginning in TY 2026, excludes the following provisions that are included in H.R. 1: • Deduction of up to $10,000 for new auto loan interest. • Increase of the cap for the state and local tax (SALT) deduction from $10,000 to $40,000. • 100% special depreciation allowance (full first-year expensing) for nonresidential real property used for "qualified production activity," which includes manufacturing, agricultural and chemical production, as well as refining.	TAX 14,15,17,22,35
89.	As permanent law, beginning in TY 2026, adds the following policies beyond those included in H.R. 1: • Increase of the current dependent tax credit from $100 to $125 for dependents under 17 years old. • Create a deduction for child and dependent care expenses in excess of the tax filer's federal Child and Dependent Care Credit.	TAX 15,18
90.	As permanent law, repeals retroactively to TY 2026, the corporate income tax credit for Pollution Control Equipment under A.R.S. §43-1170. Credit is equal to 10% of the cost of equipment used to control or prevent pollution, up to a maximum of $500,000.	TAX 13,27,34,36
91.	As permanent law, repeals retroactively to TY 2026, the individual, corporate, and insurance premium tax credit for New Employment under A.R.S. §41-1525 / §43-1074 / §43-1161 / §20-224.03. Credit is equal to $3,000 per net new job added by an employer claimed over 3 years for a cumulative total of up to $9,000.	TAX 3,8,19,24,34,36
92.	As permanent law, repeals retroactively to TY 2026, the individual and corporate refundable Research and Development (R&D) credit under A.R.S. §41-1507 / §43-1074.01C / §43-1168C.	TAX 8,20,26,34,35,36
93.	As permanent law, states that, after the payment of operating expenses and debt service, at least 80% of the Rio Nuevo District state sales tax diversion program funding must be expended on Transaction Privilege Tax (TPT) generating projects.	TAX 29
94.	As permanent law, cap the aggregate dollar level of the Corporate Low-Income Student Tuition Tax Credit at $110 million annually, beginning in FY 2027.	TAX 28
95.	As permanent law, increase cap on public infrastructure improvement spending by $50 million for 3 years (which would increase the program's cumulative cap from $200 million to $350 million). This existing program reimburses cities and counties for their cost of public infrastructure improvements associated with manufacturing facilities. The bill also includes the following changes: • Reduces the percentage of local government infrastructure costs to be reimbursed from 80% to 75%. • Increases the minimum capital investment made by a manufacturing facility for a municipality or county to qualify for reimbursement. These will be $3 billion for counties with more than 800,000 residents and $100 million for counties with fewer residents. The current investment thresholds are $500 million and $50 million, respectively. • Requires the local government to provide at least 5% of the construction funding for infrastructure improvements. • Requires the local entity to provide DOR an analysis of the direct and indirect revenue impact to the state from any infrastructure improvements. • Requires DOR to post development and intergovernmental agreements with municipalities online. • Codifies a mechanism that allows DOR to continuously process and allocate claims through the end of the 3 years. • Provides requests for payments from local governments received by DOR between June 1, 2026 and the general effective date be processed and paid beginning on the general effective date. • Expands the definition of "public infrastructure" to include reclamation, recycling, treatment, and storage of wastewater. The current allowable activities are water production, wastewater production, deliver and disposal facilities and roads necessary to support the activities of the manufacturing facility being constructed. • Effective retroactive from July 1, 2026.	TAX 10,32,34,35,36

96. As session law, prohibits the Arizona Commerce Authority from accepting applications for any new computer data center certifications to qualify for TPT exemptions from July 1, 2026 through June 30, 2029 and further clarifies that no new data center can qualify for data center equipment TPT exemption during this period. TAX 31

97. As permanent law, expands the disabled veteran property tax exemption to allow the surviving spouse of a disabled veteran to continue to claim the exemption if the spouse moves to another property in which the surviving spouse and the deceased veteran did not reside. TAX 11,34

98. As permanent law, removes the income limits for disabled veterans and their surviving spouses to be eligible to receive either a partial or full property tax exemption on their primary residence, beginning in TY 2027. Does not modify existing calculation formula for the exemption. TAX 11,34

99. As session law, states that all Pinal County transportation excise tax monies that remain in an escrow account in the county or held by the department after the refunds have been processed must remain in these accounts until otherwise appropriated by the Legislature. Applies the section retroactively to April 10, 2026. TAX 30

TRANSPORTATION - Chapter 141 (HB 4169)

Department of Transportation

100. As permanent law, transfers $2.5 million annually from the Highway User Revenue Fund (HURF) into the State Match Advantage for Rural Transportation (SMART) Fund. Further repeals the $1.0 million annual transfer from HURF into the Economic Strength Projects Fund. Repeals the Economic Strength Project Fund in FY 2035. TR 1,2,3,4

FY 2027 GENERAL APPROPRIATIONS ACT PROVISIONS – CHAPTER 126 (SB 1847)/CAPITAL OUTLAY – CHAPTER 128 (HB 4156)

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

		Section
Department of Education		
1.	As session law, continue deferral of $800,727,700 of Basic State Aid payments for FY 2027 until FY 2028. Continue to exempt districts with less than 4,000 students from the deferral. Appropriate $800,727,700 in FY 2028 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2027.	124
2.	As session law, continue to require school districts to include in the FY 2027 revenue estimates that they use for computing their FY 2027 tax rates the rollover monies that they will receive for FY 2027 in July 2027.	124
Revenues		
3.	As session law, continue to specify revenue and expenditure estimates for FY 2026, FY 2027, FY 2028, and FY 2029.	134
4.	As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2026 ending balances by September 15, 2026. Require the Joint Legislative Budget Committee (JLBC) Staff to report to JLBC by October 15, 2026, as to whether FY 2027 revenues and ending balance are expected to change by more than $50,000,000 from budgeted projections.	134
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.	129
6.	As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2027 in all agencies and provide it to the Director by October 1, 2027. The Universities are exempt from the report but are required to report separately.	131
7.	As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2026, on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2026.	132
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.	133
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 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 2027.	128
General		
10.	As session law, continue to define "*" as designating an appropriation exempt from lapsing.	135

11.	As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.	136
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.	137

FY 2027 MAJOR FOOTNOTE CHANGES - CHAPTER 126 (SB 1847)

The budget includes the following additions, deletions or modifications of footnotes.

		Section
Acupuncture		
1.	Adds footnote to allow Board to use up to $50,000 of FY 2027 appropriation to address Central Services Bureau invoices.	4
Department of Administration		
2.	Adds footnote requiring ADOA to distribute $377,100 for county support for corrections officer employer contributions in FY 2027 and specifies the amounts of the total appropriation to be distributed to each county to fully cover the corrections officer retirement plan employer contribution rate increase as added in the FY 2026 budget.	5
3.	Adds footnote allocating monies appropriated from the Gila County Disaster Relief line item in FY 2027 to Globe, Miami and Gila County. Specifies that the full amount of these allocations shall be distributed by July 15, 2026.	5
4.	Adds footnote requiring ADOA to distribute the $7.0 million appropriated in the County Sheriffs Support line item to the sheriff's offices of the following counties by July 31, 2026:	5

1. Apache County $400,000
2. Cochise County $1,100,000
3. Coconino County $400,000
4. Gila County $600,000
5. Graham County $300,000
6. Greenlee County $100,000
7. La Paz County $400,000
8. Mohave County $300,000
9. Navajo County $600,000
10. Pinal County $600,000
11. Santa Cruz County $300,000
12. Yavapai County $1,200,000
13. Yuma County $700,000

5.	Adds footnote instructing ADOA to distribute the $3.0 million FY 2027 appropriation for the Food Bank Capital line item to a food bank meeting the specified qualifications.	5
6.	Adds footnote requiring ADE to transfer $2.0 million of the FY 2026 School Safety Program appropriation to the School Safety Interoperability Fund. Requires ADOA to distribute the $2.0 million to 9 specified counties to install and support school safety projects.	118

ADOA – Automation Projects Fund

7. Adds footnote making the FY 2024 appropriation from the Health and Human Services Information System subaccount non-lapsing through FY 2027. 7
8. Adds footnote making the FY 2025 AHCCCS Automation Projections Fund appropriation for AHCCCS' new IT system (Medicaid Enterprise System) non-lapsing through FY 2027. 7
9. Adds footnote extending the lapsing date of DPS' APF appropriation for a concealed weapons tracking system from FY 2026 to FY 2027. 7
10. Adds footnote exempting the FY 2025 appropriation of $19.5 million for the Department of Revenue's IT system modernization project from lapsing until June 30, 2027. 7

ADOA – School Facilities Division

11. Adds footnote allowing the use of the unencumbered balance of $27.3 million in the New School Facilities Fund for facilities and land costs for school districts that received final approval from the Division of School Facilities on or before December 15, 2025. 6
12. Adds footnote making the $750,000 FY 2027 appropriation for Building Renewal Grant Administration non-lapsing. 6

Agriculture

13. Modifies existing footnote to allow the department to utilize up to $250,000 from the Commercial Feed Trust Fund in FY 2027 for 2 FTE positions: 1 FTE for expenses associated with screwworm response if the border is open for live cattle imports (overseen by the state veterinarian), and 1 FTE for expenses related to foreign animal disease or pest, United States department of agriculture program disease, zoonotic disease, or other emerging animal disease responses. 9

AHCCCS

14. Adds footnote making the $51.5 million FY 2027 total funds appropriation for the H.R. 1 Implementation – Medicaid line item non-lapsing through FY 2028. 10
15. Adds footnote exempting $28.4 million of IT total funds related to H.R. 1 Implementation from ITAC review. 10
16. Adds footnote extending the FY 2025 Graduate Medical Education line item appropriation by 6 months, until December 31, 2026. 10
17. Adds footnote making the $7.8 million FY 2027 total funds appropriation for the Enhanced Residential Treatment Program line item non-lapsing. States it is the intent of the Legislature to continue to fund $7.8 million in FY 2028 and FY 2029, as part of a 3-year pilot program. 10

Attorney General

18. Adds footnote requiring the $17.0 million FY 2027 appropriation for Coordinated Reentry Planning Services Grants to be distributed as follows: $2.0 million to each of Coconino, Maricopa, Mohave, Navajo, Pima, Pinal, and Yavapai counties for existing coordinated reentry programs, $2.0 million to La Paz County for a new coordinated reentry program, and $1.0 million for a grant to establish a statewide coordinated reentry database. 13

Barbering and Cosmetology

19. Adds footnote requiring the board to use $235,000 of its operating lump sum appropriation to fill 3 FTE Positions, including 1 licensing specialist, 1 customer service representative, and 1 quality assurance specialist. 14

Department of Child Safety

20. Modifies existing footnote to allow DCS to transfer monies between out-of-home placement line items (Congregate Care, Extended Foster Care, Foster Home Placements, Foster Home Recruitment, Kinship Care, and Extended Foster Care Service Model Fund Deposit) without seeking JLBC review. 17

21. Adds footnote making the $43.8 million FY 2025 Expenditure Authority supplemental appropriation for the Comprehensive Health Plan Services line item non-lapsing through FY 2027. 17

Chiropractic Board

22. Adds footnote requiring the board to provide a report to the JLBC and OSPB by September 1, 2026, detailing the board's proposal to resolve the imbalance between ongoing revenues and ongoing spending. 18

Arizona Community Colleges

23. Adds footnote redirecting the $250,000 FY 2026 appropriation to Maricopa County Community College District for wrestling scholarships to the Arizona Department of Education for a grant to a single Arizona high school that offers instruction to grades 6-12 and incorporates wrestling into its mission. 111

Corporation Commission – APF Account

24. Adds footnote exempting the FY 2024 Corporation Commission Online Records and Filing System appropriation from lapsing, exempts the remaining monies from JLBC review, and allows the Commission to utilize the funding to pay expenses of the system including vendor contract extensions, licensing, maintenance and technical support. 7

Department of Corrections

25. Modifies existing footnotes to change reporting requirements and deadlines related to the correctional officer staffing report, inmate healthcare performance metric report, and second budget request. 23
26. Adds footnote exempting the department's appropriation for body worn cameras from ITAC review. 23
27. Moves Overtime and Compensatory Time line items to the Operating Budget and eliminates footnote requiring ADC to seek JLBC review before spending monies from the Overtime and Compensatory Time line item for non-personnel costs.
28. Modifies existing footnote requiring ADC to report to the JLBC by January 31 annually on inmate health care performance measures. 23
29. Moves Non-Contracted Medication line item to Jensen Injunction Compliance line item and eliminates related footnote requiring ADC to use the Non-Contract Medication line item appropriation to purchase medications to treat hep C and for medication assisted treatment for substance use disorders, and requiring JLBC review before expending monies for any other purpose.
30. Moves the Injunction-Related IT line item to the Jensen Injunction Compliance line item and eliminates related footnote specifying that the appropriation for the Injunction-Related IT Upgrades line item shall be used for IT improvements as required by *Jensen v. Thornell* litigation.
31. Eliminates footnote 1) specifying amounts appropriated for Personal Services and Employee Related Expenditures in the operating lump sum and 2) requiring ADC to submit an expenditure plan for JLBC review before expending the monies for any other purpose.
32. Eliminates footnote requiring JLBC review of the transfer of Personal Services and Employee Related Expenditures savings from the operating budget to the Private Prison Per Diem line item for private prison staff stipends.
33. Adds footnote that the operating budget includes funding to convert a one-time 4% stipend into a 4% annual salary increase for corrections officers in FY 2027. 23
34. Adds footnote awarding a correctional officer stipend to contracted private prisons in FY 2027. Requires the department to amend the private prison bed contract to increase the contracted rate in FY 2027. 23
35. Adds footnote stating that of the amount appropriated in the Jensen Injunction Compliance line item, $45.1 million shall be distributed to the contracted vendor contingent on a signed agreement that includes the following: 23
    1) Increases the healthcare staffing levels in accordance with ADC directives.
    2) Adopts quarterly reporting requirements from the healthcare vendor to ADC, OSPB, and JLBC that includes prior quarter staffing levels by position type and number of FTE positions and current progress towards outlined staffing goals.

3) Adopts a quarterly distribution schedule based on the healthcare vendor meeting implementation goals.
4) Adds automatic sanctioning and/or fines associated with failure to fill staffing vacancies consistent with the implementation goals.

36. Adds footnote exempting the FY 2026 Arizona Correctional Information System Upgrades appropriation from lapsing. 23
37. Adds footnote that allows the Department to use up to $10.9 million of its FY 2026 operating lump sum appropriation in FY 2027 for FY 2026 compensatory or holiday liability accruals. 23
38. Adds language to transfer funding in the original FY 2026 budget as follows: 1) $2,402,500 from the Private Prison Per Diem line item to the operating lump sum and 2) $9,479,500 from the Inmate Health Care Contracted Services line item to the operating lump sum. Both transfers are the result of unrealized personal services and employee related expenditure savings in the operating budget. 1
39. Adds footnote stating that ADC may prioritize inmates close to release when spending the $300,000 one-time appropriation for braille transcription programs. 23

Arizona Criminal Justice Commission

40. Adds footnote requiring ACJC to distribute the $600,000 appropriation for a major incident regional law enforcement task force in FY 2027 evenly to the sheriff's offices of the original 5 major incident division task forces located in Cochise County, Coconino County, Navajo County, Pinal County and Yuma County. 24

Arizona Schools for the Deaf and Blind

41. Adds footnote requiring ASDB to provide a report to the JLBC and OSPB by September 1, 2026, detailing the schools' operations and budgetary changes since FY 2026. 25
42. Adds footnote requiring ASDB to use monies in the Supplemental Early Childhood Services line item in FY 2027 to continue current contracts for supplemental early childhood services to eligible infants and toddlers and their families. 25

Department of Economic Security

43. Adds footnote making the FY 2027 Summer Food Benefits appropriation non-lapsing through October 31, 2027. 29
44. Adds footnote making the supplemental FY 2026 Summer Food Benefits appropriation non-lapsing through October 31, 2026. 109
45. Adds footnote making the $15.5 million FY 2026 appropriation from the General Fund for the Coordinated Homeless Services line item non-lapsing through FY 2027. 29
46. Adds footnote making the $10.8 million FY 2027 appropriation from the General Fund for the H.R. 1 Implementation - SNAP line item non-lapsing through FY 2028. 29
47. Adds footnote making the $5.0 million FY 2027 appropriation for Area Agencies on Aging non-lapsing. 29
48. Adds footnote making the $3.0 million FY 2027 appropriation for Civil Legal Aid non-lapsing. 29
49. Adds footnote requiring monies in the Civil Legal Aid line item to be distributed to nonprofit organizations for the provision of statewide general civil legal aid services consistent with the terms of the Legal Services Corporation as of FFY 2026. 29
50. Adds footnote making the $2.0 million FY 2027 appropriation for Produce Incentive Program non-lapsing. 29
51. Adds footnote making $3.0 million FY 2027 appropriation for Out-of-School Child Care non-lapsing. 29
52. Adds footnote specifying that of the $5.0 million FY 2027 appropriation for Area Agencies on Aging, $500,000 is for the Inter-Tribal AAA and $500,000 for the Navajo Nation AAA. 29
53. Adds footnote making the $1.5 million FY 2026 appropriation from the General Fund for Homeless Veterans' Services line item non-lapsing through FY 2027. 29
54. Adds footnote making the $500,000 FY 2026 appropriation from the General Fund for Homeless Veterans' Strategic Plan line item non-lapsing through FY 2027. 29

55. Adds footnote making the $150,000 FY 2027 appropriation for the Listening and Spoken Language Program non-lapsing. 29

Department of Education

56. Adds footnote requiring ADE to allocate $23.1 million for a one-time District Additional Assistance (DAA) supplement in FY 2027 and specifies that the monies be distributed on a proportional basis based on DAA formula allocations for each school district in FY 2027 and authorizes districts to allocate the monies for maintenance and operations or capital. 31
57. Adds footnote requiring ADE to allocate $5.9 million for a one-time Charter Additional Assistance (CAA) in FY 2027 and specifies that the monies be distributed on a proportional basis based on CAA formula allocations for each charter school in FY 2027. 31
58. Adds footnote requiring ADE to allocate $37.0 million for a one-time Free and Reduced Price Lunch (FRPL) Group B weight supplement on a pro-rata basis using weighted FRPL counts for FY 2027 and authorizes school districts to use the monies for maintenance and operations or capital. 31
59. Adds footnote stipulating that the appropriation for One-time School Meal Grants be distributed to districts and charters participating in the National School Lunch Program or School Breakfast Program for grants to reduce or eliminate copayments that would otherwise be charged to students eligible for reduced-price lunches (131% - 185% of the Federal Poverty Level). Requires ADE to reduce the grants proportionately if the appropriation is insufficient to cover all eligible districts and charters. 31
60. Adds footnote making $600,000 General Fund FY 2027 appropriation for community gardens non-lapsing. 31
61. Adds footnote requiring $100,000 of the FY 2026 School Safety Program appropriation to be used for a child sexual abuse and assault awareness and prevention pilot program in FY 2027. 31

Department of Emergency and Military Affairs

62. Adds footnote allowing DEMA to use unexpended and unencumbered monies from its FY 2023 One-Time Maintenance Backfill line item appropriation to complete the construction of the Arizona Army National Guard Surprise Readiness Center in Surprise. 32

Exposition and State Fair

63. Adds footnote extending the lapsing date of the FY 2026 $2 million allocation from the operating budget for enhanced state fair operations through FY 2027. 37

Forestry

64. Adds footnote specifying that $10 million of the Fire Suppression line item appropriation shall be used for the purposes and are subject to the restrictions outlined in Laws 2021, 1st Special Session, Chapter 1. The FY 2027 appropriation would also be exempt from lapsing through FY 2029. 38

Department of Health Services

65. Adds footnote making the $400,000 FY 2027 appropriation from the Health Services Lottery Fund for the Cooling Centers for Heat Relief line item non-lapsing through October 31, 2027. 43
66. Adds footnote stating that $1.5 million is appropriated to the Radiation Protection System Grants line item for DHS to establish and administer a grant program to assist rural hospitals with the cost of installing radiation protection systems in cardiac catheterization procedure rooms in which real-time x-ray imaging procedures occur. 43

Arizona Historical Society

67. Adds footnote allowing up to $549,600 of monies in the State Parks Revenue Fund to be used for AHS expenses, contingent on if there is less than $300,000 in the unrestricted balance of the AHS Donations Fund in FY 2027. Requires AHS to notify JLBC if there is less than $300,000 in the unrestricted balance of the AHS Donations Fund and report on the intended use of monies before expending SPRF monies for operating expenses. 44

Homeland Security

68. Adds footnote permitting the department to expend up to $500,000 of its Cyber Ready Arizona appropriation on administration and no more than $11 million for the purchase of cybersecurity tool licenses. States that the department may consider applications from water and wastewater facilities for the program. States that funding cannot be used to hire permanent employees of the state or political subdivisions. 46

Department of Insurance and Financial Institutions

69. Adds footnote stating legislative intent that DIFI set fees at a level sufficient to fund its Financial Surveillance Fund appropriation and that DIFI continue collecting fees for deposit into the General Fund at the FY 2026 collection level. 50
70. Adds footnote allocating $1 million of the FY 2027 Financial Surveillance Fund appropriation to the DIFI Financial Institutions Division. 50
71. Modifies existing footnote to require DIFI to pay 100% of overtime expenses for city, town, and county sworn officers participating in the Arizona vehicle theft task force. 50

Judiciary

72. Adds footnote requiring the funding distributed to the Supreme Court for Probation Electronic Monitoring System operating costs be used for the operation of an electronic monitoring system for sex offenders on probation supervision. Specifies that monies may be expended on platform services directly related to operation of the system. Allows the courts to authorize participating criminal justice and supervision agencies to utilize the system. Requires courts to submit quarterly reports on expenditures, enrollment, compliance, and utilization to the Governor, President of the Senate, and Speaker of the House. States any remaining monies in the appropriation may be used to operate the system for other violent offender populations. 51
73. Adds footnotes to the Supreme Court, Court of Appeals and Superior Court specifying that beginning January 1, 2027, the annual salary for all judges and justices shall increase by $10,000. 51

Department of Juvenile Corrections

74. Adds footnote that the operating budget includes funding to convert a one-time 4% stipend into a 4% annual salary increase for juvenile corrections officers in FY 2027. 52

Legislature - Auditor General

75. Adds footnote requiring that the Auditor General conduct a contracted audit of the state employee health plan. The audit must cover the state health plan's application of best practices in health insurance cost containment and must include a forensic audit of a sample of claims from FY 2026. 54

Liquor

76. Modifies existing footnote to extend the lapsing date of the $2.9 million FY 2025 supplemental appropriation for records management system by 2 years (through FY 2028) and allow monies to be used for the implementation of new regulations for alternative nicotine products. 55

Natural Resource Conversation Board

77. Adds footnote making the $100,000 FY 2026 appropriation for one-time operating funding non-lapsing. 60

Nursing Care Institution Administrators and Assisted Living Facility Board

78. Adds footnote stating that $30,000 of the lump sum appropriation may be used to pay outstanding costs of services provided by ADOA-CSB in prior years. 64

State Parks

79. Retains footnote allowing the board to use up to $1.4 million of State Park Revenue Fund monies for State Historic Preservation Office (SHPO) operating expenses, contingent on if federal grant monies are unavailable in FFY 2027. Requires the board to notify JLBC if federal grant monies are unavailable and report on the intended use of monies for SHPO expenses. 69
80. Adds footnote extending the lapsing date of the State Parks Fund appropriation for the Arizona Veterans Memorial State Park through June 30, 2028. 69
81. Adds footnote requiring the department to notify JCCR and OSPB of revised expenditure plans should ASPT receive any Land and Water Conservation Fund grant funding for the capital projects included in the budget. 69

Department of Public Safety

82. Adds footnote making the $750,000 FY 2026 appropriation for Yuma County Family Advocacy Center non-lapsing. Further specifies that the department must enter into a new agreement with the recipient of the monies to distribute any remaining funding from the appropriation. 77
83. Adds footnote making the $15.5 million FY 2027 appropriation for one-time vehicle replacement exempt from lapsing until June 30, 2029. 77

Real Estate

84. Adds footnote stating the department's operating lump sum appropriation includes an ongoing increase of $140,100 starting in FY 2027 for the maintenance and operations of the department's IT system. The legislature intends that this amount not be included in the calculation of the department's total appropriated budget for the purposes of A.R.S. 32-2103 or otherwise result in the increase of any fee or assessment levied by the department. 78

Department of Revenue

85. Amends footnote allowing DOR to use unclaimed property contract auditor fees in excess of $1.5 million for preparing notices and communications to holders and property owners under the unclaimed property program. 82

Secretary of State

86. Adds footnote allowing SOS to use up to $250,000 from the Election Services line item for direct costs. 83
87. Adds footnote making the $450,000 FY 2025 appropriation to the Electronic Records Repository line item non-lapsing through FY 2027. 83
88. Adds footnote stating monies for the Address Confidentiality Program Fund deposit may not be transferred to another line item. 83
89. Add footnotes for the FY 2027 appropriation of $4.0 million from the General Fund for 2026 primary and general elections expenses: 1) requiring the Secretary of State submit an expenditure plan to the Senate President, Speaker of the House of Representatives, JLBC, and OSPB Director prior to expending monies from the Election Services line item; 2) requiring the Secretary of State to submit a report to directors of JLBC and OSPB of the actual expenditures by purpose from the line item by January 31, 2027. 83
90. Add footnotes for a FY 2026 supplemental appropriation of $4.0 million for 2026 primary and general election expenses: 1) requiring the Secretary of State submit an expenditure plan to the Senate President, Speaker of the House of Representatives, JLBC, and OSPB Director prior to expending monies from the FY 2026 Supplemental; 2) requiring the Secretary of State to submit a report to directors of JLBC and OSPB of the actual expenditures by purpose from the FY 2026 supplemental appropriation by January 31, 2027; 3) specifying that the monies appropriated in the FY 2026 supplemental lapse at the end of FY 2027. 112

Department of Transportation

91. Adds footnote allowing the department to use $73,300 from the FY 2027 State Highway Fund appropriation to pay FY 2024 invoices. 87

State Treasurer

92. Adds footnote stipulating that, of the amounts appropriated in FY 2024 and FY 2025 for ballot paper purchases, all monies remaining unexpended and unencumbered on July 31, 2026, will lapse to the General Fund. 115
93. Adds footnote allowing unexpended monies from the $50,000 FY 2026 State Treasurer distribution to Pinal County for illegal dumping prevention to be used to expand and support the Pinal County Community Cleanup Free Dump Day program. Specifies that the remaining monies may be used for operational costs, landfill access fees, anti-litter campaigns, staffing public outreach, and temporary waste disposal events intended to reduce illegal dumping within the unincorporated areas of the county. 88
94. Adds footnote requiring that the $1.0 million FY 2027 appropriation to the Arizona Criminal Justice Commission for law enforcement recruitment and training technology grants be used to provide grants to implement recruitment technology-based tools that improve hiring and retention outcomes at state agencies with law enforcement functions, local law enforcement agencies, and tribal police agencies. Makes the appropriation non-lapsing. 119

Universities – Arizona Board of Regents

95. Modifies existing footnote to require ABOR to submit its Arizona Promise Program report by December 1 rather than October 1. 90
96. Modifies existing footnote to allow ABOR to distribute money from the Washington D.C. Internships line item to regional programs outside of Washington D.C. 90

Universities

97. Modifies existing freedom school footnotes to specify it is legislative intent that universities allocate the same amount to the Freedom Schools as was appropriated in FY 2026 except for up to the amount designated in the lump sum reduction portion of the feed bill. 91,92,93
98. Adds footnote requiring the FY 2027 appropriation for water adjudication to be used to assist claimants in the general stream adjudication of water rights. 93
99. Adds footnote making the $500,000 FY 2027 University of Arizona appropriation for water adjudication non-lapsing. 93
100. Adds footnote requiring the University of Arizona to use up to $1.2 million General Fund from the operating budget to operate the Arizona Perinatal and Pediatric Psychiatry Access hotline. 93
101. Adds footnote specifying that the amount appropriated to the AZ REACH line item shall be used to provide medical care transfer services for hospitals with fewer than 20 beds. 93

Department of Veterans' Services

102. Adds footnote specifying that $1.0 million from the FY 2023 Tribal Ceremonies line item may be used for expenses incurred by tribal residents at Arizona State Veterans' Homes. 94

CAPITAL OUTLAY BILL PROVISIONS

Capital – Department of Corrections

103. Adds footnote stating ADC may spend up to $4.6 million of its appropriation on the construction of new medical facilities to address capital needs as required by the court in the Jensen v. Thornell inmate health care litigation. CO 11

Capital - Department of Transportation

104. Modifies existing footnote that would have lapsed the $850,300 FY 2026 capital appropriation for the Grand Canyon Airport terminal renovation if ADOT does not receive a federal grant award for the project by June 30, 2026. Extends the date to June 30, 2028. CO 9

105. Modifies footnotes of 9 appropriations between FY 2021 and FY 2026 concerning improvements to SR 347 at Casa Blanca Road and Cement Plant Access, improvements along SR 347 between I-10 and the City of Maricopa, and construction of an overpass at Riggs Road and SR 347. Allows monies to be expended on any aspect of the design, right of way acquisition, utility relocation, natural resource recovery and construction associated with these projects. CO 1,2,4,6,7, 8,10

Capital - Veterans' Services

106. Modifies existing footnote extending the lapsing date of the $2.4 million FY 2026 capital appropriation for HVAC replacement at the Tucson Veterans' Home. Specifies monies revert to the General Fund if U.S. Department of Veterans Affairs grant monies are not awarded in FY 2027. CO 9

FY 2026
GENERAL FUND ADJUSTMENTS

FY 2026 GENERAL FUND ADJUSTMENTS

	FY 2025 Actual	FY 2026 Original 1/	Baseline Adjustments 2/	FY 2026 JLBC Baseline	Session Changes 3/	FY 2026 Enacted
REVENUES						
Ongoing Revenues	$17,624,317,500	17,778,213,800	474,160,100	$18,252,373,900	79,200,000	$18,331,573,900
Tax Conformity/Related Provisions					(440,900,000)	(440,900,000)
Newly Enacted Revenue Adjustments		(6,300,000)	6,300,000			
Urban Revenue Sharing	(1,268,257,800)	(1,186,305,800)		(1,186,305,800)		(1,186,305,800)
Subtotal - Ongoing Revenues	$16,356,059,700	$16,585,608,000	$480,460,100	$17,066,068,100	($361,700,000)	$16,704,368,100
One-Time Revenues						
Balance Forward	$962,823,000	$1,092,085,800	$275,204,200	1,367,290,000		1,367,290,000
One-Time Revenue Forecast Adjustment					275,000,000	275,000,000
Enhanced FMAP One-Time Revenue Adj.		62,900,000	(62,900,000)			
Other One-Time Revenue Adjustments	71,249,000	14,900,000	(325,600)	14,574,400		14,574,400
One-Time Income Tax Rebate	(16,100)					
Fund Transfers	30,491,800	15,500,000		15,500,000	142,100,000	157,600,000
Subtotal - One-Time Revenues	$1,064,547,700	$1,185,385,800	$211,978,600	$1,397,364,400	$417,100,000	$1,814,464,400
Total Revenues	$17,420,607,400	$17,770,993,800	$692,438,700	$18,463,432,500	$55,400,000	$18,518,832,500
EXPENDITURES						
Ongoing Operating Appropriations	$15,332,762,300	$16,614,952,300	$33,600	$16,614,985,900		$16,614,985,900
Administrative Adjustments		123,500,000	11,500,000	135,000,000	(2,016,000)	132,984,000
Revertments		(206,500,000)		(206,500,000)	(4,501,300)	(211,001,300)
Subtotal - Ongoing Expenditures	$15,332,762,300	$16,531,952,300	$11,533,600	$16,543,485,900	($6,517,300)	$16,536,968,600
One-Time Expenditures						
Capital Outlay		$26,227,100		$26,227,100		26,227,100
Transportation Funding		109,989,000		109,989,000		109,989,000
FY 25 One-Time Supplementals	239,720,000					
FY 25 One-Time Ex-Appropriations	(134,466,900)					
FY 26 One-Time Supplementals			208,577,900	208,577,900	(7,798,900)	200,779,000
FY 26 One-Time Ex-Appropriations					(32,109,000)	(32,109,000)
One-Time Operating Spending	715,302,000	1,003,033,600	(1,000,000)	1,002,033,600		1,002,033,600
Hospital Assessment Savings	(100,000,000)	(100,000,000)		(100,000,000)		(100,000,000)
Subtotal - One-Time Expenditures	$720,555,100	$1,039,249,700	$207,577,900	$1,246,827,600	($39,907,900)	$1,206,919,700
Total Expenditures	$16,053,317,400	$17,571,202,000	$219,111,500	$17,790,313,500	($46,425,200)	$17,743,888,300
Ending Balance	$1,367,290,000	$199,791,800	$473,327,200	$673,119,000	$101,825,200	$774,944,200
Ongoing Balance	$1,023,297,400	$53,655,700	$468,926,500	$522,582,200	($355,182,700)	$167,399,500

1/ Reflects FY 2026 Budget as published in the *FY 2026 Appropriations Report* .

2/ Reflects forecast adjustments to revenue, including base revenues and the impact of tax law changes. Also reflects spending adjustments, including agency supplementals/ex-appropriations.

3/ Reflects revenue adjustments and spending adjustments made in the 2026 Second Regular Session.

FY 2026 GENERAL FUND ADJUSTMENTS

FY 2026 Budget Revisions — The preceding chart illustrates the changes to the FY 2026 budget from the August 2025 publication of the *FY 2026 Appropriations Report* (which included changes through the 57th Legislature, First Regular Session) to the current estimate in this *FY 2027 Appropriations Report*. The chart includes the changes from the passage of bills in the Second Regular Session of the 57th Legislature addressing the FY 2026 budget.

Original Budget Estimate — When the *FY 2026 Appropriations Report* was published in August 2025, the FY 2026 budget was anticipated to have a $200 million balance.

Mid-Year Balance — As estimated in the January 2026 JLBC Baseline, higher-than-expected revenues together with other changes led to the state's projected FY 2026 $200 million ending balance increasing to a projected balance of $673 million. The components of this $473 million increase in the fund balance compared to the August 2025 figures were as follows:

	($ in M)
• Increased FY 2025 Carry-Forward	275
• Increase in FY 2026 Ongoing Revenues	480
• One-Time Revenue Technical Adjustments	(63)
• Loss From Increased FY 2026 Expenditures	(219)
Total	**$473**

The original FY 2026 budget assumed an FY 2025 carry-forward balance of $1.09 billion. Subsequent to the publication of the *FY 2026 Appropriations Report*, the state's final FY 2025 ending balance was significantly higher than this estimate as final FY 2025 revenues were stronger than anticipated. As a result, the FY 2025 ending balance was $1.37 billion, or $275 million above the original estimate.

The enacted FY 2026 budget assumed ongoing FY 2026 revenues (excluding Urban Revenue Sharing) would increase by 3.1% compared to FY 2025. The subsequent JLBC Baseline increased this FY 2026 revenue growth rate slightly to 3.6%. This higher projected growth rate, along with applying this new forecast to the higher final FY 2025 base resulted in FY 2026 ongoing revenues being significantly higher than originally projected, with an FY 2026 ongoing revenue forecast that was $480 million above the original budget projections.

The enacted FY 2026 budget assumed $63 million of one-time revenue associated with the "disaster recovery Federal Medical Assistance Percentage (FMAP) adjustment". Under this Affordable Care Act provision Arizona received a higher Medicaid match rate with the resulting savings to be deposited in the General Fund. Given technical issues with the processing of these savings, the one-time revenues were removed in the January 2026 JLBC Baseline.

Finally, the January 2026 JLBC Baseline assumed that spending would be $219 million more than the enacted budget. This was primarily the result of higher costs in formula programs such as ADE Basic State Aid and the state's Medicaid program (both AHCCCS and DES Developmental Disabilities).

2025 Legislative Session — Laws 2026, Chapter 126, the General Appropriations Act, and other budget bills were signed by the Governor on June 13, 2026.

Relative to the January 2026 Baseline, the revised FY 2026 budget assumed $55 million of increased revenues. The FY 2026 budget revenue changes were as follows:

	($ in M)
• Higher-Than-Expected Revenues	354
• Newly Enacted Fund Transfers	142
• Tax Conformity/Related Provisions	(441)
Total	**$55**

In addition, the budget made spending changes that lowered spending by $(47) million compared to the original FY 2026 budget. The FY 2026 budget spending changes were as follows:

	($ in M)
• Increased AHCCCS Formula Supplemental	40
• Decreased DES DD Formula Supplemental	(14)
• Decreased ADE Formula Costs	(79)
• Administrative Adjustment Estimates	(7)
• All Other Changes	13
Total	**$(47)**

As noted above, the JLBC Baseline projected an FY 2026 ending balance of $673 million. The $55 million of additional revenues, combined with the savings from the $47 million post-Baseline net spending decrease, results in the enacted budget as passed in June having an estimated FY 2026 ending balance of $775 million.

FY 2026 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

Budget Units	GF FY 2026 Approp Report August 2025	GF FY 2026 Baseline Changes	GF FY 2026 JLBC Baseline	GF FY 2026 Session Changes 2/	GF FY 2026 Approps Report Updated Total
Administration, Arizona Department of	21,407,600	10,650,700	32,058,300	1,000	32,059,300
Administration, Arizona Department of Automation Projects Fund	3,762,000		3,762,000		3,762,000
Administration, Arizona Department of - School Facilities Division	352,955,500		352,955,500		352,955,500
Administrative Hearings, Office of	985,200		985,200		985,200
Agriculture, Arizona Department of	16,247,500		16,247,500		16,247,500
AHCCCS	2,613,652,600		2,613,652,600	104,728,400	2,718,381,000
Arts, Arizona Commission on the	2,000,000		2,000,000		2,000,000
Attorney General - Department of Law	27,692,600		27,692,600		27,692,600
Charter Schools, State Board for	2,811,100		2,811,100		2,811,100
Child Safety, Department of	488,771,000		488,771,000		488,771,000
Commerce Authority, Arizona	15,175,000		15,175,000		15,175,000
Community Colleges, Arizona 1/	103,868,300	33,600	103,901,900	(250,000)	103,651,900
Corporation Commission	792,700		792,700		792,700
Corrections, State Department of	1,574,149,400		1,574,149,400	4,103,100	1,578,252,500
County Funding	10,650,700	(10,650,700)	-		-
Criminal Justice Commission, Arizona	4,600,000		4,600,000		4,600,000
Deaf and the Blind, Schools for the	25,645,100		25,645,100		25,645,100
Economic Opportunity, Office of	4,031,900		4,031,900		4,031,900
Economic Security, Department of	1,888,688,400		1,888,688,400	84,580,500	1,973,268,900
Education, State Board of	3,462,800		3,462,800		3,462,800
Education, Department of	8,287,685,600		8,287,685,600	(31,859,000)	8,255,826,600
Emergency and Military Affairs, Department of	16,692,900		16,692,900		16,692,900
Environmental Quality, Department of	-		-		-
Equalization, State Board of	734,700		734,700		734,700
Executive Clemency, Board of	1,488,600		1,488,600		1,488,600
Forestry and Fire Management, Arizona Department of	47,222,200		47,222,200		47,222,200
Gaming, Department of	10,104,500	(1,000,000)	9,104,500		9,104,500
Governor, Office of the	10,394,700		10,394,700		10,394,700
Governor's Office of Strategic Planning and Budgeting	2,854,500		2,854,500		2,854,500
Health Services, Department of	127,571,300		127,571,300		127,571,300
Historical Society, Arizona	4,113,500		4,113,500		4,113,500

FY 2026 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	GF FY 2026 Approp Report August 2025	GF FY 2026 Baseline Changes	GF FY 2026 JLBC Baseline	GF FY 2026 Session Changes 2/	GF FY 2026 Approps Report Updated Total
Historical Society, Prescott	1,574,300		1,574,300		1,574,300
Homeland Security, Department of	10,107,800		10,107,800		10,107,800
Industrial Commission of AZ	90,100		90,100		90,100
Insurance and Financial Institutions, Department of	6,321,200		6,321,200		6,321,200
Judiciary					
Supreme Court	31,325,600		31,325,600		31,325,600
Court of Appeals	25,308,700		25,308,700		25,308,700
Superior Court	117,217,300		117,217,300		117,217,300
SUBTOTAL - Judiciary	173,851,600	-	173,851,600	-	173,851,600
Juvenile Corrections, Department of	31,085,800		31,085,800		31,085,800
Land Department, State	12,199,900		12,199,900		12,199,900
Legislature					
Auditor General	32,009,000		32,009,000		32,009,000
House of Representatives	22,545,300		22,545,300		22,545,300
Joint Legislative Budget Committee	3,071,000		3,071,000		3,071,000
Legislative Council	9,422,400		9,422,400		9,422,400
Ombudsmen-Citizens Aide Office	1,608,900		1,608,900		1,608,900
Senate	18,814,300		18,814,300		18,814,300
SUBTOTAL - Legislature	87,470,900	-	87,470,900	-	87,470,900
Mine Inspector, State	2,431,400		2,431,400		2,431,400
Natural Resource Conservation Board, State	739,400		739,400		739,400
Navigable Stream Adjudication Commission	143,900		143,900		143,900
Nursing, State Board of	500,000		500,000		500,000
Parks Board, Arizona State	2,500,000		2,500,000		2,500,000
Public Safety, Department of	313,660,800		313,660,800	366,000	314,026,800
Public Safety Personnel Retirement System	6,000,000		6,000,000		6,000,000
Real Estate Department, State	3,119,300		3,119,300		3,119,300
Revenue, Department of	60,871,900		60,871,900		60,871,900
Secretary of State	22,857,100		22,857,100	4,000,000	26,857,100
Tax Appeals, State Board of	319,300		319,300		319,300
Tourism, Office of	8,702,700		8,702,700		8,702,700
Transportation, Department of	500,000		500,000		500,000
Treasurer, State	42,734,700		42,734,700		42,734,700
Tribal Relations, Governor's Office on	66,900		66,900		66,900

FY 2026 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	GF FY 2026 Approp Report August 2025	GF FY 2026 Baseline Changes	GF FY 2026 JLBC Baseline	GF FY 2026 Session Changes 2/	GF FY 2026 Approps Report Updated Total
Universities					
Board of Regents	71,382,600		71,382,600		71,382,600
Arizona State University	412,671,200		412,671,200		412,671,200
Northern Arizona University	124,707,700		124,707,700		124,707,700
University of Arizona - Main Campus	289,867,500		289,867,500		289,867,500
University of Arizona - Health Sciences Center	75,978,400		75,978,400		75,978,400
SUBTOTAL - Universities	974,607,400	-	974,607,400	-	974,607,400
Veterans' Services, Department of	12,814,700		12,814,700	3,000,000	15,814,700
Water Infrastructure Finance Authority	750,000		750,000		750,000
Water Resources, Department of	25,077,500		25,077,500		25,077,500
OPERATING BUDGET TOTAL	17,471,310,500	(966,400)	17,470,344,100	168,670,000	17,639,014,100
FY 2026 Adjustments	-	208,577,900	208,577,900	(208,577,900)	-
FY 2026 Unallocated Health Insurance Adjustments	152,100		152,100		152,100
FY 2026 Unallocated Fleet Operating Adjustments	125,600		125,600		125,600
FY 2026 Unallocated Fleet Replacement Adjustments	859,000		859,000		859,000
FY 2026 Unallocated Retirement Adjustments	(18,300)		(18,300)		(18,300)
FY 2026 Unallocated Risk Management Adjustments	400		400		400
FY 2026 Unallocated AZ360 Adjustments	(3,900)		(3,900)		(3,900)
FY 2026 Unallocated Salary Adjustments	63,100		63,100		63,100
Capital Outlay - Phoenix Convention Center Debt Service	26,497,400		26,497,400		26,497,400
Capital Outlay - Rio Nuevo District	19,000,000		19,000,000		19,000,000
Capital Outlay	136,216,100		136,216,100		136,216,100
Administrative Adjustments	123,500,000	11,500,000	135,000,000	(2,016,000)	132,984,000
Revertments	(206,500,000)		(206,500,000)	(4,501,300)	(211,001,300)
GRAND TOTAL	17,571,202,000	219,111,500	17,790,313,500	(46,425,200)	17,743,888,300

1/ This chart provides a crosswalk between an agency's original appropriation in the FY 2026 Appropriations Report and its final FY 2026 appropriation.

2/ Represents FY 2026 changes enacted by the FY 2027 General Appropriations Act. Individual bill detail appears in the "Budget Detail" section. See individual agen

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

Budget Units	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Accountancy, State Board of					
Board of Accountancy Fund	2,257,400		2,257,400		2,257,400
Acupuncture Board of Examiners					
Acupuncture Board of Examiners Fund	217,000		217,000		217,000
Administration, Arizona Department of					
Air Quality Fund	930,300		930,300		930,300
Arizona Financial Information System Collections Fund	12,134,200		12,134,200		12,134,200
Automation Operations Fund	29,940,400		29,940,400	1,600	29,942,000
Capital Outlay Stabilization Fund	21,165,700		21,165,700		21,165,700
Corrections Fund	640,100		640,100		640,100
Cyber Risk Management Fund	23,037,200		23,037,200		23,037,200
Federal Surplus Materials Revolving Fund	473,600		473,600		473,600
Highway Patrol Fund	-		-		-
Information Technology Fund	6,221,400		6,221,400		6,221,400
Livestock Operator Fire and Flood Assistance Fund	-		-		-
Peace Officer Training Equipment Fund	500,000		500,000		500,000
Personnel Division Fund	18,740,100		18,740,100		18,740,100
Risk Management Revolving Fund	145,740,800		145,740,800	2,036,600	147,777,400
Special Employee Health Insurance Trust Fund	5,746,100		5,746,100	2,000	5,748,100
Special Services Revolving Fund	1,302,800		1,302,800		1,302,800
State Surplus Materials Revolving Fund	3,216,200		3,216,200		3,216,200
State Web Portal Fund	9,012,600		9,012,600		9,012,600
Telecommunications Fund	2,099,500		2,099,500		2,099,500
Total - Arizona Department of Administration	280,901,000	-	280,901,000	2,040,200	282,941,200
Administration, Arizona Department of - Automation Projects Fund					
Automation Projects Fund	16,898,700		16,898,700		16,898,700
Agriculture, Arizona Department of					
Air Quality Fund	1,630,300		1,630,300		1,630,300
Long-Term Water Augmentation Fund	2,000,000		2,000,000		2,000,000
Nuclear Emergency Management Fund	347,100		347,100		347,100
Pest Management Trust Fund					
Total - Arizona Department of Agriculture	3,977,400	-	3,977,400	-	3,977,400

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
AHCCCS					
Budget Neutrality Compliance Fund	5,112,300		5,112,300		5,112,300
Children's Health Insurance Program Fund	194,444,800		194,444,800		194,444,800
IGA and ISA Fund	3,200,000		3,200,000		3,200,000
Prescription Drug Rebate Fund - State	341,207,900		341,207,900		341,207,900
Seriously Mentally Ill Housing Trust Fund	2,017,700		2,017,700		2,017,700
Substance Abuse Services Fund	2,250,200		2,250,200		2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	15,400,000		15,400,000		15,400,000
Tobacco Tax and Health Care Fund - Medically Needy Account	57,545,600		57,545,600		57,545,600
Total - AHCCCS	621,178,500	-	621,178,500	-	621,178,500
Athletic Training, Board of					
Athletic Training Fund	166,000		166,000		166,000
Attorney General - Department of Law					
Antitrust Enforcement Revolving Fund	162,900		162,900		162,900
Attorney General Legal Services Cost Allocation Fund	2,338,900		2,338,900		2,338,900
Collection Enforcement Revolving Fund	7,374,300		7,374,300		7,374,300
Consumer Protection-Consumer Fraud Rev. Fund	16,918,400		16,918,400		16,918,400
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	50,000,000		50,000,000		50,000,000
Driving Under the Influence Abatement Fund					
Drag Racing Prevention Enforcement Fund					
Interagency Service Agreements Fund	17,635,600		17,635,600		17,635,600
Internet Crimes Against Children Enforcement Fund	900,000		900,000		900,000
Risk Management Revolving Fund	12,855,300		12,855,300		12,855,300
Utility Regulation Revolving Fund					
Victims' Rights Fund	3,811,400		3,811,400		3,811,400
Total - Attorney General - Department of Law	111,996,800	-	111,996,800	-	111,996,800
Barbering and Cosmetology Board					
Barbering and Cosmetology Fund	3,227,300		3,227,300		3,227,300
Behavioral Health Examiners, Board of					
Board of Behavioral Health Examiners Fund	2,975,200		2,975,200	150,000	3,125,200

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Child Safety, Department of					
Child Abuse Prevention Fund	1,459,300		1,459,300		1,459,300
Child Welfare Licensing Fee Fund	1,067,400		1,067,400		1,067,400
Children and Family Services Training Program Fund	207,500		207,500		207,500
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	160,985,500		160,985,500		160,985,500
Total - Department of Child Safety	204,235,700	-	204,235,700	-	204,235,700
Chiropractic Examiners, State Board of					
Board of Chiropractic Examiners Fund	660,600		660,600		660,600
Commerce Authority, Arizona					
Advanced Air Mobility Fund					
Contractors, Registrar of					
Registrar of Contractors Fund	14,328,200		14,328,200		14,328,200
Corporation Commission					
Arizona Arts Trust Fund	57,200		57,200		57,200
Investment Management Regulatory and Enforcement Fund	1,370,400		1,370,400		1,370,400
Public Access Fund	8,235,100		8,235,100		8,235,100
Securities Regulatory and Enforcement Fund	7,490,400		7,490,400		7,490,400
Utility Regulation Revolving Fund	21,579,800		21,579,800		21,579,800
Total - Corporation Commission	38,732,900	-	38,732,900	-	38,732,900

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Corrections, State Department of					
Alcohol Abuse Treatment Fund	555,800		555,800		555,800
Corrections Fund	35,787,600		35,787,600		35,787,600
Department of Corrections Building Renewal Fund					
Inmate Store Proceeds Fund	4,299,400		4,299,400		4,299,400
Penitentiary Land Fund	3,472,000		3,472,000		3,472,000
Prison Construction and Operations Fund	12,500,100		12,500,100		12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	3,733,100		3,733,100		3,733,100
State Education Fund for Correctional Education	703,200		703,200		703,200
Transition Program Fund	2,400,300		2,400,300		2,400,300
Total - State Department of Corrections	63,451,500	-	63,451,500	-	63,451,500
Criminal Justice Commission, Arizona					
Criminal Justice Enhancement Fund	802,100		802,100		802,100
Drug and Gang Prevention Resource Center Fund	646,600		646,600		646,600
State Aid to County Attorneys Fund	973,700		973,700		973,700
State Aid to Indigent Defense Fund	700,000		700,000		700,000
Peace Officer Training Equipment Fund	-		-		-
Victim Compensation and Assistance Fund	6,838,700		6,838,700		6,838,700
Total - Arizona Criminal Justice Commission	9,961,100	-	9,961,100	-	9,961,100
Deaf and the Blind, Arizona Schools for the					
Cooperative Services Fund	19,103,000		19,103,000		19,103,000
Health Services Lottery Monies Fund	-		-		-
Schools for the Deaf and the Blind Fund	14,156,500		14,156,500		14,156,500
Total - Arizona State Schools for the Deaf and the Blind	33,259,500	-	33,259,500	-	33,259,500
Deaf and the Hard of Hearing, Comm. for the					
Telecommunication Fund for the Deaf	5,045,800		5,045,800		5,045,800
Dental Examiners, State Board of					
Dental Board Fund	2,150,900		2,150,900		2,150,900

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Economic Security, Department of					
Child Support Enforcement Administration Fund	17,615,600		17,615,600		17,615,600
Domestic Violence Services Fund	4,000,300		4,000,300		4,000,300
Federal Child Care and Development Fund Block Grant	281,075,400		281,075,400		281,075,400
Federal Temporary Assistance for Needy Families Block Grant	66,561,100		66,561,100		66,561,100
Health Services Lottery Monies Fund					
Long Term Care System Fund	34,971,300		34,971,300		34,971,300
Public Assistance Collections Fund	441,800		441,800		441,800
Special Administration Fund	4,645,400		4,645,400		4,645,400
Spinal and Head Injuries Trust Fund	2,385,400		2,385,400		2,385,400
Statewide Cost Allocation Plan Fund	1,000,000		1,000,000		1,000,000
Workforce Investment Act Grant	87,109,200		87,109,200		87,109,200
Total - Department of Economic Security	499,805,500	-	499,805,500	-	499,805,500
Education, Department of					
Department of Education Empowerment Scholarship Account Fund	358,900		358,900		358,900
Education Sales Tax - Accountability	7,000,000		7,000,000		7,000,000
Permanent State School Fund	72,263,000		72,263,000		72,263,000
Special Education Fund	5,000,000		5,000,000		5,000,000
Teacher Certification Fund	2,560,700		2,560,700		2,560,700
Tribal College Dual Enrollment Program Fund	325,000		325,000		325,000
Total - Department of Education	87,507,600	-	87,507,600	-	87,507,600
Emergency and Military Affairs, Department of					
Nuclear Emergency Management Fund	2,320,900		2,320,900		2,320,900
Border Security Fund	3,000,000		3,000,000		3,000,000
Long-Term Water Augmentation Fund	300,000		300,000		300,000
Total - Department of Emergency and Military Affairs	5,620,900	-	5,620,900	-	5,620,900

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Environmental Quality, Department of					
Air Quality Fund	7,820,300		7,820,300		7,820,300
Emergency Response Fund	132,800		132,800		132,800
Emissions Inspection Fund	33,105,500		33,105,500		33,105,500
Hazardous Waste Management Fund	2,689,300		2,689,300		2,689,300
Indirect Cost Fund	19,603,200		19,603,200		19,603,200
Long-Term Water Augmentation Fund	26,000,000		26,000,000		26,000,000
Permit Administration Fund	7,165,200		7,165,200		7,165,200
Recycling Fund	3,542,100		3,542,100		3,542,100
Safe Drinking Water Program Fund	2,027,700		2,027,700		2,027,700
Solid Waste Fee Fund	3,907,600		3,907,600		3,907,600
Underground Storage Tank Fund	-		-		-
Water Quality Fee Fund	22,035,900		22,035,900		22,035,900
Total - Department of Environmental Quality	128,029,600	-	128,029,600	-	128,029,600
Equal Opportunity, Governor's Office of					
Personnel Division Fund	317,400		317,400		317,400
Exposition and State Fair Board, Arizona					
Arizona Exposition and State Fair Fund	19,762,800		19,762,800		19,762,800
Forestry and Fire Management, Arizona Department of					
Long-Term Water Augmentation Fund	4,000,000		4,000,000		4,000,000
Game and Fish Department, Arizona					
Capital Improvement Fund	1,001,200		1,001,200		1,001,200
Game and Fish Fund	41,797,800		41,797,800		41,797,800
Game, Nongame, Fish and Endangered Species Fund	646,100		646,100		646,100
Watercraft Licensing Fund	5,060,100		5,060,100		5,060,100
Wildlife Endowment Fund	16,200		16,200		16,200
Total - Arizona Game and Fish Department	48,521,400	-	48,521,400	-	48,521,400

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Gaming, Department of					
Arizona Benefits Fund	16,610,000		16,610,000		16,610,000
Fantasy Sports Contest Fund	150,100		150,100		150,100
Racing Regulation Fund	3,977,800		3,977,800		3,977,800
Racing Regulation Fund - Unarmed Combat Subaccount	399,700		399,700		399,700
State Lottery Fund	300,000		300,000		300,000
Tribal-State Compact Fund	2,346,100		2,346,100		2,346,100
Total - Department of Gaming	23,783,700	-	23,783,700	-	23,783,700
Health Services, Department of					
Arizona State Hospital Fund	3,395,700		3,395,700		3,395,700
ASH Land Earnings Fund	1,596,600		1,596,600		1,596,600
Child Fatality Review Fund	196,500		196,500		196,500
Disease Control Research Fund	1,000,000		1,000,000		1,000,000
Emergency Medical Services Operating Fund	4,278,400		4,278,400		4,278,400
Environmental Laboratory Licensure Revolving Fund	1,013,100		1,013,100		1,013,100
Federal Child Care and Development Fund Block Grant	1,286,500		1,286,500		1,286,500
Health Services Licensing Fund	23,391,400		23,391,400		23,391,400
Health Services Lottery Monies Fund	2,000,000		2,000,000		2,000,000
Indirect Cost Fund	13,822,200		13,822,200		13,822,200
Newborn Screening Program Fund	15,631,200		15,631,200		15,631,200
Nursing Care Institution Resident Protection Revolving Fund	238,200		238,200		238,200
Tobacco Tax and Health Care Fund - Health Research Account	2,000,000		2,000,000		2,000,000
Tobacco Tax and Health Care Fund - Medically Needy Account	700,000		700,000		700,000
Vital Records Electronic Systems Fund	3,963,100		3,963,100		3,963,100
Total - Department of Health Services	74,512,900	-	74,512,900	-	74,512,900

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Homeland Security, Arizona Department of					
Information Technology Fund	11,695,200		11,695,200		11,695,200
Highway Patrol Fund					
Total - Department of Homeland Security	11,695,200			-	-
Homeopathic and Integrated Medicine Examiners, Board of					
Board of Homeopathic and Integrated Medicine Examiners' Fund	64,200		64,200		64,200
Housing, Department of					
Housing Trust Fund	360,700		360,700		360,700
Industrial Commission of Arizona					
Administrative Fund	23,213,100		23,213,100	3,500	23,216,600
Insurance and Financial Institutions, Department of					
Automobile Theft Authority Fund	6,837,300		6,837,300		6,837,300
Financial Services Fund	6,257,500		6,257,500		6,257,500
Financial Surveillance Fund					
Department Revolving Fund	50,300		50,300		50,300
Total - Department of Insurance and Financial Institutions	13,145,100	-	13,145,100	-	13,145,100
Judiciary - Supreme Court					
Confidential Intermediary and Fiduciary Fund	702,400		702,400		702,400
Court Appointed Special Advocate and Vulnerable Persons Fund	7,048,600		7,048,600		7,048,600
Criminal Justice Enhancement Fund	4,779,700		4,779,700		4,779,700
Defensive Driving School Fund	4,498,500		4,498,500		4,498,500
Judicial Collection Enhancement Fund	15,849,400		15,849,400		15,849,400
State Aid to the Courts Fund	2,946,600		2,946,600		2,946,600
Total - Judiciary - Supreme Court	35,825,200	-	35,825,200	-	35,825,200
Judiciary - Superior Court					
Criminal Justice Enhancement Fund	5,494,900		5,494,900		5,494,900
Drug Treatment and Education Fund	504,200		504,200		504,200
Judicial Collection Enhancement Fund	6,015,400		6,015,400		6,015,400
Total - Judiciary - Superior Court	12,014,500	-	12,014,500	-	12,014,500
SUBTOTAL - Judiciary	47,839,700	-	47,839,700	-	47,839,700

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Juvenile Corrections, Department of					
Criminal Justice Enhancement Fund	528,000		528,000		528,000
Department of Juvenile Corrections Local Cost Sharing Fund	6,724,000		6,724,000		6,724,000
State Charitable, Penal and Reformatory Institutions Land Fund	4,854,400		4,854,400		4,854,400
State Education Fund for Committed Youth	1,491,400		1,491,400		1,491,400
Total - Department of Juvenile Corrections	13,597,800	-	13,597,800	-	13,597,800
Land Department, State					
Due Diligence Fund	5,000,000		5,000,000		5,000,000
Off-Highway Vehicle Recreation Fund	177,600		177,600		177,600
Trust Land Management Fund	9,061,400		9,061,400		9,061,400
Total - State Land Department	14,239,000	-	14,239,000	-	14,239,000
Legislature - Auditor General					
Special Employee Health Insurance Trust Fund	-		-		-
Liquor Licenses and Control, Department of					
Liquor Licenses Fund	6,552,800		6,552,800		6,552,800
Lottery Commission, Arizona State					
State Lottery Fund	195,451,600	(13,516,000)	181,935,600	5,647,500	187,583,100
Massage Therapy, Board of					
Board of Massage Therapy Fund	601,200		601,200		601,200
Medical Board, Arizona					
Arizona Medical Board Fund	8,472,700		8,472,700		8,472,700
Mine Inspector, State					
Aggregate Mining Reclamation Fund	112,800		112,800		112,800
Natural Resource Conservation Board, State					
Environmental Special Plate Fund	260,600		260,600		260,600
Naturopathic Physicians Medical Board					
Naturopathic Physicians Medical Board Fund	271,800		271,800		271,800
Navigable Stream Adjudication Commission					
Arizona Water Banking Fund	200,000		200,000		200,000
Nursing, State Board of					
Board of Nursing Fund	7,094,200		7,094,200		7,094,200

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Nursing Care Institution Administrators Board					
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	611,600		611,600		611,600
Occupational Therapy Examiners, Board of					
Occupational Therapy Fund	298,000		298,000		298,000
Opticians, State Board of Dispensing					
Board of Dispensing Opticians Fund	199,700		199,700		199,700
Optometry, State Board of					
Board of Optometry Fund	288,000		288,000		288,000
Osteopathic Examiner in Medicine and Surgery, Arizona Board of					
Board of Osteopathic Examiners in Medicine and Surgery Fund	1,526,100		1,526,100		1,526,100
Parks Board, Arizona State					
Off-Highway Vehicle Recreation Fund	16,700		16,700		16,700
State Parks Store Fund	1,530,200		1,530,200		1,530,200
State Parks Revenue Fund	21,031,600		21,031,600		21,031,600
Total - Arizona State Parks Board	22,578,500	-	22,578,500	-	22,578,500
Personnel Board, State					
Personnel Board Subaccount of the Personnel Division Fund	369,900		369,900		369,900
Pharmacy, Arizona State Board of					
Arizona State Board of Pharmacy Fund	3,804,000		3,804,000		3,804,000
Physical Therapy, Board of					
Board of Physical Therapy Fund	624,400		624,400		624,400
Pioneers' Home, Arizona					
Miners' Hospital for Miners with Disabilities Land Fund	2,897,000		2,897,000		2,897,000
State Charitable Fund	6,263,800		6,263,800		6,263,800
Total - Arizona Pioneers' Home	9,160,800	-	9,160,800	-	9,160,800
Podiatry Examiners, State Board of					
Podiatry Fund	204,200		204,200		204,200

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Private Postsecondary Education, Board for					
Board for Private Postsecondary Education Fund	557,500		557,500		557,500
Psychologist Examiners, State Board of					
Behavior Analyst Licensing and Regulation Account	396,400		396,400		396,400
Board of Psychologist Examiners Fund	476,200		476,200		476,200
Total - State Board of Psychologist Examiners	872,600	-	872,600	-	872,600
Public Safety, Department of					
Arizona Highway Patrol Fund	27,976,400		27,976,400	4,750,000	32,726,400
Border Security fund	10,900,000		10,900,000		10,900,000
Concealed Weapons Permit Fund	3,393,900		3,393,900		3,393,900
Criminal Justice Enhancement Fund	2,964,300		2,964,300		2,964,300
DPS Forensics Fund	22,512,400		22,512,400		22,512,400
Fingerprint Clearance Card Fund	2,046,400		2,046,400		2,046,400
GIITEM Border Security and Law Enforcement Subaccount	2,396,400		2,396,400		2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	968,300		968,300		968,300
Motorcycle Safety Fund	198,900		198,900		198,900
Parity Compensation Fund	4,549,000		4,549,000		4,549,000
Public Safety Equipment Fund	2,894,000		2,894,000		2,894,000
Risk Management Revolving Fund	1,155,200		1,155,200		1,155,200
State Highway Fund	10,000,000		10,000,000		10,000,000
Total - Department of Public Safety	91,955,200	-	91,955,200	4,750,000	96,705,200
Residential Utility Consumer Office					
Residential Utility Consumer Office Revolving Fund	1,951,200		1,951,200		1,951,200

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Respiratory Care Examiners, Board of					
Board of Respiratory Care Examiners Fund	420,500		420,500		420,500
Retirement System, Arizona State					
Long-Term Disability Trust Fund Administration Account	1,800,000		1,800,000		1,800,000
Arizona State Retirement System Administration Account	27,166,100		27,166,100		27,166,100
Total - Arizona State Retirement System	28,966,100	-	28,966,100	-	28,966,100
Revenue, Department of					
Department of Revenue Administrative Fund	27,077,000		27,077,000		27,077,000
Liability Setoff Program Revolving Fund	939,100		939,100		939,100
Tobacco Tax and Health Care Fund	716,700		716,700		716,700
Total - Department of Revenue	28,732,800	-	28,732,800	-	28,732,800
Secretary of State					
Election Systems Improvement Fund	999,500		999,500		999,500
Records Services Fund	1,605,400		1,605,400		1,605,400
Total - Secretary of State	2,604,900	-	2,604,900	-	2,604,900
Technical Registration, State Board of					
Technical Registration Fund	2,735,900		2,735,900		2,735,900
Transportation, Department of					
Air Quality Fund	1,094,000		1,094,000		1,094,000
Department Fleet Operations Fund	27,814,600		27,814,600	400	27,815,000
Highway Damage Recovery Account	7,999,000		7,999,000		7,999,000
Highway User Revenue Fund	842,500		842,500		842,500
Ignition Interlock Device Fund	380,600		380,600		380,600
Motor Vehicle Liability Insurance Enforcement Fund	1,655,600		1,655,600		1,655,600
State Aviation Fund	2,587,400		2,587,400		2,587,400
State Fleet Operations Fund	32,421,400		32,421,400		32,421,400
State Highway Fund	522,493,900		522,493,900	7,600	522,501,500
State Vehicle Replacement Fund	15,351,600		15,351,600		15,351,600
Vehicle Inspection and Certificate of Title Enforcement Fund	1,685,100		1,685,100		1,685,100
Total - Department of Transportation	614,325,700	-	614,325,700	8,000	614,333,700

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
Treasurer, State					
Law Enforcement and Boating Safety Fund	2,183,800		2,183,800		2,183,800
Long-Term Water Augmentation Fund	1,000,000		1,000,000		1,000,000
Peace Officer Training Equipment Fund	-		-		-
Statewide Transportation Innovation Fund			-		-
Advanced Air Mobility Fund			-		-
Statewide Infrastructure Trust Fund			-		-
State Treasurer's Operating Fund	4,379,100		4,379,100		4,379,100
Total - State Treasurer	7,562,900	-	7,562,900	-	7,562,900
Universities					
Arizona State University					
University Collections Fund 1/	856,998,800	50,760,700	907,759,500		907,759,500
Northern Arizona University					
University Collections Fund 1/	131,836,800	(6,386,300)	125,450,500		125,450,500
University of Arizona - Main Campus					
University Collections Fund 1/	368,549,100	75,441,500	443,990,600		443,990,600
University of Arizona - Health Sciences Center					
University Collections Fund 1/	61,522,800	(16,838,800)	44,684,000		44,684,000
Total - Universities	1,418,907,500	102,977,100	1,521,884,600	-	1,521,884,600
Veterans' Services, Department of					
State Homes for Veterans' Trust Fund	60,986,900		60,986,900		60,986,900
Veterinary Medical Examining Board					
Veterinary Medical Examining Board Fund	922,700		922,700		922,700
Water Infrastructure Finance Authority					
Long-Term Water Augmentation Fund	8,000,000		8,000,000		8,000,000
Water Supply Development Fund					
Water Resources, Department of					
Arizona System Conservation Fund					
Assured and Adequate Water Supply Admin Fund	301,300		301,300		301,300
Long-Term Water Augmentation Fund	1,741,100		1,741,100		1,741,100
Water Resources Fund	1,724,900		1,724,900		1,724,900
Water Supply Development Revolving Fund	-		-		-
Total - Department of Water Resources	3,767,300	-	3,767,300	-	3,767,300
OPERATING BUDGET TOTAL	4,975,285,900	89,461,100	5,053,051,800	12,599,200	5,065,651,000

FY 2026 OTHER FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2026 Approps Report August 2025	OF FY 2026 Baseline Changes	OF FY 2026 JLBC Baseline	OF FY 2026 Session Changes 2/	OF FY 2026 Approps Report Updated Total
FY 2026 Adjustments 2/	-		-		-
Prior Year Appropriation Adjustments			-	(5,000,000)	(5,000,000)
FY 2026 Unallocated Health Insurance Adjustments	4,123,600		4,123,600		4,123,600
FY 2026 Unallocated AZ360 Adjustments	(8,400)		(8,400)		(8,400)
FY 2026 Unallocated Rent and COP Adjustments	3,700		3,700		3,700
FY 2026 Unallocated Risk Management Adjustments	5,611,300		5,611,300		5,611,300
FY 2026 Unallocated Fleet Operating Adjustments	510,000		510,000		510,000
FY 2026 Unallocated Retirement Adjustments	(1,373,600)		(1,373,600)		(1,373,600)
FY 2026 Unallocated Salary Adjustments	1,172,200		1,172,200		1,172,200
Capital Outlay - Building Renewal/Projects	593,622,400		593,622,400		593,622,400
GRAND TOTAL	5,578,947,100	89,461,100	5,656,713,000	7,599,200	5,664,312,200

1/ This chart provides a crosswalk between an agency's original appropriation in the FY 2026 Appropriations Report and its final FY 2026 appropriation.

2/ Represents FY 2026 changes enacted by the FY 2027 General Appropriations Act. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

FY 2026 EXPENDITURE AUTHORITY CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

Budget Units	EA FY 2026 Approps Report August 2025	EA FY 2026 Baseline Changes	EA FY 2026 Appropriation	EA FY 2026 Budget Changes	EA FY 2026 Approps Report Updated Total
AHCCCS					
AHCCCS Fund	14,556,355,700		14,556,355,700	317,397,900	14,873,753,600
Arizona Tobacco Litigation Settlement Fund	102,000,000		102,000,000		102,000,000
Delivery System Reform Incentive Payment Fund	24,321,800		24,321,800		24,321,800
Health Care Investment Fund	1,073,199,200		1,073,199,200	217,900	1,073,417,100
Hospital Assessment Fund	622,867,900		622,867,900	25,355,700	648,223,600
Long Term Care System Fund	1,869,102,100		1,869,102,100	54,410,200	1,923,512,300
Nursing Care Facility Provider Assessment Fund	93,066,100		93,066,100		93,066,100
Political Subdivision Funds	441,383,700		441,383,700	78,389,500	519,773,200
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 - Prop. 204 Protection Account	32,340,000		32,340,000	(4,029,400)	28,310,600
Total - AHCCCS	19,423,891,500	-	19,423,891,500	471,741,800	19,895,633,300
Child Safety, Department of					
Child Safety Expenditure Authority	460,799,700		460,799,700		460,799,700
Comprehensive Health Plan Fund	185,133,200		185,133,200		185,133,200
Total - Department of Child Safety	645,932,900	-	645,932,900	-	645,932,900
Economic Security, Department of					
Child Support Enforcement Administration Fund	45,547,500		45,547,500		45,547,500
Health Care Investment Fund	36,148,000		36,148,000		36,148,000
Long Term Care System Fund (Federal Match)	4,547,563,000		4,547,563,000	216,304,700	4,763,867,700
Supplemental Nutrition Assistance Program Fund	-		-		-
Total - Department of Economic Security	4,629,258,500	-	4,629,258,500	216,304,700	4,845,563,200
Education, Department of					
Classroom Site Fund	1,105,372,400		1,105,372,400		1,105,372,400
Education Sales Tax - Basic State Aid	150,380,500		150,380,500		150,380,500
Education Sales Tax - Character Education	200,000		200,000		200,000
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000		1,500,000		1,500,000
Education Sales Tax - School Safety	7,800,000		7,800,000		7,800,000
Instructional Improvement Fund	80,425,700		80,425,700		80,425,700
Total - Department of Education	1,345,678,600	-	1,345,678,600	-	1,345,678,600
FY 2026 Adjustments		582,104,100	582,104,100	(582,104,100)	-
GRAND TOTAL	26,044,761,500	582,104,100	26,626,865,600	105,942,400	26,732,808,000

1/ This chart provides a crosswalk between an agency's original appropriation in the FY 2026 Appropriations Report and its final FY 2026 appropriation.

2/ Represents FY 2026 changes enacted by the FY 2027 General Appropriations Act. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

JLBC STAFF AND AGENCY DIRECTORY

APPROPRIATIONS COMMITTEE MEMBERS
Fifty-seventh Legislature
Second Regular Session

SENATE	HOUSE
David C. Farnsworth, Chairman	David Livingston, Chairman
John Kavanagh, Vice-Chairman	Matt Gress, Vice-Chairman
Lela Alston	Lorena Austin
Hildy Angius	Walt Blackman
Denise "Mitzi" Epstein	Seth Blattman
Brian Fernandez	Lupe Diaz
Mark Finchem	Nancy Gutierrez
Lauren Kuby	Chris Lopez
Vince Leach	Quang Nguyen
Wendy Rogers	Justin Olson
Carine Werner	Tony Rivero
	Mariana Sandoval
	Stephanie Stahl Hamilton
	Stacy Travers
	Kevin Volk
	Michael Way
	Jeff Weninger
	Julie Willoughby

STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

- Director ..... Richard Stavneak
- Deputy Directors ..... Jack Brown
  ..... Patrick Moran
- Chief Economist ..... Hans Olofsson
- Assistant Directors ..... Micaela Larkin Andrews
  ..... Geoffrey Paulsen
- Principal Fiscal Analyst ..... Jordan Johnston
  ..... Maggie Rocker
- Senior Fiscal Analysts ..... Nate Belcher
  ..... Chandler Coiner
  ..... Gordon Robertson
- Senior Economist ..... Ben Newcomb
- Economist ..... Rowdy Roberson
- Fiscal Analysts ..... Brian Belakovsky
  ..... Trevor Malzewski
  ..... Jacob Cross Mayhew
  ..... Destin Moss
  ..... Emmalyn Meyer
  ..... Ethan Scheider
  ..... Grace Timpany
- Senior Administrative Assistant/JLBC Clerk ..... Kristy Paddack
- Administrative Assistant/JCCR Clerk ..... Jennifer Burns

JOINT LEGISLATIVE BUDGET COMMITTE

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 57th Legislature, 2nd Regular Session:

Senator David C. Farnsworth Chairman	Representative David Livingston Vice-Chairman
Senator Lela Alston	Representative Lorena Austin
Senator Brian Fernandez	Representative Seth Blattman
Senator Mark Finchem	Representative Michael Carbone
Senator John Kavanagh	Representative Matt Gress
Senator Lauren Kuby	Representative Justin Olson
Senator J.D. Mesnard	Representative Stephanie Stahl Hamilton
Senator Carine Werner	Representative Michael Way

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 57th Legislature, 2nd Regular Session:

Senator David C. Farnsworth Vice-Chairman	Representative David Livingston Chairman
Senator Lela Alston	Representative Michael Carbone
Senator Mark Finchem	Representative Oscar De Los Santos
Senator John Kavanagh	Representative Matt Gress
Senator Lauren Kuby	Representative Stephanie Stahl-Hamilton
Senator Priya Sundareshan	Representative Stacey Travers
Senator Carine Werner	Representative Michael Way

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.

DIRECTORY OF JLBC ANALYSTS
During the 2026 Regular Session

Accountancy, Arizona State Board of	Jacob Cross Mayhew
Acupuncture Board of Examiners	Brian Belakovsky
Administration, Arizona Department of	Ethan Scheider
ADOA - Automation Projects Fund	Destin Moss
ADOA - Health Insurance Trust Fund	Chandler Coiner
ADOA - School Facilities Division	Gordon Robertson
Administrative Hearings, Office of	Destin Moss
Agriculture, Arizona Department of	Nate Belcher
AHCCCS	Chandler Coiner/ Brian Belakovsky
Arts, Arizona Commission on the	Ethan Scheider
Athletic Training, Board of	Jacob Cross Mayhew
Attorney General - Department of Law	Gordon Robertson
Auditor General	Micaela Andrews
Barbering and Cosmetology Board	Trevor Malzewski
Behavioral Health Examiners, Board of	Brian Belakovsky
Charter Schools, State Board for	Ethan Scheider
Child Safety, Department of	Maggie Rocker
Chiropractic Examiners, State Board of	Trevor Malzewski
Citizens Clean Elections Commission	Micaela Andrews
Commerce Authority, Arizona	Nate Belcher
Community Colleges, Arizona	Ethan Scheider
Constable Ethics Standards and Training Bd	Destin Moss
Contractors, Registrar of	Trevor Malzewski
Corporation Commission	Jacob Cross Mayhew
Corrections, State Department of	Jordan Johnston
Criminal Justice Commission, AZ	Ethan Scheider
Deaf and the Blind, AZ State Schools for the	Ethan Scheider
Deaf and the Hard of Hearing, Commission	Brian Belakovsky
Dental Examiners, State Board of	Brian Belakovsky
Early Childhood Development & Health Board	Grace Timpany
Economic Opportunity, Office of	Ethan Scheider
Economic Security, Department of	Chandler Coiner/ Grace Timpany/ Brian Belakovsky
Education, State Board of	Gordon Robertson
Education, Department of	Patrick Moran/ Gordon Robertson
Emergency and Military Affairs, Dept of	Destin Moss
Environmental Quality, Department of	Trevor Malzewski
Equal Opportunity, Governor's Office of	Ethan Scheider
Equalization, State Board of	Ethan Scheider
Executive Clemency, Board of	Ethan Scheider
Exposition & State Fair Board, AZ	Nate Belcher
Forestry and Fire Management, AZ Dept of	Nate Belcher
Game and Fish Department, Arizona	Nate Belcher
Gaming, Department of	Ben Newcomb
Governor, Office of the	Geoffrey Paulsen
Gov's Office Strategic Planning. & Budgeting.	Geoffrey Paulsen
Health Services, Department of	Maggie Rocker
Historical Society, Arizona	Micaela Andrews
Historical Society of AZ, Prescott	Micaela Andrews
Homeland Security, AZ Department of	Destin Moss
Homeopathic & Integrated Med, Bd. of	Trevor Malzewski
House of Representatives	Micaela Andrews
Housing, AZ Department of	Grace Timpany
Independent Correctional Oversight Office	Geoffrey Paulsen
Independent Redistricting Commission	Micaela Andrews
Industrial Commission of Arizona	Ethan Scheider
Insurance and Financial Institutions, Dept	Destin Moss
Joint Legislative Budget Committee	Micaela Andrews
Judiciary	Ethan Scheider
Juvenile Corrections, Department of	Ethan Scheider
Land Department, State	Trevor Malzewski
Legislative Council	Micaela Andrews
Liquor Licenses & Control, Department of	Nate Belcher
Lottery Commission, Arizona State	Ben Newcomb
Massage Therapy, Board of	Trevor Malzewski
Medical Board, Arizona	Brian Belakovsky
Mine Inspector, State	Nate Belcher
Natural Resource Conservation Bd	Trevor Malzewski
Naturopathic Physicians Medical Board.	Trevor Malzewski
Navigable Stream Adjudication Comm	Nate Belcher
Nursing, State Board of	Brian Belakovsky
Nursing Care Institution Admin,. Bd of	Brian Belakovsky
Occupational Therapy Examiners, Bd of	Trevor Malzewski
Ombudsman-Citizens Aide Office	Micaela Andrews
Opticians, State Board of Dispensing	Brian Belakovsky
Optometry, State Board of	Brian Belakovsky
Osteopathic Examiners, Bd. Of	Trevor Malzewski
Parks Board, Arizona State	Nate Belcher
Personnel Board, State	Ethan Scheider
Pharmacy, AZ State Board of	Trevor Malzewski
Physical Therapy, Board of	Jacob Cross Mayhew
Pioneers' Home, Arizona	Destin Moss
Podiatry Examiners, State Board of	Jacob Cross Mayhew
Power Authority, Arizona	Destin Moss
Private Postsecondary Education, Bd. For	Jacob Cross Mayhew
Psychologist Examiners, State Board of	Jacob Cross Mayhew
Public Safety, Department of	Jordan Johnston
Public Safety Personnel Retirement System	Jacob Cross Mayhew
Real Estate Department, State	Destin Moss
Residential Utility Consumer Office	Jacob Cross Mayhew
Respiratory Care Examiners, Board of	Jacob Cross Mayhew
Retirement System, Arizona State	Jacob Cross Mayhew
Revenue, Department of	Jacob Cross Mayhew
Secretary of State, Department of State	Micaela Andrews
Senate	Micaela Andrews
Tax Appeals, State Board of	Jacob Cross Mayhew
Technical Registration, State Board of	Jacob Cross Mayhew
Tourism, Office of	Nate Belcher
Transportation, Department of	Jordan Johnston/ Trevor Malzewski
Treasurer, State	Destin Moss
Tribal Relations, Governor's Office on	Ethan Scheider
Universities	
Regents, Arizona Board of	Grace Timpany
Arizona State University	Grace Timpany
Northern Arizona University	Ethan Scheider
University of Arizona - Main Campus	Ethan Scheider
UA - Health Sciences Center	Ethan Scheider
Veterans' Services, Department of	Brian Belakovsky
Veterinary Med Exam Board, AZ. State	Trevor Malzewski
Water Infrastructure Finance Authority	Micaela Andrews
Water Resources, Department of	Micaela Andrews

Other Assignments

Economic and Revenue Forecast	Hans Olofsson
Fiscal Note Manager	Patrick Moran