

## **FY 2025 STATE GENERAL FUND BUDGET SUMMARY**

The FY 2025 budget is based primarily upon the actions of the 56th Legislature's 2nd Regular Session. On June 18, 2024, the Governor signed into law the FY 2025 General Appropriation Act for the fiscal year beginning July 1, 2024 as well as 14 other budget-related bills. As of January 2024, there were projected shortfalls in both the FY 2024 and FY 2025 budgets.

### **Resolving the FY 2024 Budget Shortfall**

As of January 2024, the FY 2024 General Fund budget had a projected shortfall of \$(835) million. During the 2024 legislative session, the Legislature and Governor addressed the shortfall with \$1.47 billion of net budget "solutions" in June 2024. These revisions to the original FY 2024 budget included:

- \$104 million of capital spending reductions.
- \$85 million of transportation spending reductions.
- \$175 million of prior-year non-lapsing funding reductions.
- \$60 million of operating one-time spending reductions.
- \$150 million of additional base revenue, primarily based on the revised April 2024 revenue forecast.
- \$843 million of transfers to the General Fund from other state funds.
- \$57 million of other changes, including changes to technical budget assumptions (such as "revertments" which are appropriations that go unspent).

With a \$(835) million projected shortfall and \$1.47 billion of net budget solutions, the revised FY 2024 budget had a projected ending balance of approximately \$639 million.

### **Resolving the FY 2025 Budget Shortfall**

As of January 2024, the FY 2025 General Fund budget had a projected shortfall of \$(879) million. Besides resolving the FY 2024 shortfall in the legislative session, the Legislature and Governor addressed the FY 2025 shortfall with \$975 million of net budget "solutions:"

- \$180 million of additional base revenue, primarily based on the revised April revenue forecast.
- \$36 million of additional statutory revenue changes, primarily the Corporate STO income tax credit cap.
- \$32 million of transfers to the General Fund from other state funds.
- \$165 million of savings primarily associated with the use of Opioid Settlement monies in the Department of Corrections (ADC) and Hospital Assessment funds in AHCCCS.
- \$333 million from eliminating the planned FY 2025 General Fund deposit to the Long Term Water Augmentation Fund.
- \$40 million of savings from a 3.5% lump sum reduction in discretionary spending across most state agencies.
- \$288 million of other targeted spending reductions.
- \$(738) million increase in the shortfall due to upward spending adjustments to the JLBC Baseline, including \$188 million for prison health care, \$183 million to continue one-time spending for School Facilities Building Renewal and \$140 million to continue the additional General Fund subsidy of state employee health insurance.
- \$639 million in a higher carryforward from FY 2024 into FY 2025 due to adjustments in the FY 2024 budget to resolve a shortfall in that year. The resolution of the FY 2024 shortfall is discussed above.

With a \$(879) million projected shortfall and \$975 million of net budget solutions, the FY 2025 budget has a projected ending balance of \$96 million.

### **FY 2025 General Fund Revenues**

The enacted budget has projected total General Fund revenue of \$16.28 billion and includes the following:

- A 3.0% change in base ongoing revenue, which is primarily based on the April revenue forecast.
- A revenue gain of \$31.7 million by setting the aggregate cap of the Student Tuition Organization (STO) Corporate Income Tax Credit at \$135.0 million.

The April revenue estimates were based on a 4-sector forecast that equally weights the projections 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 2025 General Fund Spending**

- FY 2025 General Fund spending is projected to be \$16.18 billion compared to \$17.28 billion in FY 2024, or a decrease of (6.3)%.
- The entire FY 2025 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$66.30 billion.

### **Budget Stabilization Fund Balance**

- Apart from the General Fund, the Budget Stabilization Fund will have an estimated balance of \$1.5 billion in FY 2025.

### **Long Term Projections**

State law requires that the General Appropriation Act delineate the revenue and statutory expenditure estimates for the budget year and the following 2 years:

- FY 2026 revenues are projected to be \$16.46 billion compared to FY 2026 spending of \$16.44 billion. This would result in a cash balance of \$20.0 million in FY 2026.
- FY 2027 revenues are projected to be \$17.14 billion compared to FY 2027 spending of \$17.13 billion. This would result in a cash balance of \$7.0 million in FY 2027.

### **Summary of Selected Agencies**

Table 1 below summarizes the changes in General Fund monies appropriated to selected agencies in FY 2025, as well as the total FY 2025 General Fund appropriation for each of these agencies:

<b>Table 1</b>		
<b>Change in General Fund Appropriations for Major Agencies (in millions)</b>		
<b>Agency</b>	<b>FY 25 GF Appropriation Over FY 24</b>	<b>FY 25 Total GF Appropriations</b>
Department of Education	\$(66.9)	\$7,676.7
Arizona Health Care Cost Containment System	194.3	2,669.7
Department of Corrections	116.8	1,537.4
Department of Economic Security	133.1	1,344.5
Universities	(62.2)	970.0
Department of Child Safety	(41.9)	458.1
ADOA - School Facilities Division	(36.1)	320.9
Department of Public Safety	(101.7)	264.5
All Others	(1,227.7)	941.7
<b>Total</b>	<b>\$(1,092.3)</b>	<b>\$16,183.5</b>