

FY 2027 BUDGET RECONCILIATION BILL PROVISIONS

The Baseline includes the enactment of statutory changes associated with its funding amount. The following provisions would be grouped by subject into Budget Reconciliation Bills (BRBs).

Statewide

1. As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
2. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund (BSF) through FY 2029. Also, notwithstands the 10% BSF cap for FY 2027.
3. 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.

AHCCCS

Rates and Services

4. 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.
5. 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.

Counties

6. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations.
7. As session law, sets the FY 2027 County Acute Care contribution at \$42,447,600.
8. 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.
9. As session law, sets the FY 2027 county Arizona Long Term Care System (ALTCs) contributions at \$450,136,800.

Hospitals

10. 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.
11. 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.
12. 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.

Available Funding

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

FY 2027 BUDGET RECONCILIATION BILL PROVISIONS

Arizona Community Colleges

14. As session law, continues to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2027 for only Maricopa and Pima Counties.
15. As session law, continues to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriation Act, which effectively means suspending the inflation adjustment in FY 2027 for all community college districts.

Counties and Cities & Towns

16. As session law, continues to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2027, up to \$1,250,000 of county revenue for each county. The Baseline would continue to require counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2026.

Department of Economic Security

17. As permanent law, establishes the Supplemental Nutrition Assistance Program (SNAP) Fund as an expenditure authority fund used to house the federal share of the administrative and benefit costs of SNAP.
18. As session law, continues to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs.

Department of Education

Formula Requirements

19. 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.
20. 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

21. 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.
22. As session law, continue to notwithstanding 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.

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.
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.

FY 2027 BUDGET RECONCILIATION BILL PROVISIONS

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.

Department of Gaming

26. As session law, continues to set the Regulatory Wagering Assessment at 0.5% in FY 2027 only.
27. As session law, changes the requirement that racehorses need to receive “gate approval” every 30 days to every 60 days in 2026 and 2027. “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.

Department of Health Services

28. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.

Arizona Navigable Stream Adjudication Commission

29. As session law, continues to allow use of the Water Banking Fund for the commission’s legal obligations.

Department of Revenue

30. As session law, continues to stipulate legislative intent 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 \$6,286,300 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.
31. As permanent law, extend the end date of the IT charge for the new tax modernization system from FY 2028 to FY 2029 since the charge was suspended for FY 2026.
32. 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.
33. As session law, continues to stipulate legislative intent 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 \$169,800 and \$762,300, respectively, in FY 2027.

Universities

34. As session law, continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT).

Department of Water Resources

35. 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.

FY 2027 BUDGET RECONCILIATION BILL PROVISIONS