

FY 2027 STATE GENERAL FUND BASELINE SUMMARY

Revised FY 2026 General Fund Budget

- The enacted FY 2026 budget projected FY 2026 General Fund revenues of \$17.8 billion. With \$17.6 billion in projected General Fund spending, the cash balance was estimated to be \$199.8 million at the end of FY 2026.
- The Baseline revises FY 2026 General Fund revenue projections upward to \$18.5 billion, or \$692.4 million above the enacted budget.
- Due to changes in statutory funding formula requirements and other factors, FY 2026 spending is expected to increase to \$17.8 billion, or an increase of \$219.1 million above the original FY 2026 budget.
- Based on these assumptions, the ending FY 2026 cash balance is now estimated to be \$673.1 million.

FY 2027 General Fund Revenues

- The January Baseline is based on FY 2027 General Fund revenues of \$18.3 billion, a decrease of \$(168.4) million below FY 2026. The primary component of this adjustment is a 3.6%, or \$662 million, increase in ongoing revenues above FY 2026, offset by a \$(715) million decrease in one-time revenues primarily attributable to a lower balance forward in FY 2027.
- The General Fund base revenue estimates are a product of the JLBC Staff's 4-sector forecast process, which equally weights the projections for major revenue categories of 2 University of Arizona econometric models, the consensus of the private and public sector economists on the Finance Advisory Committee, and the JLBC Staff.

FY 2027 General Fund Spending

- FY 2027 General Fund Baseline spending is projected to be \$17.6 billion compared to \$17.8 billion in FY 2026, or a decrease of (1.0)% based on the following assumptions:
 - ⇒ A \$858 million increase in ongoing spending primarily due to formula spending adjustments and other changes as part of the FY 2026 3-year budget plan.
 - ⇒ A \$(1.0) billion decrease in one-time spending.
- The January Baseline FY 2027 spending estimates essentially reflect changes in the cost of statutory funding formulas as well as any adjustments required by the FY 2026 3-year budget plan. The main drivers of FY 2027 General Fund spending are delineated below by function of government.

General Fund and Budget Stabilization Fund Balances

- Based on \$18.3 billion in projected revenues and \$17.6 billion in projected spending, the Baseline estimates an ending FY 2027 cash balance of \$675 million.
- Apart from the General Fund, the Budget Stabilization Fund will have an estimated balance of \$1.7 billion in FY 2027.

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 \$19.1 billion compared to FY 2028 spending of \$18.5 billion. This would result in a cash balance of \$578 million in FY 2028.
- FY 2029 revenues are projected to be \$19.8 billion compared to FY 2029 spending of \$19.0 billion. This would result in a cash balance of \$770 million in FY 2029.

FY 2027 STATE GENERAL FUND BASELINE SUMMARY

Education

Department of Education (ADE)

- ADE General Fund spending increases by \$193.9 million, or 2.3% above the FY 2026 appropriation, including:
 - ⇒ \$47.2 million for a prior year rebase due to higher-than-budgeted expenses for FY 2026 Basic State Aid, including:
 - \$(12.6) million decreased state aid costs for public schools, due to decreased enrollment trends and other formula adjustments.
 - \$59.8 million for increased Empowerment Scholarship Account (ESA) awards in FY 2026.
 - ⇒ \$(63.3) million for FY 2027 public school enrollment declines. Total unweighted public school Average Daily Membership (ADM) is projected to decline by an estimated (1.6)% to reach a level of 1,042,100 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 12,000 above estimated FY 2026 enrollment of 101,602.
 - ⇒ \$171.7 million for a 2.0% statutory inflation adjustment of funding levels for the per pupil base level, transportation, and charter additional assistance.
 - ⇒ \$(32.0) million in net savings due to property tax growth from new construction, offset by increased Homeowner's Rebate expenses.
 - ⇒ \$(37.0) million to remove one-time funding for a supplement to the Free and Reduced Price Lunch (FRPL) Group B weight. Under the FY 2025 3-year budget plan, this funding is restored as ongoing in FY 2028.
 - ⇒ \$(29.0) million to remove one-time funding for a supplement to Additional Assistance. Under the FY 2025 3-year budget plan, this funding is restored as ongoing in FY 2028.
 - ⇒ \$(17.9) million to remove all other one-time funding.
 - ⇒ The Baseline includes a General Fund supplemental appropriation of \$47.2 million in FY 2026 for higher-than-budget Basic State Aid costs, as outlined above.

Arizona Department of Administration/School Facilities Division (SFD)

- SFD General Fund spending decreases by \$(191.8) million, or (54.3)%, including:
 - ⇒ \$(7.7) million for a net one-time decrease in new school construction costs. The Baseline funds a total of \$132.9 million to complete 3 FY 2026 schools and an adjustment for a previously-approved Agua Fria Union High School.
 - ⇒ \$(183.3) million for a decrease in one-time building renewal monies.

Universities

- University General Fund spending decreases by \$(21.6) million, or (2.2)%, to remove one-time funding and other technical 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 \$4.1 million, or 3.9%, for formula adjustments.
- 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 BASELINE SUMMARY

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$328.6 million, or 12.6%, including:
 - ⇒ \$183.1 million for formula adjustments, including an (8.9)% enrollment decline in FY 2026 and flat enrollment in FY 2027 plus 14.4% inflation in capitation payments in FY 2026 and 3.0% in FY 2027.
 - ⇒ \$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.
 - ⇒ \$(4.5) million to remove one-time funding.
- The Baseline includes a supplemental of \$64.5 million in FY 2026 for higher-than-budget capitation adjustments partially offset by lower-than-budgeted caseloads.
- AHCCCS enrollment is projected to be 1.68 million recipients by June 2027. This level represents essentially no change from June 2026 but a (164,000) decrease, or (8.9)%, from June 2025.

Department of Child Safety (DCS)

- DCS General Fund spending decreases by \$(38.3) million, or (7.8)%, to remove one-time funding.

Department of Economic Security (DES)

- DES General Fund spending increases by \$191.2 million, or 10.1%, including:
 - ⇒ \$286.3 million for Developmental Disabilities (DD) formula adjustments, including:
 - \$126.5 million for 8.5% inflation in capitation payments in FY 2026.
 - \$159.8 million for 6.8% caseload growth in FY 2026 and 5.0% in FY 2027 plus 3.0% inflation in FY 2027 capitation payments.
 - ⇒ \$32.7 million for a federally-required administrative cost shift within the Supplemental Nutrition Assistance Program (SNAP).
 - ⇒ \$(127.9) million to remove one-time funding.
- The Baseline includes a supplemental of \$96.8 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.

Department of Health Services (DHS)

- DHS General Fund spending decreases by a net of \$(8.9) million to remove one-time adjustments.

Criminal Justice/Public Safety

Department of Corrections (ADC)

- ADC General Fund spending decreases by \$(30.3) million, or (1.9)% to remove one-time funding including \$(20.8) million for a one-time Correctional Office bonus.
- The systemwide November 2025 prison population was 34,958, a decrease of (596) or (1.7)% below November 2024.

Judiciary

- Judiciary General Fund spending increases by \$274,800, or 0.2%, including:
 - ⇒ \$1.1 million for full implementation of a 2-year phase in of judicial salary increases approved in the FY 2025 budget.
 - ⇒ \$(860,000) to remove one-time funding.

FY 2027 STATE GENERAL FUND BASELINE SUMMARY

Department of Public Safety (DPS)

- DPS General Fund spending decreases by \$(18.4) million, or (5.9)%, to remove one-time funding.

Natural Resources

Department of Environmental Quality (DEQ)

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

General Government

ADOA – Automation Projects Fund (APF)

- APF General Fund spending increases by \$8.8 million, or 233.3% including:
 - ⇒ \$(3.8) million to remove one-time funding.
 - ⇒ \$12.5 million to resume funding for a multi-year project to replace the Department of Revenue tax IT system.

State Employees

- The Baseline increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 332.5 FTE Positions in FY 2027. This amount consists of a reduction of (54.5) previously authorized FTE Positions and an increase of 387 appropriated FTE Positions shifted from non-appropriated federal funds.
- These adjustments would bring the total FTE Position ceiling to 55,252.0 in FY 2027.
- The Baseline includes a decrease of \$(194.9) million General Fund and \$(50.0) million Other Funds for the removal of a one-time FY 2026 state employee health insurance subsidy. The Baseline continues the regular base employer funding of \$639.3 million.

Capital

- The Baseline includes \$48.2 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 Baseline includes the following 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.
 - ⇒ \$25.0 million in FY 2028 for a Northwest Arizona Veterans' Home.

Debt

- At the end of FY 2027, the state's projected level of lease-purchase and bonding capital obligations will be \$5.6 billion, including \$732 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.

FY 2027 STATE GENERAL FUND BASELINE SUMMARY

H.R. 1

- H.R. 1, previously known as the One Big Beautiful Bill, was signed into law on July 4, 2025. The Baseline includes the following provisions to comport with mandatory provisions included in H.R. 1. At the discretion of the Legislature, the FY 2027 budget may include additional non-mandatory provisions included in the federal bill, such as conformity with various individual and business tax changes. The General Fund cost of each of the provisions below is included in the summaries of General Fund changes by agency above.
 - ⇒ **AHCCCS** – The Baseline includes \$(15.4) million for caseload reductions attributable to enhanced Medicaid eligibility requirements imposed by H.R. 1.
 - ⇒ **DES SNAP Administrative Costs** – The Baseline includes \$32.7 million for increased administrative expenses for the Supplemental Nutrition Assistance Program (SNAP). H.R. 1 increases the state share of SNAP administrative costs from 50% to 75% beginning in FY 2027.
 - ⇒ **DES SNAP Benefit Costs** – The Baseline includes \$138.7 million in FY 2028 to reflect the first 9 months of the SNAP benefit cost shift under H.R. 1, based on an estimated 10% state match. This cost amount would annualize to a total of \$185.0 million in FY 2029. H.R. 1 requires states to begin to pay a percentage of SNAP benefit costs if their error rate in administering the program is at 6% or above, with the state share increasing the further the error rate exceeds 6%. Assuming Arizona's error rate remains at the FY 2024 level of 8.84%, the state would realize a match requirement of 10% under H.R. 1.