

## **STATUTORY FUNDING FORMULA AND LEASE-PURCHASE COSTS**

A majority of General Fund expenditures are determined by statutory funding formulas. These formula items are those that would require a change in permanent statute to spend at a level other than determined by current law.

The attachment displays all the major programs that have their funding determined by some type of statutory funding formula. Most of this spending consists of the Medicaid state match in the AHCCCS and Department of Economic Security budgets, along with K-12 Education formula funding. In total, funding formula spending makes up approximately \$8.4 billion of the state budget in FY 2022, or about 64.9% of total General Fund spending. While this percentage has historically been higher, statutory funding costs were lower in FY 2022 due to the enhanced federal match rate associated with the federal Families First Coronavirus Response Act.

Laws 1995, Chapter 196 added language to many formula programs to clarify that the Legislature is under no obligation to fund the programs beyond the original appropriation. Specifically, Chapter 196 added a general provision (A.R.S. § 1-254) that no statute may be construed as a requirement for the expenditure of state monies in excess of a specific legislative appropriation. It then added this same language to specific programs, such as AHCCCS, Community Colleges operating state aid, several programs within the Department of Economic Security, and K-12 funding formulas. The Chapter 196 language has yet to be used to cap any spending program at its appropriated level.

The state is also obligated to make annual payments under certain lease-purchase agreements. These payments represent 0.9% of General Fund expenditures.

In combination, statutory funding formulas and lease-purchase costs represent 65.9% of General Fund expenditures.

JLBC Staff  
September 9, 2021

**Statutory Funding Formula and Lease-Purchase  
General Fund Expenditures**

<u>Agency</u>	<u>FY 2022</u>	<u>Comments</u>
AHCCCS		
- Traditional Medicaid State Match	1,248,964,700	Excludes Administration, Disproportionate Share, Critical Access and Rural Hospital Reimbursement
- Proposition 204 State Match	128,667,600	Represents General Fund for behavioral health. Acute Care funded by Hospital Assessment
- Title 21 (KidsCare) State Match	27,077,200	
- Adult Expansion State Match	16,643,500	Acute Care funded by Hospital Assessment
- Comprehensive Medical and Dental Program	58,514,400	
- ALTCS	236,054,400	
- Behavioral Health Services in Schools	3,000,000	
Attorney General	85,000	Military Airport Planning
Commerce Authority		
- Authority Withholding Tax Allocation	10,000,000	
- Arizona Competes Fund	5,500,000	
Community Colleges		
- Operating State Aid	15,281,400	
- Equalization Aid	35,906,200	
- STEM and Workforce Programs State Aid	6,549,900	
- Rural County Allocation	4,337,300	
- Tribal Community Colleges	2,856,100	
Economic Security, Dept. of	696,892,700	Medicaid Long-Term Care State Match. Excludes Agency Administration.
Education, Dept. of		
- Basic State Aid	5,225,962,000	Includes State Aid Supplement
- Additional State Aid	460,630,300	
- Results-Based Funding	68,600,000	
- Special Education Vouchers	36,029,200	
- English Language Learner	11,477,300	English Language Learner Administration and Structured English Immersion Fund
- Other State Aid to Districts	983,900	
Emergency & Military Affairs, Dept. of		
- Governor's Emergency Fund	4,000,000	
- Military Airport Planning	90,000	
Forestry and Fire Management, Dept. of	3,000,000	Wildfire Suppression Statutory Appropriation
Judiciary	31,125,900	State pays Supreme Court, Court of Appeals and 50% of Superior Court salaries. Includes benefits (ERE).
Public Safety Personnel Retirement System	5,000,000	Allocation to the closed Elected Officials' Retirement Plan (EORP)
Rio Nuevo	16,000,000	
Secretary of State	0	Elections Funding (no election in FY 2022)

<u>Agency</u>	<u>FY 2022</u>	<u>Comments</u>
State Treasurer	1,205,100	Justice of the Peace salaries - State pays 19.25% of non-Maricopa JP salaries
Universities	10,041,200	Arizona Financial Aid Trust
Constitutional Officer Salaries	4,871,200	Includes Benefits (ERE)
<b>TOTAL GENERAL FUND STATUTORY FORMULA EXPENDITURES</b>	<b>8,375,346,500</b>	Represents 64.9% of General Fund Expenditures
Lease-Purchase and Debt Financing		
- Department of Administration	2,876,000	2015 PLTO Refinance - Capitol Mall
- Department of Corrections	15,968,000	2008A Issuance - 4,000 Prison Beds, Water and Wastewater Projects; 2013B Refinance - Prisons; 2015 Refinance - 2008A ADC
- Department of Health Services	5,254,600	2008A Issuance - DHS Forensic Hospital; 2013A Refinance - DHS Main Building; 2015 Refinance - 2008A DHS
- Phoenix Convention Center	24,498,500	
- School Facilities Board	9,938,100	SFB New School Construction Federal Bonds
- Universities	61,112,600	Research Infrastructure Payment and \$1 Billion Bonding Appropriation
<b>TOTAL LEASE-PURCHASE AND DEBT FINANCING</b>	<b>119,647,800</b>	Represents 0.9% of General Fund Expenditures
<b>TOTAL STATUTORY FORMULA / LEASE-PURCHASE AND DEBT</b>	<b>8,494,994,300</b>	
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>12,898,733,700</b>	Total General Fund spending excluding revertsments and administrative adjustments
<b>PERCENT STATUTORY FORMULA / LEASE-PURCHASE AND DEBT</b>	<b>65.9%</b>	