

**FY 2021
Baseline Book**

January 2020

JLBC

FY 2021 BASELINE BOOK

TABLE OF CONTENTS

Page

SUMMARY

• FY 2021 Baseline Summary	S-1
• Statement of General Fund Revenues and Expenditures Prior to Targets.....	S-6
• Statement of General Fund Revenues and Expenditures With Targets	S-7
• Summary of Ongoing General Fund by Agency.....	S-8
• Summary of One-Time General Fund Spending	S-10
• FY 2021 Funding Formula Suspensions	S-12
• Summary of FY 2021 Baseline Revenue and Spending Assumptions	S-13
• FY 2021 General Fund Summary by Agency.....	S-17
• FY 2021 Other Appropriated Funds Summary by Agency	S-19
• General Fund - Detailed List of FY 2021 Changes by Agency	S-26
• Other Funds - Detailed List of FY 2021 Changes by Agency	S-31
• FY 2020 Supplementals	S-36
• Summary of Federal and Other Non-Appropriated Fund Expenditures	S-37
• Previously Enacted Appropriations FY 2021 and Beyond.....	S-49
• State Personnel Summary by Full-Time Equivalent Positions	S-52
• FY 2021 Budget Reconciliation Bill Provisions	S-54
• FY 2021 General Appropriation Act Provisions	S-57
• FY 2021 Major Footnote Changes	S-58

INDIVIDUAL AGENCY INDEX (See Next Page)

CAPITAL OUTLAY ESTIMATES	465
--------------------------------	-----

REVENUE FORECAST

• General Fund Revenue	491
• Budget Stabilization Fund.....	503

CONSOLIDATED RETIREMENT REPORT	507
--------------------------------------	-----

TECHNICAL BUDGET ASSUMPTIONS	509
------------------------------------	-----

JLBC STAFF AND AGENCY DIRECTORY LISTINGS	515
--	-----

Prepared By

THE STAFF OF THE JOINT LEGISLATIVE BUDGET COMMITTEE

1716 West Adams Street
Phoenix, Arizona 85007
Phone: (602) 926-5491

E-mail: jlbcwebmaster@azleg.gov
JLBC Website: <http://www.azleg.gov>

ALPHABETICAL INDEX OF STATE AGENCIES

<u>Page No.</u>	<u>Page No.</u>		
Accountancy, Arizona State Board of	1	Insurance, Department of	268
Acupuncture Board of Examiners	2	Insurance and Financial Institutions, Department of	271
Administration, Arizona Department of	3	Joint Legislative Budget Committee	303
Administration, Arizona Department of -		Judiciary	
Automation Projects Fund	16	Supreme Court	274
Administrative Hearings, Office of	25	Court of Appeals	280
African-American Affairs, Arizona Commission of	26	Superior Court	281
Agriculture, Arizona Department of	27	Juvenile Corrections, Department of	290
AHCCCS	35	Land Department, State	294
Arts, Arizona Commission on the	58	Legislative Council	304
Athletic Training, Board of	60	Liquor Licenses and Control, Department of	306
Attorney General - Department of Law	61	Lottery Commission, Arizona State	309
Auditor General	300	Massage Therapy, Board of	315
Automobile Theft Authority	71	Medical Board, Arizona	316
Barbers, Board of	73	Mine Inspector, State	318
Behavioral Health Examiners, Board of	74	Naturopathic Physicians Medical Board	320
Capital Budget	465	Navigable Stream Adjudication Commission, Arizona	321
Charter Schools, State Board for	75	Nursing, State Board of	323
Child Safety, Department of	77	Nursing Care Institution Administrators and Assisted Living	
Chiropractic Examiners, State Board of	89	Facility Managers, Board of Examiners of	325
Citizens Clean Elections Commission	90	Occupational Therapy Examiners, Board of	326
Commerce Authority, Arizona	91	Opticians, State Board of Dispensing	327
Community Colleges, Arizona	96	Optometry, State Board of	328
Constable Ethics Standards and Training Board	104	Osteopathic Examiners in Medicine and Surgery, Arizona	
Contractors, Registrar of	105	Board of	329
Corporation Commission	107	Parents Comm. on Drug Education and Prevention, Arizona	330
Corrections, State Department of	110	Parks Board, Arizona State	331
Cosmetology, Board of	120	Personnel Board, State	337
County Funding	122	Pharmacy, Arizona State Board of	339
Criminal Justice Commission, Arizona	125	Physical Therapy, Board of	341
Deaf and the Blind, Arizona State Schools for the	129	Pioneers' Home, Arizona	342
Deaf and the Hard of Hearing, Commission for the	134	Podiatry Examiners, State Board of	345
Dental Examiners, State Board of	136	Postsecondary Education, Commission for	346
Early Childhood Development and Health Board, Arizona ...	137	Power Authority, Arizona	350
Economic Opportunity, Office of	139	Private Postsecondary Education, State Board for	351
Economic Security, Department of	145	Psychologist Examiners, State Board of	353
Education, State Board of	163	Public Safety, Department of	354
Education, Department of	164	Public Safety Personnel Retirement System	370
Emergency and Military Affairs, Department of	194	Real Estate Department, State	372
Environmental Quality, Department of	199	Residential Utility Consumer Office	374
Equal Opportunity, Governor's Office of	207	Respiratory Care Examiners, Board of	375
Equalization, State Board of	208	Retirement System, Arizona State	376
Executive Clemency, Board of	209	Revenue, Department of	378
Exposition and State Fair Board, Arizona	211	School Facilities Board	384
Financial Institutions, Department of	213	Secretary of State, Department of State	392
Forestry and Fire Management, Arizona Department of	216	Senate	305
Funeral Directors and Embalmers, State Board of	221	Tax Appeals, State Board of	398
Game and Fish Department, Arizona	222	Technical Registration, State Board of	399
Gaming, Department of	229	Tourism, Office of	401
Governor, Office of the	235	Transportation, Department of	403
Governor's Office of Strategic Planning and Budgeting	237	Treasurer, State	414
Health Services, Department of	238	Tribal Relations, Governor's Office on	418
Historical Society, Arizona	255	Universities	
Historical Society of Arizona, Prescott	258	Regents, Arizona Board of	419
Homeland Security, Arizona Department of	259	Arizona State University	428
Homeopathic and Integrated Medicine Examiners, Bd. of ...	260	Northern Arizona University	434
House of Representatives	302	University of Arizona - Main Campus	440
Housing, Arizona Department of	261	University of Arizona - Health Sciences Center	447
Independent Redistricting Commission	265	Veterans' Services, Department of	451
Industrial Commission of Arizona	266	Veterinary Medical Examining Board, Arizona State	455
		Water Resources, Department of	456

FY 2021 BASELINE SUMMARY

Overview

The FY 2021 Baseline provides an estimate of the state’s General Fund balances. The revenue projections reflect a consensus economic forecast while the spending estimates represent active funding formula requirements and other obligations. The Baseline does not represent a budget proposal, but an estimate of available resources after statutory requirements.

The JLBC Baseline parameters are as follows:

- Total FY 2021 General Fund revenue is projected to be \$12.57 billion. Ongoing revenues are forecast to grow by \$505 million, or 4.1%, above FY 2020. After adjusting these estimates for changes in one-time monies and Urban Revenue Sharing, however, total revenue growth would be just \$26 million, or 0.2% above FY 2020.
- In comparison, FY 2021 Baseline formula spending is projected to be \$11.53 billion. This amount reflects a \$(368) million, or (3.1)%, decrease in expenditures below FY 2020. While ongoing spending would increase by \$570 million above FY 2020, that is offset by a \$(938) million decrease in one-time spending.
- The projected FY 2021 cash balance is \$1.04 billion. This amount is in addition to more than \$1 billion available in the Budget Stabilization Fund (BSF) by the end of FY 2021.
- Under the Baseline projections, the Legislature would have the ability to dedicate \$300 million of the \$1.04 billion Baseline balance to ongoing initiatives without creating a shortfall through the 3-year planning period.
- The JLBC Staff recommends setting aside at least \$50 million for a cash balance each year.
- The remaining \$685 million of the Baseline balance would be available for one-time initiatives.

These estimates overstate the level of available resources in the FY 2021 budget in part because the Baseline eliminates \$1.06 billion of spending that was labeled as "one-time" in the FY 2020 budget. While much of that spending appears to be legitimately one-time, such as the deposit of \$271 million into the Budget Stabilization Fund and the use of \$190 million to pay off a 2010 debt issuance, some may be less one-time in nature. Of the \$1.06 billion, \$117 million is for spending that has been included as one-time spending in multiple years' budgets (*see Table 1*). There may be legislative interest in retaining some of this spending, as well as in other new discretionary spending or tax decreases.

Table 1
Multiple-Year One-Time Initiatives

	\$ in M
SFB Building Renewal	63
Universities	35
State Employee Health	11
Maricopa/Pima DJC Offset	8
Total	117

FY 2020

The FY 2020 budget is currently projected to have a \$643 million balance, an increase of \$578 million from the original budget estimate of a \$65 million balance. Total revenues, including the beginning balance, are forecast to be \$12.55 billion compared to spending of \$11.90 billion. The net \$578 million adjustment has 3 components:

- Ongoing revenues are \$433 million greater than anticipated, the result of both higher actual FY 2019 and projected FY 2020 growth as compared to the original FY 2020 budget.
- One-time revenues are a net \$193 million greater than anticipated as a result of a higher FY 2019 ending balance.
- Spending is projected to be a net \$48 million higher than originally budgeted in FY 2020, primarily due to higher-than-budgeted caseloads in AHCCCS.

FY 2021 Baseline Revenues

Total FY 2021 revenue collections would increase by 0.2% to \$12.57 billion, or \$26 million above the revised FY 2020 estimate. The major adjustments are:

- Based on JLBC's 4-sector consensus, FY 2021 ongoing revenues are projected to grow by \$505 million, or 4.1%. Ongoing revenues reflect the underlying growth in the economy and exclude one-time adjustments, urban revenue sharing, but do incorporate enacted tax law changes (*see the General Fund Revenue section for more information*).
- The state set-aside for urban revenue sharing formula distributions would increase from \$738 million to \$828 million, thereby decreasing state revenue by \$(91) million.
- A \$(314) million decrease in the balance forward between FY 2020 and FY 2021 is the third major adjustment. The state started FY 2020 with a cash balance of \$957 million, but significant one-time expenditures as authorized in the FY 2020 budget are expected to produce an ending balance carried forward into FY 2021 of \$643 million.
- Elimination of one-time FY 2020 fund transfers would reduce revenues by \$(74) million.

FY 2021 Baseline Spending

Based on statutory funding formulas and other obligations, FY 2021 Baseline spending is projected to decrease by (3.1)% to \$11.53 billion, or \$(368) million less than FY 2020. The major adjustments are:

- Department of Education formula spending would have a net increase of \$338 million due to 0.6% growth in student enrollment and a 1.77% inflation factor. The FY 2019 budget also authorized an additional 5% teacher pay adjustment in FY 2021. These growth factors would be partially offset by savings associated with higher K-12 property tax collections.
- AHCCCS formula spending would grow by \$136 million, reflecting 0.5% caseload growth, a 2.6% capitation rate increase, and increased match costs for the Children's Health Insurance Program (KidsCare) and certain Proposition 204 adults.
- The Department of Economic Security (DES) budget would increase by \$59 million, primarily for Developmental Disabilities Medicaid growth.
- Arizona Department of Corrections (ADC) spending is unchanged from FY 2020.
- University spending would decrease by \$(36) million, including the elimination of \$(35) million in one-time FY 2020 assistance.
- Community College spending would decrease by \$(33) million, including the elimination of \$(35) million of one-time monies for specific projects at Pima and Maricopa Community Colleges and rural community college aid.
- School Facilities Board funding would be reduced by \$(181) million, reflecting the elimination of \$(63) million of one-time building renewal monies, \$(54) million for decreased costs of new school construction, and \$(65) million for decreased lease-purchase debt obligations. The Baseline includes a total of \$59 million for new construction, including \$46 million for the second and final year of FY 2020 authorizations and \$13 million for the first year of 2 new FY 2021 authorizations.
- Department of Water Resources (DWR) spending would decline by \$(53) million to reflect the elimination of spending associated with the Drought Contingency Plan.
- Department of Housing spending would be reduced by \$(15) million associated with removal of a one-time deposit to the Housing Trust Fund.
- Agency budgets would be reduced by \$(11) million statewide to eliminate a one-time state employer health insurance increase but would also be increased by \$43 million one-time for the costs of a 27th pay period in FY 2021.
- A decrease of \$(24) million is associated with the payoff of the "2010B" debt issuance in FY 2020.
- The Baseline also eliminates significant FY 2020 one-time spending for a Budget Stabilization Fund deposit (\$271 million), payoff of the "2010B" debt issuance (\$190 million), and transportation funding (\$95 million).

The \$11.53 billion spending level would support a Full-Time Equivalent (FTE) Position ceiling of 53,423 state employees from both General Fund and Other Appropriated Funds.

Long-Term General Fund Estimates

A.R.S. § 35-125 requires the annual General Appropriation Act to include 3-year revenue and expenditure projections. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2023, as shown on page S-6. Based on the assumptions described below, the Baseline ending balance is estimated to be \$302 million in FY 2022 and \$455 million in FY 2023.

After adjusting for the planning targets of \$300 million in ongoing initiatives and \$685 million in one-time allocations, the available cash balances would be \$54 million in FY 2022 and \$209 million in FY 2023.

These estimates exclude the Budget Stabilization Fund (BSF) monies. The BSF is estimated to have a fund balance of \$1.04 billion by the end of FY 2021.

Baseline Revenues

As with FY 2021 revenues, the Baseline long-term revenue estimates are based on a consensus forecasting process and average 4 different forecasts. This process is described in more detail in the *General Fund Revenue* section.

The "4-sector" consensus projected an average General Fund base revenue growth of 3.3% in FY 2022 and 4.1% in FY 2023. These growth rates reflect revenue growth prior to Urban Revenue Sharing. Total General Fund revenue would decrease from \$12.57 billion in FY 2021 to \$12.35 billion in FY 2022 as a result of a significant decrease in the balance forward, then increase to \$12.82 billion in FY 2023.

Baseline Spending

The long-term General Fund expenditures reflect the requirements of existing statutory funding formulas and other obligations. This spending is projected to increase by \$512 million in FY 2022 (4.4%) above FY 2021 and \$323 million in FY 2023 (2.7%) above FY 2022.

These spending adjustments include normal caseload growth in caseload-driven agencies such as the Arizona Department of Education (ADE) and AHCCCS, including continued implementation of adjustments for school additional assistance authorized in the FY 2019 budget. The FY 2022 number also includes \$30 million to eliminate a portion of the K-12 rollover and \$20 million for the University-related costs of a 27th pay period in that year; due to differences in pay periods, the Universities will have a 27th pay period one year after the rest of state government.

Overall spending would be \$12.05 billion in FY 2022 and \$12.37 billion in FY 2023.

Other Fiscal Challenges

There are 3 important aspects to consider in creating a budget: 1) manage risk in determining the Baseline revenue and spending forecast, 2) maintain ongoing and cash balances through the 3-year planning period, and 3) set spending and revenue priorities.

Manage Forecast Risk

There are both positive and negative risks to the JLBC Baseline revenue estimates:

- *Length of Expansion:* The length of the current national economic recovery has now set the record for the longest expansion in recorded history. The forecast assumes that the economy does not enter a recession during this time period. If this turns out to be true, it would mean the national economy had experienced 168 months of economic expansion. The previous record for longest expansion was 120 months.
- *Recession Likelihood:* While recessions are more commonly the result of a "shock" rather than "old age," many economists think one could occur by the end of calendar year 2021. A little more than half of 60+ leading economists in recent *Wall Street Journal* surveys predict the onset of a recession by that time. The likelihood of a recession has been revised down in recent months.
- *Current Strong Revenue Growth:* As of now, however, Arizona's economy and its revenue growth are still strong. The state ranks third overall in the country in terms of its economic momentum (personal income, population, and employment growth). Arizona has experienced healthy revenue growth of 10.2% in FY 2019 and 9.7% year-to-date in FY 2020.

Because small percent changes in growth assumptions can have a substantial impact – over 3 years, a 1% change in revenue growth could change available revenues by \$725 million through FY 2023 – these risks could significantly change the final results of these budgets.

The state also faces ongoing litigation that may impact budgets such as:

- The K-12 Capital Funding litigation in Maricopa Superior Court.
- Litigation against the Department of Child Safety in United States District Court.
- Litigation against the Arizona Department of Corrections in United States District Court regarding inmate health care.

Plan for 3-Year Ongoing and Cash Balances

Under the Baseline projections, the Legislature would have the ability to dedicate \$300 million of the \$1.04 billion Baseline balance to ongoing initiatives in FY 2021 without creating a shortfall through the 3-year planning period. The JLBC Staff recommends setting aside at least \$50 million for a cash balance each year. The remaining \$685 million of the Baseline balance would be available for one-time initiatives.

Set Priorities

As noted above, the Baseline is only a starting point for budget discussions as it reflects changes to active statutory and other funding formulas and does not include discretionary changes. The Legislature will need to set priorities in allocating the \$300 million in available ongoing monies. In distributing the \$685 million in one-time funds, the Legislature may consider such initiatives as:

- Continuation of the \$117 million in reoccurring "one-time" spending from FY 2020 and zeroed-out in the Baseline
- Budget Stabilization Fund deposit
- K-12 building repair spending
- Transportation projects
- Debt repayment
- "Buy down" of K-12 rollover
- Repair or replacement of Arizona prison facilities

In terms of managing its risks, the state may also want to consider funding for several other issues identified during the past year:

- Due to malfunctioning locks, there were prisoner disturbances at ADC's Lewis facility. While ADE estimates that \$27 million in FY 2021 would address the particular Lewis issue, ADC has a considerable backlog of repairs at its other facilities. Over the next decade, ADC projects the cost of systemwide repairs at \$380 million.
- DWR has identified 31 "high-hazard" dams with safety deficiencies, of which 15 are labeled as "unsafe." Additional funding would be utilized to make more detailed assessments of the structural issues and the design solutions as well as set aside resources for the repair themselves.
- The Auditor General found that the Department of Health Services has substantial delays in investigating complaints against long term care nursing facilities. In a sample survey, the Auditor General estimates that 42% of complaints went uninvestigated for at least 7 months.

Debt

At the end of FY 2021, the state's projected level of lease-purchase and bonding obligations will be \$6.7 billion. The associated annual debt service payment is \$779 million.

Of the \$6.7 billion in total obligations, the General Fund share is \$1.3 billion. The General Fund annual debt service is projected to be \$223 million in FY 2021 (*see the Debt and Lease-Purchase Financing section of the Capital Outlay narrative for additional information*).

As a remnant of the Great Recession, the state also pays \$931 million of current year K-12 obligations in the next year (the "rollover"). The \$6.7 billion estimate of total obligations also does not include any unfunded retirement liability.

Arizona's debt rating was last changed in November 2019, when Moody's upgraded its rating from Aa2 to Aa1. Aa1 represents Moody's second highest credit rating. In comparison to other states, 14 have a higher rating, 19 have the same

rating, and 16 have a lower rating or are not rated due to a lack of state level debt. Standard & Poor's, the other major credit rating agency, last changed its overall Arizona rating in November 2015 when it upgraded the rating to AA, which represents Standard & Poor's third highest credit rating.

Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes. In November 2019, when Arizona's credit rating was increased by Moody's, Arizona was given a stable outlook. In adopting its credit ratings for Arizona in November 2019, Moody's listed as concerns absence of authority for the Executive to make mid-year budget reductions on its own and reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108. While noting these challenges, Moody's also indicated Arizona's growing reserves, comparably decreasing debt levels, demonstrated budget discipline, and a strengthening economy as positive trends.

Other Funds

Besides the General Fund, the state has dedicated special revenue funds. Only a portion of these monies is subject to legislative appropriation. The Baseline includes a FY 2021 Other Fund appropriated spending level of \$4.6 billion, or (1.4)% below FY 2020.

The level of FY 2021 non-appropriated state funds is expected to be \$11.0 billion, while non-appropriated Federal Funds are forecast to be \$17.7 billion. When all appropriated and non-appropriated fund sources are combined, total FY 2021 state spending would be \$44.8 billion.

JANUARY BASELINE PRIOR TO TARGETS
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/

	FY 2020 Baseline	FY 2021 Baseline	FY 2022 Baseline	FY 2023 Baseline
REVENUES				
Ongoing Revenues	\$12,234,610,600	\$12,739,841,900	\$13,158,304,500	\$13,693,047,000
Urban Revenue Sharing	(737,573,600)	(828,492,900)	(846,621,100)	(885,172,100)
Net Ongoing Revenues	<u>\$11,497,037,000</u>	<u>\$11,911,349,000</u>	<u>\$12,311,683,400</u>	<u>\$12,807,874,900</u>
One-time Financing Sources				
Balance Forward	\$957,241,000	\$642,962,800		
Wells Fargo Settlement	20,000,000			
Water Infrastructure Repayment			20,000,000	
Fund Transfers	70,840,700	16,700,000	16,700,000	16,700,000
Subtotal One-time Revenues	<u>\$1,048,081,700</u>	<u>\$659,662,800</u>	<u>\$36,700,000</u>	<u>\$16,700,000</u>
Total Revenues	\$12,545,118,700	\$12,571,011,800	\$12,348,383,400	\$12,824,574,900
EXPENDITURES				
Ongoing Operating Appropriations	\$10,838,429,200	\$11,447,324,800	\$11,980,684,600	\$12,328,419,400
FY 2020 Supplementals/Ex-Approp.	46,459,700			
Administrative Adjustments	128,000,000	146,000,000	155,000,000	162,000,000
Revertments	(173,000,000)	(184,000,000)	(192,000,000)	(198,000,000)
Subtotal Ongoing Expenditures	<u>\$10,839,888,900</u>	<u>\$11,409,324,800</u>	<u>\$11,943,684,600</u>	<u>\$12,292,419,400</u>
One-time Expenditures				
Capital Outlay	\$4,575,000			
Transportation Funding	95,310,000			
Reduce K-12 Rollover			30,000,000	
Budget Stabilization Fund Deposit	271,107,000			
2010B Debt Payoff	190,000,000			
Operating One-Time Spending	501,275,000	81,516,800	52,595,400	76,876,700
Additional (27th) Pay Period		43,078,600	20,052,100	
Subtotal One-time Expenditures	<u>\$1,062,267,000</u>	<u>\$124,595,400</u>	<u>\$102,647,500</u>	<u>\$76,876,700</u>
Total Expenditures	\$11,902,155,900	\$11,533,920,200	\$12,046,332,100	\$12,369,296,100
Ending Balance <u>2/</u>	<u>\$642,962,800</u>	<u>\$1,037,091,600</u> <u>4/</u>	<u>\$302,051,300</u>	<u>\$455,278,800</u>
Ongoing Balance <u>3/</u>	<u>\$657,148,100</u>	<u>\$502,024,200</u>	<u>\$367,998,800</u>	<u>\$515,455,500</u>

- 1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.
- 2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.
- 3/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.
- 4/ The FY 2021 cash balance is presumed to be allocated as part of the FY 2021 budget process.

JANUARY BASELINE WITH TARGETS
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/

	FY 2020 Baseline	FY 2021 Baseline	FY 2022 Baseline	FY 2023 Baseline
REVENUES				
Ongoing Revenues	\$12,234,610,600	\$12,739,841,900	\$13,158,304,500	\$13,693,047,000
Urban Revenue Sharing	(737,573,600)	(828,492,900)	(846,621,100)	(885,172,100)
Net Ongoing Revenues	<u>\$11,497,037,000</u>	<u>\$11,911,349,000</u>	<u>\$12,311,683,400</u>	<u>\$12,807,874,900</u>
One-time Financing Sources				
Balance Forward	\$957,241,000	\$642,962,800	\$52,091,600	\$54,142,900
Wells Fargo Settlement	20,000,000			
Water Infrastructure Repayment			20,000,000	
Fund Transfers	70,840,700	16,700,000	16,700,000	16,700,000
Subtotal One-time Revenues	<u>\$1,048,081,700</u>	<u>\$659,662,800</u>	<u>\$88,791,600</u>	<u>\$70,842,900</u>
Total Revenues	\$12,545,118,700	\$12,571,011,800	\$12,400,475,000	\$12,878,717,800
EXPENDITURES				
Ongoing Operating Appropriations	\$10,838,429,200	\$11,447,324,800	\$11,980,684,600	\$12,328,419,400
FY 2020 Supplementals/Ex-Approp.	46,459,700			
Administrative Adjustments	128,000,000	146,000,000	155,000,000	162,000,000
Revertments	(173,000,000)	(184,000,000)	(192,000,000)	(198,000,000)
Subtotal Ongoing Expenditures	<u>\$10,839,888,900</u>	<u>\$11,409,324,800</u>	<u>\$11,943,684,600</u>	<u>\$12,292,419,400</u>
One-time Expenditures				
Capital Outlay	\$4,575,000			
Transportation Funding	95,310,000			
Reduce K-12 Rollover			30,000,000	
Budget Stabilization Fund Deposit	271,107,000			
2010B Debt Payoff	190,000,000			
Operating One-Time Spending	501,275,000	81,516,800	52,595,400	76,876,700
Additional (27th) Pay Period		43,078,600	20,052,100	
Subtotal One-time Expenditures	<u>\$1,062,267,000</u>	<u>\$124,595,400</u>	<u>\$102,647,500</u>	<u>\$76,876,700</u>
Total Expenditures	\$11,902,155,900	\$11,533,920,200	\$12,046,332,100	\$12,369,296,100
Ongoing Planning Target		\$300,000,000	\$300,000,000	\$300,000,000
One-Time Planning Target		\$685,000,000		
Adjusted Ending Balance	<u>\$642,962,800</u>	<u>\$52,091,600</u>	<u>\$54,142,900</u>	<u>\$209,421,700</u>
Adjusted Ongoing Balance	\$657,148,100	\$202,024,200	\$67,998,800	\$215,455,500

1/ The figures displayed above reflect the January Baseline estimates adjusted for planning targets to display the amount of ongoing and one-time resources estimated to be available during the FY 2021 budget process. The planning targets maintain at least \$50 million annually in the ending balance.

**GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING**

	FY 2020 Baseline	FY 2021 \$ Above FY 2020	FY 2021 Baseline	FY 2022 \$ Above FY 2021	FY 2022 Baseline	FY 2023 \$ Above FY 2022	FY 2023 Baseline
EXPENDITURES							
Operating Budget							
-- Department of Administration	\$7,822,400		\$7,822,400		\$7,822,400		\$7,822,400
-- ADOA - Automation Projects Fund	5,000,000	(5,000,000)					
-- Office of Administrative Hearings	884,400		884,400		884,400		884,400
-- African-American Affairs Commission	127,600		127,600		127,600		127,600
-- Arizona Department of Agriculture	10,049,500	69,600	10,119,100		10,119,100		10,119,100
-- AHCCCS	1,759,784,600	182,995,500	1,942,780,100	77,923,600	2,020,703,700	38,606,500	2,059,310,200
-- Attorney General	24,472,200		24,472,200		24,472,200		24,472,200
-- State Board for Charter Schools	1,708,300	392,800	2,101,100		2,101,100		2,101,100
-- Department of Child Safety	384,522,200		384,522,200		384,522,200		384,522,200
-- Commerce Authority	16,275,000	(100,000)	16,175,000		16,175,000		16,175,000
-- Community Colleges	60,431,800	2,226,200	62,658,000	2,434,200	65,092,200	2,543,500	67,635,700
-- Corporation Commission	615,000		615,000		615,000		615,000
-- Department of Corrections	1,161,991,400		1,161,991,400		1,161,991,400		1,161,991,400
-- County Funding	10,650,700		10,650,700		10,650,700		10,650,700
-- Schools for the Deaf and the Blind	23,057,300		23,057,300		23,057,300		23,057,300
-- Office of Economic Opportunity	466,400		466,400		466,400		466,400
-- Department of Economic Security	748,153,200	59,739,900	807,893,100	46,792,100	854,685,200	47,081,100	901,766,300
-- State Board of Education	1,157,100		1,157,100		1,157,100		1,157,100
-- Department of Education	5,065,507,400	453,407,200	5,518,914,600	246,795,800	5,765,710,400	254,160,800	6,019,871,200
-- Dept. of Emergency & Military Affairs	12,179,300		12,179,300		12,179,300		12,179,300
-- State Board of Equalization	657,100		657,100		657,100		657,100
-- Board of Executive Clemency	1,146,600		1,146,600		1,146,600		1,146,600
-- Department of Financial Institutions	1,969,200	(1,969,200)					
-- Dept. of Forestry and Fire Management	13,138,900		13,138,900		13,138,900		13,138,900
-- Department of Gaming	1,779,500		1,779,500		1,779,500		1,779,500
-- Office of the Governor	8,663,900		8,663,900		8,663,900		8,663,900
-- Gov's Ofc of Strategic Planning and Budgeting	2,684,100		2,684,100		2,684,100		2,684,100
-- Department of Health Services	92,454,300		92,454,300		92,454,300		92,454,300
-- Arizona Historical Society	3,090,000		3,090,000		3,090,000		3,090,000
-- Prescott Historical Society	830,100		830,100		830,100		830,100
-- Independent Redistricting Commission		500,000	500,000		500,000		500,000
-- Department of Insurance	5,631,400	(5,631,400)					
-- Dept. of Insurance and Financial Institutions		7,600,600	7,600,600		7,600,600		7,600,600
-- Judiciary	127,408,700	6,019,400	133,428,100		133,428,100		133,428,100
-- Department of Juvenile Corrections	28,243,900		28,243,900		28,243,900		28,243,900
-- State Land Department	11,594,700	481,100	12,075,800		12,075,800		12,075,800
-- Legislature							
Auditor General	20,129,300		20,129,300		20,129,300		20,129,300
House of Representatives	16,312,100		16,312,100		16,312,100		16,312,100
Joint Legislative Budget Committee	2,823,500		2,823,500		2,823,500		2,823,500
Legislative Council	8,787,800		8,787,800		8,787,800		8,787,800
Senate	12,884,300		12,884,300		12,884,300		12,884,300
SUBTOTAL - Legislature	\$60,937,000	\$0	\$60,937,000	\$0	\$60,937,000	\$0	\$60,937,000
-- State Mine Inspector	1,262,900		1,262,900		1,262,900		1,262,900
-- Navigable Stream Adjudication Commission	128,100		128,100		128,100		128,100

GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING

	FY 2020 Baseline	FY 2021 \$ Above FY 2020	FY 2021 Baseline	FY 2022 \$ Above FY 2021	FY 2022 Baseline	FY 2023 \$ Above FY 2022	FY 2023 Baseline
-- Commission for Postsecondary Education	1,680,900		1,680,900		1,680,900		1,680,900
-- Department of Public Safety	86,641,300	(2,696,800)	83,944,500	160,709,300	244,653,800		244,653,800
-- Public Safety Personnel Retirement System	6,000,000		6,000,000		6,000,000		6,000,000
-- State Real Estate Department	2,895,700		2,895,700		2,895,700		2,895,700
-- Department of Revenue	31,106,800		31,106,800		31,106,800		31,106,800
-- School Facilities Board	150,251,000	(64,692,700)	85,558,300	(1,000)	85,557,300	(4,400)	85,552,900
-- Secretary of State	17,311,400	(408,100)	16,903,300	(4,000,000)	12,903,300	4,000,000	16,903,300
-- Tax Appeals, State Board of	280,600		280,600		280,600		280,600
-- Office of Tourism	8,214,000		8,214,000	1,500,000	9,714,000		9,714,000
-- State Treasurer	1,205,100		1,205,100		1,205,100		1,205,100
-- Governor's Office on Tribal Relations	62,600		62,600		62,600		62,600
-- Universities	737,159,200	(528,900)	736,630,300	703,100	737,333,400	847,100	738,180,500
-- Department of Veterans' Services	7,766,200		7,766,200		7,766,200		7,766,200
-- Department of Water Resources	14,168,900		14,168,900		14,168,900		14,168,900
-- Phoenix Convention Center Payment	23,500,000	497,900	23,997,900	500,600	24,498,500	500,900	24,999,400
-- Rio Nuevo District	16,000,000		16,000,000		16,000,000		16,000,000
-- Asset Sale/Lease-Back Debt Service	77,709,300	(24,007,500)	53,701,800	2,100	53,703,900	(700)	53,703,200
Total - Operating Budget	\$10,838,429,200	\$608,895,600	\$11,447,324,800	\$533,359,800	\$11,980,684,600	\$347,734,800	\$12,328,419,400
-- Capital Outlay	4,575,000	(4,575,000)					
-- Reduce K-12 Rollover				30,000,000	30,000,000	(30,000,000)	
-- Budget Stabilization Fund Deposit	271,107,000	(271,107,000)					
-- 2010 B Debt Payoff	190,000,000	(190,000,000)					
-- Transportation Funding	95,310,000	(95,310,000)					
-- Operating One-Time Spending	501,275,000	(419,758,200)	81,516,800	(28,921,400)	52,595,400	24,281,300	76,876,700
-- Additional (27th) Pay Period		43,078,600	43,078,600	(23,026,500)	20,052,100	(20,052,100)	
-- FY 2020 Supplementals/Ex-Appropriation	46,459,700	(46,459,700)					
-- Administrative Adjustments	128,000,000	18,000,000	146,000,000	9,000,000	155,000,000	7,000,000	162,000,000
-- Revertments	(173,000,000)	(11,000,000)	(184,000,000)	(8,000,000)	(192,000,000)	(6,000,000)	(198,000,000)
Total Spending	\$11,902,155,900	(\$368,235,700)	\$11,533,920,200	\$512,411,900	\$12,046,332,100	\$322,964,000	\$12,369,296,100

1/ Individual agency spending amounts listed above exclude "Operating One-Time Spending" amounts. These amounts are accounted for in the "Operating One-Time Spending" line and are summarized on the "Summary Of One-Time General Fund Spending" table. See page S-17 for consolidated ongoing and one-time spending by agency.

SUMMARY OF ONE-TIME GENERAL FUND SPENDING 1/

	FY 2020 Baseline	FY 2021 Baseline	FY 2022 Baseline	FY 2023 Baseline
Operating				
ADOA - Sierra Vista Public Safety Communications	\$ 271,000	\$ -	\$ -	\$ -
ADOA/Automation Projects Fund - CHILDS	5,100,000			
ADOA/Automation Projects Fund - Business One-Stop	1,000,000			
Agriculture - Industrial Hemp	750,000			
AHCCCS - North Country Graduate Medical Education	750,000			
Arts - One-Time Funding	2,000,000			
Arts - Nonprofit Theater Capital Support	200,000			
Attorney General - Criminal Division	1,500,000			
Commerce Authority - Rural Broadband Grants	3,000,000			
Community Colleges - Maricopa Healthcare Expansion	5,800,000			
Community Colleges - Pima Aviation Center	15,000,000			
Community Colleges - Rural Funding	14,200,000			
Community Colleges - Maricopa/Pima STEM Funding	2,000,000	2,000,000	2,000,000	
Economic Opportunity - Small Water Systems Fund Deposit	500,000			
DES - Caregiver Grants	1,000,000			
ADE - Gifted Education	1,000,000			
ADE - Proposition 301 Bridge	64,100,000	14,100,000		
ADE - Civics Pilot Program	500,000			
ADE - High Quality Teacher Scholarships	400,000	400,000	400,000	
ADE - Mingus Unified Consolidation Costs	50,000			
ADE - Yuma Elementary School Construction	800,000			
ADE - CTED Incentive Program		5,000,000	5,000,000	
ADE - One-Time Additional Assistance Funding	67,774,700			
DEQ - Maricopa County Dust Suppression Pilot Program	200,000			
Forestry - Fire Training Center	1,000,000			
Forestry - Non-Native Vegetation Eradication	1,000,000			
Forestry - Mount Lemmon Water Line	750,000			
Gaming - County Fair Promotion	730,000	730,000	730,000	
DHS - Rural Hospital Prenatal Equipment	1,000,000	500,000	500,000	
DHS - Restore Emergency Fund To \$500,000	106,600			
DHS - Primary Care Clinic - Colorado City	700,000			
DHS - Benson and Northern Cochise Hospitals	1,500,000			
DHS - Loan Repayment Program	750,000			
DHS - Vulnerable Caregiver Workshops	250,000			
Housing - Housing Trust Fund Deposit	15,000,000			
Judiciary - Digitization/Case Management System	250,000			
Judiciary - Superior Court - CORP Increase	2,354,000			
Juvenile Corrections - Maricopa/Pima Cost Sharing Offset	8,450,900			
Legislature - Auditor General - CTED Study	400,000			
DPS - Vehicle Replacement	4,000,000			
DPS - Interoperability Project	1,500,000			
SFB - Building Renewal Grants	62,790,900			
SFB - New School Construction (FY 19 Authorization)	36,726,700			
SFB - New School Construction (FY 20 Authorization)	75,875,800	45,805,900		
SFB - New School Construction (FY 21 Authorization)		12,980,900	11,730,900	
SFB - New School Construction (FY 22 Authorization)			32,234,500	25,047,600
SFB - New School Construction (FY 23 Authorization)				51,829,100
Universities - ASU	18,900,000			
Universities - NAU	6,650,000			
Universities - UA	9,450,000			
DWR - Water Protection Fund Deposit	500,000			
DWR - Augmentation And Conservation Assistance	2,000,000			
DWR - Water System Conservation Funding	30,000,000			
DWR - Additional Infrastructure Projects	20,000,000			
DWR - Digitization	200,000			
Other - HITF Deposit	10,544,400			
Subtotal - Operating Funding	\$ 501,275,000	\$ 81,516,800	\$ 52,595,400	\$ 76,876,700
Additional (27th) Pay Perlod - FY 2021		\$ 43,078,600	\$ 20,052,100	
Budget Stabilization Fund Deposit	\$ 271,107,000			
2010B Debt Payoff	\$ 190,000,000			

SUMMARY OF ONE-TIME GENERAL FUND SPENDING ^{1/}

	FY 2020 Baseline	FY 2021 Baseline	FY 2022 Baseline	FY 2023 Baseline
Reduce K-12 Rollover			\$ 30,000,000	
Capital Outlay				
Capital - Agriculture - Mariposa Cold Inspection Facility	700,000			
Capital - DEMA - West Valley Readiness Center	3,875,000			
Subtotal - Capital Outlay	\$ 4,575,000	\$ -	\$ -	\$ -
Transportation Funding				
Additional Projects	77,310,000			
Local Transportation Distribution	18,000,000			
Subtotal - Transportation Funding	\$ 95,310,000	\$ -	\$ -	\$ -
Total - One-time Spending	\$ 1,062,267,000	\$ 124,595,400	\$ 102,647,500	\$ 76,876,700

^{1/} The displayed amounts reflect one-time General Funding spending items included in the FY 2021 Baseline's multi-year budget projections. These items are not included in the ongoing agency spending amounts listed on pages S-8 and S-9. For the total amount of General Fund spending by agency, see page S-17.

FY 2021 FUNDING FORMULA SUSPENSIONS 1/

	FY 2021 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 11,130,000 <u>2/</u>
Community Colleges - Operating State Aid	N/A <u>3/</u>
Department of Education - District Additional Assistance	128,734,900 <u>4/</u>
Department of Education - Charter School Additional Assistance	6,814,400 <u>5/</u>
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	15,000,000 <u>6/</u>
Universities - Arizona Financial Aid Trust	28,295,800 <u>7/ 8/</u>
 Total - FY 2021 Statutory Funding Formula Suspensions	 \$ 189,975,100
 <u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 33,088,000 <u>8/</u>
Department of Corrections - Building Renewal	21,329,500 <u>8/</u>
Universities - Building Renewal	175,500,000 <u>8/</u>
 Total - FY 2021 Non-Statutory Funding Formula Suspensions	 \$ 229,917,500

1/ Represents the General Fund cost of funding formulas that are currently suspended on an annual basis.

2/ Represents unfunded STEM and Workforce Programs formula amounts of \$536,900 (84.8%) for Pinal, \$1,819,800 (82.0%) for Pima, and \$8,773,300 (84.6%) for Maricopa.

3/ The dollar value of the suspensions of Operating State Aid for Maricopa and Pima Community Colleges is unknown because formula growth is based on multiplying the change in student count by the current year average state aid per student. Both Maricopa and Pima do not receive funding in FY 2020.

4/ Represents 30.9% of the formula requirement that is unfunded. Excludes approximately \$8,230,900 suspended in non-state aid districts, which are not funded through the state budget. The FY 2019 budget required phase out of this suspension by FY 2023.

5/ Represents 1.6% of the formula requirement that is unfunded. The FY 2019 budget required phase out of this suspension by FY 2023.

6/ In lieu of General Fund, the FY 2021 Baseline provides a total of \$15,552,000 in total appropriated and non-appropriated funds in FY 2021, compared to the statutory allocation of \$15,000,000.

7/ Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2021 General Fund contribution would be \$38,337,000. Of this amount, the Baseline assumes the continuation of \$10,041,200 in General Fund support.

8/ Based on agency estimates. Reflects amount above the appropriation in the FY 2021 Baseline.

SUMMARY OF FY 2021 BASELINE REVENUE AND SPENDING ASSUMPTIONS

General Fund Cash Balances

- Given forecasted FY 2020 General Fund revenues of \$12.55 billion and spending of \$11.90 billion, the Baseline has a projected FY 2020 cash balance of \$643 million. Given forecasted FY 2021 General Fund revenues of \$12.57 billion and spending of \$11.53 billion, the Baseline has a projected FY 2021 cash balance of \$1.04 billion.

Available General Fund Dollars in the FY 2021 Budget Process

- Under the Baseline projections, the Legislature would have the ability to dedicate \$300 million of the \$1.04 billion Baseline balance to ongoing initiatives without creating a shortfall through the 3-year planning period.
- The JLBC Staff recommends setting aside at least \$50 million for a cash balance each year.
- The remaining \$685 million of the Baseline balance would be available for one-time initiatives.

Budget Stabilization Fund

- The Baseline eliminates \$(271) million for a FY 2020 Budget Stabilization Fund deposit. After deposits of \$271 million in both FY 2019 and FY 2020, the Budget Stabilization Fund has a balance of \$1.04 billion.

General Fund Baseline Revenues

- Projected FY 2021 revenues are \$12.57 billion, based on the following assumptions:
 - ⇒ Including enacted tax law changes, net revenues are projected to grow by \$505 million, or 4.1%.
 - ⇒ The beginning balance would decrease by \$(314) million, from \$957 million at the beginning of FY 2020 to \$643 million at the start of FY 2021.
 - ⇒ The state set-aside for urban revenue sharing formula distributions would increase from \$738 million to \$828 million, thereby decreasing revenues by \$(91) million.
 - ⇒ One-time revenues including fund transfers would decrease from \$91 million in FY 2020 to \$17 million in FY 2021, decreasing state revenues by \$(74) million.
 - ⇒ Overall revenues are forecast to increase in FY 2021 by \$26 million, or 0.2%, from \$12.55 billion in FY 2020 to \$12.57 billion in FY 2021.

General Fund Baseline Spending

- FY 2021 General Fund Baseline spending is projected to be \$11.53 billion, a decrease of \$(368) million, or (3.1)%, below FY 2020. This decrease consists of:
 - ⇒ A \$570 million increase in ongoing spending.
 - ⇒ A \$(938) million decrease in one-time spending.
- The entire FY 2021 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$44.8 billion.

Education

Department of Education

- ADE General Fund spending increases by \$338.3 million, or 6.5%, including:
 - ⇒ \$74.1 million for 0.6% unweighted student growth (0.8% weighted) for a total unweighted student count of 1.12 million (1.54 million weighted).
 - ⇒ \$33.0 million for Empowerment Scholarship Account (ESA) caseload growth.
 - ⇒ \$121.5 million for a 1.77% inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
 - ⇒ \$124.5 million for the last year of a 3-year plan to raise teacher salaries by 20%. Another \$50.0 million for the adjustments would come from additional Classroom Site Fund monies.
 - ⇒ \$(14.8) million for other adjustments.
 - ⇒ No net change to restore additional assistance funding. The full formula is being phased in over 5 years through FY 2023 pursuant to the FY 2019 budget. Last year's budget accelerated the phase-in so that the FY 2021 funding level would be reached in FY 2020.
- The Baseline continues to defer \$930.7 million in General Fund spending for school district payments from FY 2020 to FY 2021. Based on the FY 2020 budget agreement, the rollover will be reduced by \$30 million in FY 2022 by eliminating the rollover for school districts and charters with a student count between 600 and 1,350 pupils. The rollover had already been eliminated for districts with less than 600 students.

School Facilities Board

- SFB General Fund spending decreases by \$(181.3) million, or (55.7)%, including:
 - ⇒ \$(62.8) million for a decrease in one-time building renewal grant monies.
 - ⇒ \$(64.7) million for decreased debt service associated with expiring lease-purchase agreements.
 - ⇒ \$(53.8) million for a reduction in the number of newly constructed schools. The Baseline funds a total of \$58.8 million for new construction, which includes \$45.8 million for the second and final year of new FY 2020 authorizations and \$13.0 million for the first year of 2 new FY 2021 authorizations.

Universities

- University General Fund spending decreases by \$(35.5) million, or (4.6)%, including:
 - ⇒ \$(35.0) million for the removal of one-time funding for operating or capital expenditures.
 - ⇒ \$(528,900) for other small adjustments.
- Fall 2019 enrollment increased by 7,196 full-time equivalent students, or 4.0% above 2018, for a total enrollment of 185,622.

Community Colleges

- Community College General Fund spending decreases by \$(32.8) million, or (33.6)%, including:
 - ⇒ \$2.2 million for formula growth.
 - ⇒ \$(15.0) million to remove one-time funding to expand the Pima Community College Aviation Center.
 - ⇒ \$(14.2) million to remove one-time rural community college aid.
 - ⇒ \$(5.8) million to remove one-time funding to expand the Maricopa Community College Health Care Specialty program.
- FY 2019 rural district enrollment decreased by (691) full-time equivalent students, or (2.4)%, for a total enrollment of 27,608. Including the Maricopa and Pima districts, total enrollment decreased by (4,262), or (3.8)%, for total enrollment of 109,164.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$136.3 million, or 7.5%, including:
 - ⇒ \$134.0 million for formula adjustments, including 0.5% enrollment growth for most populations and a 2.6% capitation rate increase.
 - ⇒ \$3.0 million for an increase in Graduate Medical Education funding in health professional shortage areas, as agreed to in the FY 2020 budget's 3-year spending plan.
 - ⇒ \$(750,000) for removal of one-time funding of Graduate Medical Education in community health centers in Northern Arizona.
- AHCCCS enrollment is projected to grow to 1.8 million by June 2021. This level represents a caseload increase of 9,300, or 0.5%, above June 2020.
- The Baseline includes a FY 2020 supplemental appropriation of \$45.9 million for higher-than-budgeted formula costs.

Department of Child Safety

- DCS General Fund spending remains unchanged in the FY 2021 Baseline.
- DCS' benchmark is to have fewer than 13,964 children in out-of-home care. As of October 2019, there were 14,341 children in out-of-home care.

Department of Economic Security

- DES General Fund spending increases by \$58.7 million, or 7.8%, including:
 - ⇒ \$59.7 million for Developmental Disabilities (DD) formula adjustments, including 5.0% enrollment growth and a 2.0% capitation rate increase.
 - ⇒ \$(1.0) million to remove one-time funding from FY 2019 for the Family Caregiver Grant Fund for financial assistance to caregivers of individuals requiring assistance with activities of daily living.
- Medicaid Developmental Disability caseloads are projected to grow to 37,695 by June 2021. This level represents a caseload increase of 1,795, or 5.0%, above June 2020.
- TANF Cash Benefits caseloads are projected to decline from 12,459 in June 2020 to 11,356 by June 2021, or a year-over-year decline of (8.9)%.

Criminal Justice/Public Safety

Department of Corrections

- ADC General Fund spending remains unchanged in the FY 2021 Baseline.
- The systemwide prison population as of June 30, 2019 was 42,312. The Baseline assumes comparable population through FY 2021. Based on that population, ADC would have a permanent bed shortfall of (3,190). Taking into account 6,309 temporary beds, the shortfall becomes a surplus of 3,119 beds.

Judiciary

- Judiciary General Fund spending increases by \$3.4 million, or 3.7%, including:
 - ⇒ \$6.0 million for the second year of a 2-year phase-in of 50% funding of Maricopa County Superior Court Judges salaries.
 - ⇒ \$(2.4) million to remove a one-time increase to cover the increased employer rate for the Corrections Officer Retirement Plan (CORP).
 - ⇒ \$(0.2) to remove one-time Information Technology funding for the Special Water Master.

Department of Juvenile Corrections

- DJC General Fund spending decreases by \$(8.5) million, or (22.9)%, to remove one-time funding to offset local cost sharing for Maricopa and Pima Counties. There is a corresponding increase of \$8.5 million from the DJC Local Cost Sharing Fund.

Department of Public Safety

- DPS General Fund spending decreases by \$(8.2) million, or (8.9)%, including:
 - ⇒ \$(6.7) million to remove one-time funding for equipment.
 - ⇒ \$(1.5) million to remove one-time deposit for interoperable communication systems.
- The Baseline eliminates the Highway Safety Fee effective July 1, 2021, in accordance with the FY 2020 budget agreement.

Natural Resources

Department of Water Resources

- DWR General Fund spending decreases by \$(52.7) million, or (78.7)%, including:
 - ⇒ \$(30.0) million to remove one-time Drought Contingency Plan (DCP) funding.
 - ⇒ \$(2.0) million to remove one-time funding for groundwater conservation in active management areas under the DCP.
 - ⇒ \$(20.0) million to remove one-time funding for loans to build groundwater infrastructure under the DCP.
 - ⇒ \$(0.7) million for other adjustments.

Local Issues

- The Baseline continues to appropriate \$7.7 million to be allocated equally among counties with a population of less than 900,000 according to the 2010 Decennial Census. With one exception, each county receives \$550,050. Graham County receives \$1,050,050.
- The Baseline continues to appropriate \$3.0 million for distribution to counties to offset increased Elected Officials' Retirement Plan (EORP) liabilities.

General Government

Revertments

- The Baseline assumes projected revertments at \$(184) million, compared to \$(173) million in FY 2020. (Revertments are unspent appropriations.)
- FY 2021 Administrative Adjustments are forecast to be \$146 million, compared to \$128 million in FY 2020.

State Employee Issues

FTE Positions

- The Baseline decreases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by (3.5) FTE Positions in FY 2021. These adjustments would bring the total FTE Position ceiling to 53,423.4 in FY 2021.

State Employee Health Insurance

- The Baseline includes a decrease of \$(10.5) million from the General Fund and \$(34.4) million in Total Funds for the removal of a one-time FY 2020 health insurance adjustment.

27th Payroll

- The Baseline includes a one-time increase of \$43.1 million for costs of the 27th pay period in FY 2021. Approximately every 10 years, the state has 27 payrolls in a fiscal year rather than 26.
- Universities would receive \$20.1 million for their 27th payroll in FY 2022.

Capital

- The Baseline eliminates \$(190.0) million to retire the 2010B sale leaseback financing of state office buildings in FY 2020.
- Early payoff of 2010B debt eliminates annual debt service payments of \$(24.0) million and reduces total debt service spending by \$(240.0) million from FY 2021 to FY 2030.
- The Baseline eliminates \$(95.3) million in one-time transportation funding, including \$(18.0) million for distribution to local cities and towns and \$(77.3) million for specific projects.
- The Baseline eliminates \$(15.0) million for a Housing Trust Fund deposit to construct housing and shelters.

FY 2021 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2020 Estimate	GF FY 2021 Baseline	GF FY 2021 Baseline - FY 2020
BUDGET UNITS			
Administration, Arizona Department of	\$8,147,600	\$7,876,600	(\$271,000)
Administration, Arizona Department of Automation Projects Fund	11,100,000	0	(11,100,000)
Administrative Hearings, Office of	889,800	889,800	0
African-American Affairs, Arizona Commission of	128,100	128,100	0
Agriculture, Arizona Department of	10,865,500	10,185,100	(680,400)
AHCCCS	1,760,748,100	1,942,993,600	182,245,500
Arts, Arizona Commission on the	2,200,000	0	(2,200,000)
Attorney General - Department of Law	26,082,400	24,582,400	(1,500,000)
Charter Schools, State Board for	1,714,500	2,107,300	392,800
Child Safety, Department of	384,653,400	384,653,400	0
Commerce Authority, Arizona	19,275,000	16,175,000	(3,100,000)
Community Colleges, Arizona	97,431,800 ^{1/}	64,658,000	(32,773,800)
Corporation Commission	620,800	620,800	0
Corrections, State Department of	1,167,111,300	1,167,111,300	0
County Funding	10,650,700	10,650,700	0
Deaf and the Blind, Schools for the	23,214,400	23,214,400	0
Economic Opportunity, Office of	968,300	468,300	(500,000)
Economic Security, Department of	749,708,200	808,448,100	58,739,900
Education, State Board of	1,158,900	1,158,900	0
Education, Department of	5,200,184,900	5,538,467,400	338,282,500
Emergency and Military Affairs, Department of	12,201,600	12,201,600	0
Environmental Quality, Department of	200,000	0	(200,000)
Equalization, State Board of	659,000	659,000	0
Executive Clemency, Board of	1,150,000	1,150,000	0
Financial Institutions, State Department of	1,980,900	0	(1,980,900)
Forestry and Fire Management, Arizona Department of	15,917,400	13,167,400	(2,750,000)
Gaming, Department of	2,509,500	2,509,500	0
Governor, Office of the	8,699,900	8,699,900	0
Governor's Office of Strategic Planning and Budgeting	2,684,100	2,684,100	0
Health Services, Department of	97,158,300	93,351,700	(3,806,600)
Historical Society, Arizona	3,107,700	3,107,700	0
Historical Society, Prescott	837,200	837,200	0
Housing, Department of	15,000,000	0	(15,000,000)
Independent Redistricting Commission	0	500,000	500,000
Insurance, Department of	5,663,200	0	(5,663,200)
Insurance and Financial Institutions, Department of	0	7,644,100	7,644,100
Judiciary			
Supreme Court	20,875,000	20,875,000	0
Court of Appeals	16,765,000	16,765,000	0
Superior Court	92,596,500	96,011,900	3,415,400
SUBTOTAL - Judiciary	130,236,500	133,651,900	3,415,400
Juvenile Corrections, Department of	36,926,500	28,475,600	(8,450,900)
Land Department, State	11,654,300	12,135,400	481,100
Legislature			
Auditor General	20,629,300	20,229,300	(400,000)
House of Representatives	16,407,500	16,407,500	0
Joint Legislative Budget Committee	2,834,200	2,834,200	0
Legislative Council	8,814,900	8,814,900	0
Senate	12,948,900	12,948,900	0
SUBTOTAL - Legislature	61,634,800	61,234,800	(400,000)
Mine Inspector, State	1,269,300	1,269,300	0
Navigable Stream Adjudication Commission	129,000	129,000	0
Postsecondary Education, Commission for	1,680,900	1,680,900	0
Public Safety, Department of	92,350,300	84,153,500	(8,196,800)
Public Safety Personnel Retirement System	6,000,000	6,000,000	0
Real Estate Department, State	2,909,500	2,909,500	0
Revenue, Department of	31,245,200	31,245,200	0
School Facilities Board	325,650,300	144,351,000	(181,299,300)
Secretary of State	17,367,900	16,959,800	(408,100)
Tax Appeals, State Board of	281,800	281,800	0

	GF FY 2020 Estimate	GF FY 2021 Baseline	GF FY 2021 Baseline - FY 2020
Tourism, Office of	8,214,000	8,214,000	0
Treasurer, State	1,205,100	1,205,100	0
Tribal Relations, Governor's Office on Universities	62,900	62,900	0
Board of Regents	22,397,700	22,397,700	0
Arizona State University	341,916,800	323,234,500	(18,682,300)
Northern Arizona University	117,250,900	109,662,500	(7,588,400)
University of Arizona - Main Campus	215,808,900	206,550,700	(9,258,200)
University of Arizona - Health Sciences Center	76,897,700	76,897,700	0
SUBTOTAL - Universities	774,272,000	738,743,100	(35,528,900)
Veterans' Services, Department of	7,792,900	7,792,900	0
Water Resources, Department of	66,937,700	14,237,700	(52,700,000)
OPERATING BUDGET TOTAL	\$11,222,443,400	\$11,445,634,800	\$223,191,400
FY 2020 Supplemental/Ex-Appropriation <u>2/</u>	46,459,700	0	(46,459,700)
FY 2020 Agency Health Insurance Adjustments	51,500	0	(51,500)
Remove One-time Agency Health Insurance Adjustments	0	(10,492,900)	(10,492,900)
Additional (27th) Pay Period	0	43,078,600	43,078,600
Budget Stabilization Fund Deposit	271,107,000	0	(271,107,000)
Capital Outlay - 2010 Leaseback Debt Service	77,709,300	53,701,800	(24,007,500)
Capital Outlay - Phoenix Convention Center Debt Service	23,500,000	23,997,900	497,900
Capital Outlay - Rio Nuevo District <u>3/</u>	16,000,000	16,000,000	0
Capital Outlay	99,885,000	0	(99,885,000)
2010B Sale/Leaseback Payoff	190,000,000	0	(190,000,000)
Administrative Adjustments	128,000,000	146,000,000	18,000,000
Revertments	(173,000,000)	(184,000,000)	(11,000,000)
GRAND TOTAL	\$11,902,155,900	\$11,533,920,200	(\$368,235,700)

1/ Includes Rural County Reimbursement, which represents an estimated cost.

2/ Please see page S-36 for individual agency detail.

3/ Represents an estimated cost. Subsequent to the passage of the FY 2020 General Appropriation Act, the actual FY 2019 distribution was determined to be \$16.0 million. As a result, the FY 2020 estimate has been adjusted to \$16.0 million and is expected to continue at that level in FY 2021.

FY 2021 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2020 Estimate	OF FY 2021 Baseline	OF FY 2021 Baseline - FY 2020
BUDGET UNITS			
Accountancy, State Board of			
Board of Accountancy Fund	\$2,045,300	\$2,045,300	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	176,000	176,000	0
Administration, Arizona Department of			
Air Quality Fund	927,300	927,300	0
Arizona Financial Information System Collections Fund	9,418,700	9,418,700	0
Automation Operations Fund	31,040,900	31,040,900	0
Capital Outlay Stabilization Fund	18,543,600	18,543,600	0
Corrections Fund	573,700	573,700	0
Federal Surplus Materials Revolving Fund	465,200	465,200	0
Information Technology Fund	8,443,400	8,443,400	0
Motor Vehicle Pool Revolving Fund	10,191,200	0	(10,191,200)
Personnel Division Fund	12,723,800	12,723,800	0
Risk Management Revolving Fund	94,579,900	94,579,900	0
Special Employee Health Insurance Trust Fund	5,291,900	5,291,900	0
Special Services Revolving Fund	1,169,000	1,169,000	0
State Surplus Materials Revolving Fund	2,977,800	2,977,800	0
State Web Portal Fund	6,844,500	6,594,500	(250,000)
Telecommunications Fund	1,645,600	1,645,600	0
Total - Arizona Department of Administration	204,836,500	194,395,300	(10,441,200)
Administration, Arizona Department of - Automation Projects Fund			
Automation Projects Fund	17,311,000	4,992,800	(12,318,200)
Agriculture, Arizona Department of			
Air Quality Fund	1,448,800	1,448,800	0
Nuclear Emergency Management Fund	301,400	280,500	(20,900)
Total - Arizona Department of Agriculture	1,750,200	1,729,300	(20,900)
AHCCCS			
Budget Neutrality Compliance Fund	3,906,400	4,037,400	131,000
Children's Health Insurance Program Fund	104,650,200	81,245,700	(23,404,500)
Prescription Drug Rebate Fund - State	150,526,700	148,458,700	(2,068,000)
Substance Abuse Services Fund	2,250,200	2,250,200	0
Tobacco Products Tax Fund			
Emergency Health Services Account	16,216,300	16,216,300	0
Tobacco Tax and Health Care Fund			
Medically Needy Account	61,752,600	65,627,200	3,874,600
Total - AHCCCS	339,302,400	317,835,500	(21,466,900)
Athletic Training, Board of			
Athletic Training Fund	127,000	127,000	0
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	148,600	148,600	0
Attorney General Legal Services Cost Allocation Fund	2,105,000	2,105,000	0
Collection Enforcement Revolving Fund	6,914,700	6,914,700	0
Consumer Protection-Consumer Fraud Rev. Fund	15,364,400	10,614,400	(4,750,000)
Interagency Service Agreements Fund	16,445,500	16,445,500	0
Internet Crimes Against Children Enforcement Fund	900,000	900,000	0
Risk Management Revolving Fund	9,590,000	9,590,000	0
Victims' Rights Fund	3,767,700	3,767,700	0
Total - Attorney General - Department of Law	55,235,900	50,485,900	(4,750,000)
Automobile Theft Authority			
Automobile Theft Authority Fund	5,312,100	0	(5,312,100)
Barbers, Board of			
Board of Barbers Fund	406,300	406,300	0
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,770,000	1,770,000	0
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,300	1,459,300	0
Children and Family Services Training			

	OF FY 2020 Estimate	OF FY 2021 Baseline	OF FY 2021 Baseline - FY 2020
Program Fund	207,100	207,100	0
Federal Child Care and Development Fund Block Grant	34,400,000	34,400,000	0
Federal Temporary Assistance for Needy Families Block Grant	157,428,800	157,428,800	0
Total - Department of Child Safety	193,495,200	193,495,200	0
Chiropractic Examiners, State Board of Board of Chiropractic Examiners Fund	438,600	438,600	0
Commerce Authority, Arizona State Web Portal Fund	2,500,000	0	(2,500,000)
Contractors, Registrar of Registrar of Contractors Fund	12,368,800	12,368,800	0
Corporation Commission Arizona Arts Trust Fund	50,700	50,700	0
Investment Management Regulatory and Enforcement Fund	718,000	718,000	0
Public Access Fund	6,771,800	6,771,800	0
Securities Regulatory and Enforcement Fund	5,115,800	5,115,800	0
Utility Regulation Revolving Fund	14,491,700	14,491,700	0
Total - Corporation Commission	27,148,000	27,148,000	0
Corrections, State Department of Alcohol Abuse Treatment Fund	555,500	555,500	0
Corrections Fund	30,312,300	30,312,300	0
Inmate Store Proceeds Fund	1,341,300	1,341,300	0
Penitentiary Land Fund	2,780,300	2,780,300	0
Prison Construction and Operations Fund	12,500,000	12,500,000	0
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,800	2,661,800	0
State Education Fund for Correctional Education	729,300	729,300	0
Transition Program Fund	2,400,100	2,400,100	0
Total - State Department of Corrections	53,280,600	53,280,600	0
Cosmetology, Board of Board of Cosmetology Fund	1,949,100	1,844,900	(104,200)
County Funding State Charitable, Penal and Reformatory Institutions Land Fund	500,000	500,000	0
Criminal Justice Commission, Arizona Criminal Justice Enhancement Fund	655,500	655,500	0
Drug and Gang Prevention Resource Center Fund	613,200	613,200	0
Fingerprint Clearance Card Fund	600,000	600,000	0
State Aid to County Attorneys Fund	973,700	973,700	0
Transition Program Fund	750,000	0	(750,000)
Victim Compensation and Assistance Fund	4,223,000	4,223,000	0
Total - Arizona Criminal Justice Commission	7,815,400	7,065,400	(750,000)
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	12,921,700	12,961,500	39,800
Total - Arizona State Schools for the Deaf and the Blind	12,921,700	12,961,500	39,800
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,624,900	4,624,900	0
Dental Examiners, State Board of Dental Board Fund	1,229,800	1,229,800	0
Economic Security, Department of Child Support Enforcement Administration Fund	17,094,700	17,094,700	0
Domestic Violence Services Fund	4,000,000	4,000,000	0
Federal Child Care and Development Fund Block Grant	158,952,900	158,952,900	0
Federal Temporary Assistance for Needy Families Block Grant	65,395,900	65,395,900	0
Long Term Care System Fund	26,559,600	26,559,600	0
Public Assistance Collections Fund	423,400	423,400	0
Special Administration Fund	4,511,200	4,511,200	0

	OF FY 2020 Estimate	OF FY 2021 Baseline	OF FY 2021 Baseline - FY 2020
Spinal and Head Injuries Trust Fund	2,326,800	2,326,800	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,044,500	56,044,500	0
Total - Department of Economic Security	336,309,000	336,309,000	0
Education, Department of			
Department of Education Empowerment			
Scholarship Account Fund	1,283,400	1,283,400	0
Department of Education Professional			
Development Revolving Fund	2,700,000	2,700,000	0
Permanent State School Fund	290,489,100	300,612,600	10,123,500
Proposition 301 Fund	7,000,000	7,000,000	0
Teacher Certification Fund	2,342,700	2,342,700	0
Tribal College Dual Enrollment Program Fund	250,000	250,000	0
Total - Department of Education	304,065,200	314,188,700	10,123,500
Emergency and Military Affairs, Department of			
Nuclear Emergency Management Fund	1,458,700	1,506,100	47,400
Environmental Quality, Department of			
Air Quality Fund	8,295,900	7,989,800	(306,100)
Emergency Response Fund	132,800	132,800	0
Emissions Inspection Fund	30,657,300	29,388,000	(1,269,300)
Hazardous Waste Management Fund	1,748,200	1,748,200	0
Indirect Cost Recovery Fund	13,615,900	13,615,900	0
Permit Administration Fund	8,155,700	8,155,700	0
Recycling Fund	3,513,800	3,513,800	0
Safe Drinking Water Program Fund	1,812,000	1,812,000	0
Solid Waste Fee Fund	1,247,800	1,247,800	0
Underground Storage Tank Fund Revolving Fund	5,126,700	5,126,700	0
Water Quality Fee Fund	10,575,500	10,575,500	0
Total - Department of Environmental Quality	84,881,600	83,306,200	(1,575,400)
Equal Opportunity, Governor's Office of			
Personnel Fund	190,200	190,200	0
Exposition and State Fair Board, Arizona			
Arizona Exposition and State Fair Fund	13,282,200	13,282,200	0
Financial Institutions, Department of			
Revolving Fund	50,600	0	(50,600)
Financial Services Fund	3,986,600	0	(3,986,600)
Total - Department of Financial Institutions	4,037,200	0	(4,037,200)
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors' and Embalmers' Fund	399,700	388,400	(11,300)
Game and Fish Department, Arizona			
Capital Improvement Fund	1,001,200	1,001,200	0
Game and Fish Fund	37,758,600	37,758,600	0
Game, Nongame, Fish and Endangered			
Species Fund	347,700	347,700	0
Watercraft Licensing Fund	4,855,400	4,855,400	0
Wildlife Endowment Fund	16,200	16,200	0
Total - Arizona Game and Fish Department	43,979,100	43,979,100	0
Gaming, Department of			
Tribal-State Compact Fund	2,098,300	2,098,300	0
Racing Regulation Fund	2,402,400	2,402,400	0
Racing Regulation Fund - Uarmed Combat			
Subaccount	100,000	100,000	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	11,153,300	11,243,500	90,200
Total - Department of Gaming	16,054,000	16,144,200	90,200
Health Services, Department of			
Arizona State Hospital Fund	2,592,000	2,592,000	0
ASH Land Earnings Fund	650,000	650,000	0
Child Fatality Review Fund	96,100	96,100	0
Disease Control Research Fund	1,000,000	1,000,000	0
Emergency Medical Services Operating Fund	5,740,600	5,740,600	0
Environmental Laboratory Licensure			
Revolving Fund	931,100	931,100	0

	OF FY 2020 Estimate	OF FY 2021 Baseline	OF FY 2021 Baseline - FY 2020
Federal Child Care and Development Fund			
Block Grant	882,600	882,600	0
Health Services Licensing Fund	15,835,400	15,835,400	0
Health Services Lottery Monies Fund	100,000	100,000	0
Indirect Cost Fund	10,412,800	10,412,800	0
Newborn Screening Program Fund	7,664,200	7,664,200	0
Nuclear Emergency Management Fund	789,700	789,700	0
Nursing Care Institution Resident Protection Revolving Fund	138,200	138,200	0
Prescription Drug Rebate Fund - State	1,000,000	0	(1,000,000)
Tobacco Tax and Health Care Fund Health Research Account	4,000,000	3,000,000	(1,000,000)
Tobacco Tax and Health Care Fund Medically Needy Account	700,000	700,000	0
Vital Records Electronic Systems Fund	3,637,600	3,637,600	0
Total - Department of Health Services	<u>56,170,300</u>	<u>54,170,300</u>	<u>(2,000,000)</u>
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	46,100	46,100	0
Housing, Department of Housing Trust Fund	322,200	322,200	0
Industrial Commission of Arizona Administrative Fund	20,055,500	20,055,500	0
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	0	5,312,100	5,312,100
Financial Services Fund	0	3,986,600	3,986,600
Revolving Fund	0	50,600	50,600
Total - Department of Insurance and Financial Institutions	<u>0</u>	<u>9,349,300</u>	<u>9,349,300</u>
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	492,100	492,100	0
Court Appointed Special Advocate Fund	3,601,300	3,601,300	0
Criminal Justice Enhancement Fund	4,399,700	4,399,700	0
Defensive Driving School Fund	4,226,100	4,226,100	0
Judicial Collection Enhancement Fund	14,872,100	14,872,100	0
State Aid to the Courts Fund	2,945,300	2,945,300	0
Total - Judiciary - Supreme Court	<u>30,536,600</u>	<u>30,536,600</u>	<u>0</u>
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,455,100	5,455,100	0
Judicial Collection Enhancement Fund	6,015,200	6,015,200	0
Drug Treatment and Education Fund	502,900	502,900	0
Total - Judiciary - Superior Court	<u>11,973,200</u>	<u>11,973,200</u>	<u>0</u>
SUBTOTAL - Judiciary	42,509,800	42,509,800	0
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	531,500	531,500	0
Department of Juvenile Corrections Local Cost Sharing Fund	0	8,450,900	8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	4,012,400	4,012,400	0
State Education Fund for Committed Youth	1,861,700	1,861,700	0
Total - Department of Juvenile Corrections	<u>6,405,600</u>	<u>14,856,500</u>	<u>8,450,900</u>
Land Department, State Due Diligence Fund	500,000	500,000	0
Environmental Special Plate Fund	260,600	260,600	0
Trust Land Management Fund	7,281,700	7,281,700	0
Total - State Land Department	<u>8,042,300</u>	<u>8,042,300</u>	<u>0</u>
Liquor Licenses and Control, Department of Liquor Licenses Fund	3,373,800	3,331,800	(42,000)
Lottery Commission, Arizona State State Lottery Fund	142,394,100 <u>1/</u>	147,887,600	5,493,500
Massage Therapy, Board of Board of Massage Therapy Fund	471,600	471,600	0

	OF FY 2020 Estimate	OF FY 2021 Baseline	OF FY 2021 Baseline - FY 2020
Medical Board, Arizona			
Arizona Medical Board Fund	7,036,900	7,036,900	0
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,900	112,900	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	193,400	193,400	0
Navigable Stream Adjudication Commission			
Arizona Water Banking Fund	200,000	200,000	0
Nursing, State Board of			
Board of Nursing Fund	4,771,000	4,771,000	0
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	455,000	455,000	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	199,000	199,000	0
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	155,900	155,900	0
Optometry, State Board of			
Board of Optometry Fund	240,700	240,700	0
Osteopathic Examiners, Arizona Board of			
Board of Osteopathic Examiners Fund	1,012,300	1,012,300	0
Parks Board, Arizona State			
Off-Highway Vehicle Recreation Fund	692,100	0	(692,100)
State Lake Improvement Fund	225,000	0	(225,000)
State Parks Revenue Fund	16,065,700	15,815,700	(250,000)
Total - Arizona State Parks Board	<u>16,982,800</u>	<u>15,815,700</u>	<u>(1,167,100)</u>
Personnel Board, State			
Personnel Board Subaccount of the Personnel Division Fund	368,100	325,900	(42,200)
Pharmacy, Arizona State Board of			
Arizona State Board of Pharmacy Fund	2,665,300	2,610,300	(55,000)
Physical Therapy, Board of			
Board of Physical Therapy Fund	503,700	503,700	0
Pioneers' Home, Arizona			
Miners' Hospital for Miners with Disabilities Land Fund	2,059,200	2,059,200	0
State Charitable Fund	4,515,000	4,515,000	0
Total - Arizona Pioneers' Home	<u>6,574,200</u>	<u>6,574,200</u>	<u>0</u>
Podiatry Examiners, State Board of			
Podiatry Fund	168,100	168,100	0
Postsecondary Education, Commission for			
Postsecondary Education Fund	1,536,700	1,536,700	0
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education Fund	423,300	423,300	0
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	516,100	516,100	0
Public Safety, Department of			
Arizona Highway Patrol Fund	194,968,500	194,086,300	(882,200)
Concealed Weapons Permit Fund	2,719,700	2,757,900	38,200
Criminal Justice Enhancement Fund	2,936,800	2,936,800	0
DPS Forensics Fund	22,554,200	22,554,200	0
Fingerprint Clearance Card Fund	1,556,400	1,556,400	0
GIITEM Border Security and Law Enforcement Subaccount	2,541,200	2,396,100	(145,100)
Motor Vehicle Liability Insurance Enforcement Fund	1,250,900	1,250,900	0
Motorcycle Safety Fund	205,000	205,000	0
Parity Compensation Fund	3,990,500	3,990,500	0
Peace Officer Training Equipment Fund	1,047,800	0	(1,047,800)
Public Safety Equipment Fund	2,893,700	2,893,700	0
Risk Management Revolving Fund	1,349,300	1,349,300	0
Safety Enforcement and Transportation			

	OF FY 2020 Estimate	OF FY 2021 Baseline	OF FY 2021 Baseline - FY 2020
Infrastructure Fund - Department of Public Safety Subaccount	1,650,900	1,650,900	0
State Aid to Indigent Defense Fund	700,000	700,000	0
State Highway Fund	318,200	318,200	0
Total - Department of Public Safety	<u>240,683,100</u>	<u>238,646,200</u>	<u>(2,036,900)</u>
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,348,600	1,348,600	0
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners Fund	322,600	322,600	0
Retirement System, Arizona State Long-Term Disability Trust Fund Administration Account	1,800,000	1,800,000	0
Arizona State Retirement System Administration Account	22,394,000	22,394,000	0
Total - Arizona State Retirement System	<u>24,194,000</u>	<u>24,194,000</u>	<u>0</u>
Revenue, Department of Department of Revenue Administrative Fund	48,243,000	46,243,000	(2,000,000)
Liability Setoff Program Revolving Fund	805,600	805,600	0
Tobacco Tax and Health Care Fund	681,500	681,500	0
Total - Department of Revenue	<u>49,730,100</u>	<u>47,730,100</u>	<u>(2,000,000)</u>
Secretary of State Records Services Fund	742,800	742,800	0
Total - Secretary of State	<u>742,800</u>	<u>742,800</u>	<u>0</u>
Technical Registration, State Board of Technical Registration Fund	2,199,500	2,199,500	0
Transportation, Department of Air Quality Fund	324,200	324,200	0
Highway User Revenue Fund	658,000	658,000	0
Highway Damage Recovery Account	8,000,000	8,000,000	0
Ignition Interlock Device Fund	320,300	320,300	0
Motor Pool Consolidation Fund	0	5,675,100	5,675,100
Motor Vehicle Liability Insurance Enforcement Fund	2,675,200	1,723,700	(951,500)
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	880,500	880,500	0
State Aviation Fund	2,010,900	2,010,900	0
State Highway Fund	397,585,400	397,921,900	336,500
Transportation Department Equipment Fund	18,654,800	18,654,800	0
Vehicle Inspection and Certificate of Title Enforcement Fund	2,068,000	2,068,000	0
Total - Department of Transportation	<u>433,177,300</u>	<u>438,237,400</u>	<u>5,060,100</u>
Treasurer, State Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	0
State Treasurer Empowerment Scholarship Account Fund	304,400	304,400	0
State Treasurer's Operating Fund	3,350,800	3,350,800	0
Total - State Treasurer	<u>5,839,000</u>	<u>5,839,000</u>	<u>0</u>
<i>Universities</i> Arizona State University Technology and Research Initiative Fund	3,600,000	3,600,000	0
University Collections Fund	654,596,600 2/	654,596,600	0
Total - Arizona State University	<u>658,196,600</u>	<u>658,196,600</u>	<u>0</u>
Northern Arizona University University Collections Fund	156,154,500 2/	156,154,500	0
University of Arizona - Main Campus University Collections Fund	353,430,100 2/	353,430,100	0
University of Arizona - Health Sciences Center University Collections Fund	55,697,400 2/	55,697,400	0
SUBTOTAL - Universities	<u>1,223,478,600</u>	<u>1,223,478,600</u>	<u>0</u>
Veterans' Services, Department of State Home for Veterans Trust Fund	35,607,900	35,607,900	0

	OF FY 2020 Estimate	OF FY 2021 Baseline	OF FY 2021 Baseline - FY 2020
Total - Department of Veterans' Services	35,607,900	35,607,900	0
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	600,000	600,000	0
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	268,600	268,600	0
Water Resources Fund	963,700	963,700	0
Water Banking Fund	1,212,200	1,212,200	0
Total - Department of Water Resources	2,444,500	2,444,500	0
OPERATING BUDGET TOTAL	\$4,095,476,400	\$4,063,500,500	(\$31,975,900)
FY 2020 Supplemental/Ex-Appropriation ^{3/}	9,042,300	0	(9,042,300)
Unallocated Risk Management Adjustments	700	0	(700)
Unallocated IT Pro Rata Adjustments	137,600	0	(137,600)
Unallocated Retirement Adjustments	220,700	0	(220,700)
Unallocated HITF One-Time Reduction	(1,307,100)	0	1,307,100
Unallocated HITF One-Time Employer Premium	235,700	0	(235,700)
Unallocated State Rent - Agency Relocation	(14,100)	0	14,100
Unallocated State Rent Increase	159,900	0	(159,900)
Unallocated ADOA Shared Services	30,000	0	(30,000)
Remove One-Time Agency Health Insurance Adjustments	0	(9,764,300)	(9,764,300)
Capital Outlay - Building Renewal/Projects	519,698,800	490,683,600	(29,015,200)
GRAND TOTAL	\$4,623,680,900	\$4,544,419,800	(\$79,261,100)

^{1/} Revised Lottery forecast.

^{2/} Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2020. A footnote in the FY 2020 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

^{3/} Please see page S-36 for individual agency detail.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2020 GF Adj. Appropriation	FY 21 Baseline 1/ Above FY 20	FY 2021 GF JLBC Baseline
OPERATING SPENDING CHANGES			
DOA - Arizona Department of Administration	8,147,600		7,876,600
DOA - Remove One-Time Sierra Vista Public Safety Communications		(271,000)	
APF - Automation Projects Fund/ADOA	11,100,000		0
APF - Remove DCS Automation (\$5.0 M Ongoing/\$5.1 M One-Time)		(10,100,000)	
APF - Remove One-Time Business One-Stop Shop Web Portal		(1,000,000)	
OAH - Office of Administrative Hearings	889,800		889,800
AAM - Commission of African-American Affairs	128,100		128,100
AGR - Department of Agriculture	10,865,500		10,185,100
AGR - Remove One-Time Industrial Hemp Licensing		(750,000)	
AGR - AG Lab Relocation Annualization		69,600	
AXS - AHCCCS	1,760,748,100		1,942,993,600
AXS - Formula Changes		179,995,500	
AXS - Rural Graduate Medical Education		1,666,700	
AXS - Urban Graduate Medical Education		1,333,300	
AXS - Remove One-Time North Country Graduate Medical Education		(750,000)	
ART - Arizona Commission on the Arts	2,200,000		0
ART - One-Time Funding		(2,000,000)	
ART - Remove One-Time Nonprofit Theater Capital Support		(200,000)	
ATT - Attorney General	26,082,400		24,582,400
ATT - Remove One-Time Criminal Division Funding		(1,500,000)	
CHA - State Board for Charter Schools	1,714,500		2,107,300
CHA - Additional FTE Positions (Enacted)		392,800	
DCS - Department of Child Safety	384,653,400		384,653,400
ACA - Arizona Commerce Authority	19,275,000		16,175,000
ACA - Remove One-Time Rural Development Broadband Grants		(3,000,000)	
ACA - Remove One-Time Trade Office Funding		(100,000)	
CCO - Arizona Community Colleges	97,431,800		64,658,000
CCO - Formula Changes		2,226,200	
CCO - Remove One-Time Maricopa CCD Healthcare Specialty Expansion		(5,800,000)	
CCO - Remove One-Time Pima CCD Aviation Center		(15,000,000)	
CCO - Remove One-Time Rural Funding (By Student Count)		(14,200,000)	
COR - Corporation Commission	620,800		620,800
ADC - Department of Corrections	1,167,111,300		1,167,111,300
CF - County Funding	10,650,700		10,650,700
SDB - Arizona State Schools for the Deaf and the Blind	23,214,400		23,214,400
OEC - Office of Economic Opportunity	968,300		468,300
OEC - WIFA - Remove One-Time Small Water Systems Funding		(500,000)	

	FY 2020 GF Adj. Appropriation	FY 21 Baseline 1/ Above FY 20	FY 2021 GF JLBC Baseline
DES - Department of Economic Security	749,708,200		808,448,100
DES - Formula Adjustments		59,739,900	
DES - Remove One-Time Caregiver Grants		(1,000,000)	
BOE - State Board of Education	1,158,900		1,158,900
ADE - Arizona Department of Education	5,200,184,900		5,538,467,400
ADE - Formula Adjustments (Incl. Teacher Salary/Add'l Assistance)		335,632,500	
ADE - Remove One-Time American Civics Funding		(500,000)	
ADE - Remove One-Time Gifted Education Funding		(1,000,000)	
ADE - One-Time CTED Incentive Program (\$5 M in '21; \$5 M in '22)		5,000,000	
ADE - Remove One-Time Mingus Unified Consolidation Costs		(50,000)	
ADE - Remove One-Time Yuma Elementary School Construction Costs		(800,000)	
EMA - Department of Emergency & Military Affairs	12,201,600		12,201,600
DEQ - Department of Environmental Quality	200,000		0
DEQ - Remove One-Time Maricopa County Dust Suppression Pilot		(200,000)	
EQU - State Board of Equalization	659,000		659,000
EXE - Board of Executive Clemency	1,150,000		1,150,000
DFI - Dept of Financial Institutions	1,980,900		0
DFI - Agency Consolidation		(1,980,900)	
FOR - Department of Forestry and Fire Management	15,917,400		13,167,400
FOR - Remove One-Time Fire Training Center (Taylor)		(1,000,000)	
FOR - Remove One-Time Non-Native Vegetation Eradication		(1,000,000)	
FOR - Remove One-Time Mount Lemmon Fire District Water Line		(750,000)	
GAM - Department of Gaming	2,509,500		2,509,500
GOV - Office of the Governor	8,699,900		8,699,900
OSP - Gov's Office of Strategic Planning & Budgeting	2,684,100		2,684,100
DHS - Department of Health Services	97,158,300		93,351,700
DHS - Remove One-Time Prenatal Services Funding		(500,000)	
DHS - Remove One-Time Public Health Emergency Fund Backfill		(106,600)	
DHS - Remove Benson and Northern Cochise Hospitals One-Time Funding		(1,500,000)	
DHS - Remove One-Time Primary Care Clinic - Colorado City Funding		(700,000)	
DHS - Remove One-Time Loan Repayment Program Funding		(750,000)	
DHS - Remove One-Time Vulnerable Caregiver Workshops Funding		(250,000)	
AZH - Arizona Historical Society	3,107,700		3,107,700
PAZ - Prescott Historical Society	837,200		837,200
DOH - Department of Housing	15,000,000		0
DOH - Remove Housing Trust Fund Deposit (One-Time)		(15,000,000)	
IND - Independent Redistricting Commission	0		500,000
IND - 2020 Redistricting Cycle Start-up Funding		500,000	

	FY 2020 GF Adj. Appropriation	FY 21 Baseline 1/ Above FY 20	FY 2021 GF JLBC Baseline
INS - Department of Insurance	5,663,200		0
INS - Agency Consolidation		(5,663,200)	
DIF - Department of Insurance and Financial Institutions	0		7,644,100
DIF - Agency Consolidation		7,644,100	
SPA - Judiciary - Supreme Court	20,875,000		20,875,000
COA - Judiciary - Court of Appeals	16,765,000		16,765,000
SUP - Judiciary - Superior Court	92,596,500		96,011,900
SUP - Maricopa County Judges Phase-In (Enacted)		6,019,400	
SUP - Remove One-Time Digitization/Case Management System		(250,000)	
SUP - Remove One-Time CORP Retirement Cost Increase		(2,354,000)	
DJC - Department of Juvenile Corrections	36,926,500		28,475,600
DJC - Remove One-Time Maricopa/Pima County Cost Sharing Offset		(8,450,900)	
LAN - State Land Department	11,654,300		12,135,400
LAN - CAP Rate Adjustment		481,100	
Legislature			
AUD - Auditor General	20,629,300		20,229,300
AUD - Remove One-Time CTED Study Funding		(400,000)	
HOU - House of Representatives	16,407,500		16,407,500
JLBC - Joint Legislative Budget Committee	2,834,200		2,834,200
LEG - Legislative Council	8,814,900		8,814,900
SEN - Senate	12,948,900		12,948,900
MIN - State Mine Inspector	1,269,300		1,269,300
NAV - Arizona Navigable Steam Adjudication Comm.	129,000		129,000
POS - Commission for Postsecondary Education	1,680,900		1,680,900
DPS - Department of Public Safety	92,350,300		84,153,500
DPS - Remove One-Time Equipment - 6 Maricopa FTE		(379,800)	
DPS - Remove One-Time Equipment - 12 Trooper FTE Southern AZ		(759,600)	
DPS - Remove One-Time Equipment - Loop 202 South Mountain Patrol		(1,519,200)	
DPS - Salary Increase Budget Shift		(38,200)	
DPS - Remove One-Time Highway Patrol Vehicle Replacement Funding		(4,000,000)	
DPS - Remove One-Time Interoperability Project Funding		(1,500,000)	
PSP - Public Safety Personnel Retirement System	6,000,000		6,000,000
REA - State Real Estate Department	2,909,500		2,909,500
REV - Department of Revenue	31,245,200		31,245,200
SFB - School Facilities Board	325,650,300		144,351,000
SFB - Remove New School Funding Completion (FY 19 Starts)		(36,726,700)	
SFB - Continue New School Construction Projects (FY 20 Starts)		(30,069,900)	
SFB - Begin New School Construction Projects (FY 21 Starts)		12,980,900	

	FY 2020 GF Adj. Appropriation	FY 21 Baseline 1/ Above FY 20	FY 2021 GF JLBC Baseline
SFB - Lease-Purchase Adjustment		(64,692,700)	
SFB - One-Time Building Renewal Funding		(62,790,900)	
SOS - Secretary of State	17,367,900		16,959,800
SOS - Remove One-Time Presidential Preference Election Funding		(4,408,100)	
SOS - Election Services (2020 Primary/General Election)		4,000,000	
TAX - State Board of Tax Appeals	281,800		281,800
TOU - Office of Tourism	8,214,000		8,214,000
TRE - State Treasurer	1,205,100		1,205,100
OTR - Governor's Office on Tribal Relations	62,900		62,900
UNI - Universities			
UNI - Arizona Board of Regents	22,397,700		22,397,700
UNI - ASU	341,916,800		323,234,500
UNI - Lease Purchase Adjustment		2,400	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		215,300	
UNI - Remove '20 One-Time Operating Funding		(18,900,000)	
UNI - Northern Arizona University	117,250,900		109,662,500
UNI - Lease Purchase Adjustment		(1,020,000)	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		81,600	
UNI - Remove '20 One-Time Operating Funding		(6,650,000)	
UNI - UA - Main Campus	215,808,900		206,550,700
UNI - Lease Purchase Adjustment		1,300	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		190,500	
UNI - Remove '20 One-Time Operating Funding		(9,450,000)	
UNI - UA - Health Sciences Center	76,897,700		76,897,700
VSC - Department of Veterans' Services	7,792,900		7,792,900
WAT - Department of Water Resources	66,937,700		14,237,700
WAT - Remove One-Time Augmentation and Conservation Assistance		(2,000,000)	
WAT - Remove One-Time Digitization Funding		(200,000)	
WAT - Remove One-Time Water System Conservation Funding		(30,000,000)	
WAT - Remove One-Time Agriculture Infrastructure Projects Loan		(20,000,000)	
WAT - Remove One-Time Water Protection Fund Deposit		(500,000)	
OTH - Other			
OTH - AHCCCS Supplemental	45,978,600	(45,978,600)	0
OTH - Land Dept Supplemental	481,100	(481,100)	0
OTH - 27th Pay Period (State Agencies Only, Universities in '22)	0	43,078,600	43,078,600
OTH - Debt Service Payments	77,709,300	(24,007,500)	53,701,800
OTH - Phoenix Convention Center Debt Service	23,500,000	497,900	23,997,900
OTH - 2010B Sale/Leaseback Payoff (SB 1215)	190,000,000	(190,000,000)	0
OTH - Rio Nuevo District	16,000,000		16,000,000
OTH - Remove One-Time Budget Stabilization Fund Deposit	271,107,000	(271,107,000)	0
OTH - Remove One-Time '20 Agency Health Insurance Adjustments	0	(10,492,900)	(10,492,900)
OTH - Unallocated HITF One-Time Employer Premium	51,500	(51,500)	0
OTH - Administrative Adjustments	128,000,000	18,000,000	146,000,000
OTH - Revertments	(173,000,000)	(11,000,000)	(184,000,000)

	FY 2020 GF Adj. Appropriation	FY 21 Baseline 1/ Above FY 20	FY 2021 GF JLBC Baseline
TOTAL - OPERATING SPENDING CHANGES	11,802,270,900	(268,350,700)	11,533,920,200
CAPITAL SPENDING - Remove One-Time Funding			
Agriculture - Mariposa Port of Entry Cold Inspection Facility	700,000	(700,000)	0
DEMA - West Valley Readiness Center	3,875,000	(3,875,000)	0
DOT - Interstate 17 Expansion	Other Fund		Other Fund
ADOA - State Route 24 Bridge	6,500,000	(6,500,000)	0
DOT - I-10 Widening Study	10,000,000	(10,000,000)	0
DOT - Aviation Fund Deposit	10,000,000	(10,000,000)	0
ADOA - Kingman I-40 Interchange	20,000,000	(20,000,000)	0
DOT - US 95 Yuma Road Widening	28,000,000	(28,000,000)	0
DOT - Local Road Construction Distribution	18,000,000	(18,000,000)	0
ADOA - Globe Bridge Repair	2,810,000	(2,810,000)	0
TOTAL - CAPITAL SPENDING	99,885,000	(99,885,000)	0
TOTAL - ALL SPENDING	11,902,155,900	(368,235,700)	11,533,920,200
REVENUE CHANGES			
Ongoing Revenue			
REV - Ongoing Revenue	11,497,037,000	414,312,000	11,911,349,000
One-Time Revenue			
REV - Beginning Balance	957,241,000	(314,278,200)	642,962,800
Prior-Year Enacted Fund Transfers			
REV - Prescription Drug Rebate Transfer	69,000,000	(52,300,000)	16,700,000
REV - One-Time Wells Fargo Settlement	20,000,000	(20,000,000)	0
REV - DEQ - One-Time Air Quality Fund Transfer	993,900	(993,900)	0
REV - DPS - One-Time Joint Fund Transfer	846,800	(846,800)	0
TOTAL - REVENUE CHANGES 2/	12,545,118,700	25,893,100	12,571,011,800
ENDING BALANCE	642,962,800	394,128,800	1,037,091,600

1/ Represents FY 2021 Baseline cost above FY 2020 Baseline.

2/ Represents all revenue changes, including fund transfers.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2020 OF 1/ Adj. Appropriation	FY 21 Baseline 2/ Above FY 20	FY 2021 OF JLBC Baseline
OPERATING SPENDING CHANGES			
SBA - State Board of Accountancy	2,045,300		2,045,300
ACU - Acupuncture Board of Examiners	176,000		176,000
DOA - Arizona Department of Administration	204,836,500		194,395,300
DOA - Transfer State Motor Vehicle Fleet Operations (4 FTE)		(10,191,200)	
DOA - Remove One-Time Government Website Support		(250,000)	
APF - Automation Projects Fund/ADOA	17,311,000		4,992,800
APF - Remove One-Time ADOA Business One-Stop Portal		(1,000,000)	
APF - Remove One-Time Agriculture Weights and Measures IT Assessment		(200,000)	
APF - Child Safety - CHILDS Replacement Initiative		(5,107,200)	
APF - Remove One-Time ADE - School Finance System Replacement		(3,000,000)	
APF - Remove One-Time Medical Board - Cloud Migration		(300,000)	
APF - Remove One-Time DPS - Concealed Weapons Tracking System		(410,000)	
APF - Remove One-Time DPS - Criminal Justice System Updates		(2,301,000)	
AGR - Department of Agriculture	1,750,200		1,729,300
AGR - Realign Nuclear Emergency Management Fund Assessment		(20,900)	
AXS - AHCCCS	339,302,400		317,835,500
AXS - Formula Changes		(19,398,900)	
AXS - IT System Costs (One-Time)		(2,068,000)	
BAT - Board of Athletic Training	127,000		127,000
ATT - Attorney General	55,235,900		50,485,900
ATT - Realign Criminal Division CPRF: \$950k '21; \$2.3 M '22 & '23		100,000	
ATT - Remove One-Time Police Equipment Grants		(2,500,000)	
ATT - Remove One-Time Child and Family Advocacy Centers		(400,000)	
ATT - Remove One-Time Arizona Peace Officer Memorial Fund Deposit		(1,000,000)	
ATT - Remove One-Time Survivors of Human Trafficking		(300,000)	
ATT - Remove One-Time First Responder Mental Health Training		(400,000)	
ATT - Remove One-Time Multidisciplinary Youth Program		(250,000)	
ATA - Automobile Theft Authority	5,312,100		0
ATA - Agency Consolidation		(5,312,100)	
BAR - Board of Barbers	406,300		406,300
BHE - Board of Behavioral Health Examiners	1,770,000		1,770,000
DCS - Department of Child Safety	193,495,200		193,495,200
BCE - State Board of Chiropractic Examiners	438,600		438,600
ACA - Arizona Commerce Authority	2,500,000		0
ACA - Remove One-Time Blockchain Research		(1,250,000)	
ACA - Remove One-Time Wearable Technology Applied Research		(750,000)	
ACA - Remove One-Time Institute for Automated Mobility		(500,000)	
ROC - Registrar of Contractors	12,368,800		12,368,800
COR - Corporation Commission	27,148,000		27,148,000

	FY 2020 OF 1/ Adj. Appropriation	FY 21 Baseline 2/ Above FY 20	FY 2021 OF JLBC Baseline
ADC - Department of Corrections	53,280,600		53,280,600
COS - Board of Cosmetology	1,949,100		1,844,900
COS - Remove One-time Digitization		(70,000)	
COS - Remove One-Time Annual Leave Payouts		(34,200)	
CF - County Funding	500,000		500,000
JUS - Arizona Criminal Justice Commission	7,815,400		7,065,400
JUS - Remove One-Time Yavapai Felony Pretrial Intervention		(750,000)	
SDB - AZ State Schools for the Deaf and the Blind	12,921,700		12,961,500
SDB - Base Level Increase - Formula		39,800	
HEA - Comm for the Deaf & the Hard of Hearing	4,624,900		4,624,900
DEN - Board of Dental Examiners	1,229,800		1,229,800
DES - Department of Economic Security	336,309,000		336,309,000
ADE - Arizona Department of Education	304,065,200		314,188,700
ADE - Land Trust Distribution		10,123,500	
EMA - Department of Emergency & Military Affairs	1,458,700		1,506,100
EMA - Nuclear Emergency Management Fund Assessment		47,400	
DEQ - Department of Environmental Quality	84,881,600		83,306,200
DEQ - Remove VW Settlement Air Quality Backfill		993,900	
DEQ - Remove One-Time Wastewater Infrastructure - Nogales		(2,569,300)	
OEO - Governor's Office of Equal Opportunity	190,200		190,200
COL - Arizona Exposition and State Fair Board	13,282,200		13,282,200
DFI - Department of Financial Institutions	4,037,200		0
DFI - Agency Consolidation		(4,037,200)	
EMB - Board of Funeral Directors and Embalmers	399,700		388,400
EMB - Remove One-Time Retirement Payout		(11,300)	
FIS - Arizona Game and Fish Department	43,979,100		43,979,100
GAM - Department of Gaming	16,054,000		16,144,200
GAM - Align Gaming Division Funding w/ Increased Revenues		90,200	
DHS - Department of Health Services	56,170,300		54,170,300
DHS - Remove One-Time Alzheimer's Funding		(2,000,000)	
HOM - Board of Homeopathic & Integrated Medicine Examiners	46,100		46,100
DOH - Department of Housing	322,200		322,200
IND - Industrial Commission	20,055,500		20,055,500
DFI - Department of Insurance and Financial Institutions	0		9,349,300
DFI - Agency Consolidation		9,349,300	
SPA - Judiciary - Supreme Court	30,536,600		30,536,600

	FY 2020 OF 1/ Adj. Appropriation	FY 21 Baseline 2/ Above FY 20	FY 2021 OF JLBC Baseline
SUP - Judiciary - Superior Court	11,973,200		11,973,200
DJC - Department of Juvenile Corrections	6,405,600		14,856,500
DJC - Remove One-Time Offset for Local Cost Sharing (Maricopa & Pima)		8,450,900	
LAN - State Land Department	8,042,300		8,042,300
LIQ - Department of Liquor Licenses & Control	3,373,800		3,331,800
LIQ - Remove One-Time Information Technology Funding		(42,000)	
LOT - Arizona State Lottery Commission	142,394,100		147,887,600
LOT - Tab Ticket Increase		104,200	
LOT - On-Line Sales Decrease		20,700	
LOT - Instant Ticket Sales Increase		1,608,600	
LOT - Retailer Commissions Increase		3,760,000	
BMT - Board of Massage Therapy	471,600		471,600
MED - Arizona Medical Board	7,036,900		7,036,900
MIN - State Mine Inspector	112,900		112,900
NAT - Naturopathic Physicians Medical Board	193,400		193,400
NAV - Navigable Stream Adjudication Commission	200,000		200,000
NUR - State Board of Nursing	4,771,000		4,771,000
NCI - Nursing Care Inst. Administrators Board	455,000		455,000
OCC - Board of Occupational Therapy Examiners	199,000		199,000
DIS - State Board of Dispensing Opticians	155,900		155,900
OPT - State Board of Optometry	240,700		240,700
OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,012,300		1,012,300
SPB - Arizona State Parks Board	16,982,800		15,815,700
SPB - Remove One-Time Great Western Trail (OHV)		(692,100)	
SPB - Remove One-Time Arizona Trail		(250,000)	
SPB - Remove One-Time Buckskin Fire District Equipment		(225,000)	
PER - Personnel Board	368,100		325,900
PER - Reduction in FTE Position		(42,200)	
PHA - Arizona State Board of Pharmacy	2,665,300		2,610,300
PHA - Remove One-Time New Office Equipment		(55,000)	
PHY - Board of Physical Therapy Examiners	503,700		503,700
PIO - Arizona Pioneers' Home	6,574,200		6,574,200
POD - State Board of Podiatry Examiners	168,100		168,100
POS - Commission for Postsecondary Education	1,536,700		1,536,700

	FY 2020 OF 1/ Adj. Appropriation	FY 21 Baseline 2/ Above FY 20	FY 2021 OF JLBC Baseline
PRI - Board for Private Postsecondary Education	423,300		423,300
PSY - State Board of Psychologist Examiners	516,100		516,100
DPS - Department of Public Safety	240,683,100		238,646,200
DPS - Salary Increase Budget Shift		38,200	
DPS - Remove One-Time AZPOST Funding (Highway Patrol Fund)		(1,027,300)	
DPS - Adjust Peace Officer Training Equipment Funding		(1,047,800)	
RUC - Residential Utility Consumer Office	1,348,600		1,348,600
RES - Board of Respiratory Care Examiners	322,600		322,600
RET - Arizona State Retirement System	24,194,000		24,194,000
REV - Department of Revenue	49,730,100		47,730,100
REV - Remove One-Time Wayfair Administration		(2,000,000)	
SOS - Secretary of State	742,800		742,800
TEC - State Board of Technical Registration	2,199,500		2,199,500
DOT - Department of Transportation	433,177,300		438,237,400
DOT - Fleet Consolidation Line Item		5,675,100	
DOT - Remove One-Time Plate Production		(675,000)	
DOT - Remove One-Time Signs		(75,000)	
DOT - New South Mountain Freeway Maintenance		1,086,500	
DOT - Remove One-Time Security Systems - Ports of Entry		(951,500)	
TRE - State Treasurer	5,839,000		5,839,000
UNI - Universities			
UNI - ASU	658,196,600		658,196,600
UNI - ASU Main - Enrollment Growth			
UNI - Northern Arizona University	156,154,500		156,154,500
UNI - NAU - Enrollment Growth			
UNI - UA - Main Campus	353,430,100		353,430,100
UNI - UA Main - Enrollment Growth			
UNI - UA - Health Sciences Center	55,697,400		55,697,400
UNI - UA - HSC - Enrollment Growth			
VSC - Department of Veterans' Services	35,607,900		35,607,900
VME - Veterinary Medical Examining Board	600,000		600,000
WAT - Department of Water Resources	2,444,500		2,444,500
OTH - Other			
OTH - ADOA Federal Financial Participation Repayment Supplemental	3,933,100	(3,933,100)	0
OTH - AHCCCS Supplemental	5,109,200	(5,109,200)	0
OTH - Unallocated HITF One-Time Employer Premium Reduction	(1,307,100)	1,307,100	0
OTH - Unallocated HITF One-Time Employer Premium Increase	235,700	(235,700)	0
OTH - Remove '20 HITF One-Time Employer Premium Increase	0	(9,764,300)	(9,764,300)
OTH - Unallocated ADOA Shared Services	30,000	(30,000)	0
OTH - Unallocated State Rent - Agency Relocation	(14,100)	14,100	0

	FY 2020 OF 1/ Adj. Appropriation	FY 21 Baseline 2/ Above FY 20	FY 2021 OF JLBC Baseline
OTH - Unallocated State Rent Increase	159,900	(159,900)	0
OTH - Unallocated IT Rate Increase	137,600	(137,600)	0
OTH - Unallocated Retirement Adjustments	220,700	(220,700)	0
OTH - Unallocated Risk Management Adjustments	700	(700)	0
TOTAL - OPERATING SPENDING CHANGES	\$4,103,982,100	(\$50,245,900)	\$4,053,736,200
CAPITAL SPENDING CHANGES			
Building Renewal			
Arizona Department of Administration	17,000,000	(1,000,000)	16,000,000
ADC Building Renewal	6,864,300	(1,400,000)	5,464,300
Game & Fish Department	1,043,700	114,200	1,157,900
Arizona Lottery Commission	134,100	12,600	146,700
Arizona Department of Transportation	13,281,700	0	13,281,700
New Projects			
ADOA - Air Handler Units	1,000,000	(1,000,000)	0
State Fair Civic Building Roof	400,000	(400,000)	0
Arizona Exposition and State Fair	1,300,000	(1,300,000)	0
Game & Fish Department - Dam Maintenance	150,000	(150,000)	0
Game & Fish Department - Property Maintenance	300,000	(300,000)	0
Game & Fish Department - Hatchery Maintenance	400,000	(400,000)	0
State Parks Board - Tonto Bridge Repairs	1,250,000	(1,250,000)	0
Pioneers' Home - Building Repairs	414,000	(414,000)	0
DPS - 202 Radio Tower	309,000	(309,000)	0
DPS - Remote Officer Housing (Highway Patrol)	2,400,000	(2,400,000)	0
ADOT - Statewide Highway Construction	129,488,000	(22,935,000)	106,553,000
ADOT - Controlled Access	113,442,000	7,541,000	120,983,000
ADOT - Debt Service	150,502,000	695,000	151,197,000
ADOT - Airport Planning	33,120,000	(2,220,000)	30,900,000
ADOT - Seligman/Williams Maintenance Bldgs	2,300,000	(2,300,000)	0
ADOT - Wickenburg Maintenance Yard	4,600,000	(4,600,000)	0
ADOA - Interstate 17 Expansion (Enacted)	40,000,000	5,000,000	45,000,000
TOTAL - CAPITAL SPENDING CHANGES	\$519,698,800	(29,015,200)	\$490,683,600
TOTAL - OPERATING & CAPITAL SPENDING	\$4,623,680,900	(79,261,100)	\$4,544,419,800
FUND TRANSFERS			
APF/DOA - Automation Projects Fund - All For IT Projects			
APF/DCS CHILDS Replacement		4,992,800	4,992,800
APF/DOA - ADE Empowerment Scholarship Account Fund for AELAS	3,000,000	(3,000,000)	0
APF/DOA - Medical Examiners Board Fund for IT	300,000	(300,000)	0
APF/DOA - DPS Highway Patrol Fund for IT	2,301,000	(2,301,000)	0
APF/DOA - DPS Concealed Weapons Permit Fund for IT	410,000	(410,000)	0
APF/DOA - Agriculture Air Quality Fund for IT	200,000	(200,000)	0
Other Transfers			
DPS - Highway Patrol Fund to Highway Fund (Highway Safety Fee)	15,492,300		15,492,300
TOTAL - FUND TRANSFERS	\$21,703,300	(1,218,200)	\$20,485,100

1/ Represents original FY 2020 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ Represents FY 2021 Baseline cost above FY 2020 Baseline.

FY 2020 SUPPLEMENTALS

	JLBC Baseline Change to Original '20 Budget
General Fund	
AHCCCS - Higher-than-Budgeted Caseload and Capitation Growth	\$45,978,600
State Land Department - Central Arizona Project User Fees	481,100
General Fund - Total	<u>\$46,459,700</u>
Other Funds	
Arizona Department of Administration - Federal Financial Participation Repayment	\$3,933,100
AHCCCS - Higher-than-Budgeted Caseload and Capitation Growth	5,109,200
Other Funds - Total	<u>\$9,042,300</u>
Expenditure Authority	
AHCCCS - Higher-than-Budgeted Caseload and Capitation Growth	\$64,729,900
Expenditure Authority - Total	<u>\$64,729,900</u>

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES
For Fiscal Years 2019, 2020 and 2021 1/

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
<u>BUDGET UNITS</u>			
Arizona Department of Administration (ADA)			
Administration - AFIS II Collections (4203)	\$0	\$0	\$0
Certificate of Participation (5005)	138,846,000	129,808,000	129,808,000
Construction Insurance (4219)	1,663,600	4,148,800	3,474,800
Co-Op State Purchasing Agreement (4213)	3,407,800	4,255,400	4,255,400
Emergency Telecommunication Services Revolving (2176)	15,339,100	19,039,600	19,039,600
Employee Related Expenditures/Benefits Admin (ITA3035)	34,275,200	35,797,800	35,797,800
Federal Grants (2000)	995,100	2,966,800	2,966,800
IGA and ISA (2500)	9,163,900	26,279,900	26,279,900
Oil Overcharge (GVA3171)	4,800	0	0
Payroll Administration (9200)	61,900	80,500	80,500
Retiree Accumulated Sick Leave (3200)	14,561,500	15,052,000	15,052,000
Special Employee Health Insurance Trust (3015)	889,022,400	915,436,400	940,595,300
Special Events (2503)	20,000	16,300	16,300
Special Services Revolving (4208)	782,200	910,000	910,000
State Employee Travel Reduction (2261)	436,900	619,500	619,500
Statewide Donations (2025)	8,600	8,000	8,000
Text to 911 Services (2177)	4,300	130,000	130,000
Traffic and Parking Control (2453)	200	0	0
Transparency Website (2955)	25,000	25,000	25,000
VW Diesel Emissions Environment Migration Trust (3917)	17,934,000	36,738,100	0
Total - Arizona Department of Administration	\$1,126,552,500	\$1,191,312,100	\$1,179,058,900
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$753,200	\$793,900	\$793,900
Video Service Provider Complaint (1111)	0	0	0
Total - Office of Administrative Hearings	\$753,200	\$793,900	\$793,900
Arizona Commission of African-American Affairs (AMA)			
Arizona Commission of African-American Affairs (2397)	\$7,100	\$20,000	\$20,000
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$36,600	\$41,900	\$41,900
Agricultural Consulting and Training Trust (1239)	0	3,400	3,400
Agricultural Products Marketing (2368)	545,000	473,900	473,900
Aquaculture Trust (2297)	7,500	9,900	9,900
Beef Council (2083)	287,000	287,000	287,000
Citrus Trust (2299)	66,500	41,800	41,800
Citrus, Fruit and Vegetable Trust (2260)	261,300	345,000	345,000
Commercial Feed Trust (2012)	356,600	281,800	281,800
Commodity Promotion (2458)	11,000	6,500	6,500
Cotton Research and Protection Council (2013)	2,857,300	3,409,200	3,409,200
Dangerous Plants, Pests and Diseases Trust (2054)	54,100	120,000	120,000
Designated (3011)	1,161,800	1,080,000	1,080,000
Egg Inspection Trust (2022)	1,608,100	1,644,200	1,644,200
Equine Inspection (2489)	0	0	0
Federal-State Inspection (2113)	3,281,400	3,476,900	3,476,900
Federal (2000)	6,570,000	5,476,700	5,476,700
Fertilizer Materials Trust (2081)	445,000	331,500	331,500
Grain Trust (2201)	163,800	84,600	84,600
Iceberg Lettuce Trust (2259)	99,600	100,000	100,000
Indirect Cost Recovery (9000)	288,100	344,000	344,000
Industrial Hemp Trust (2372)	0	0	466,600
Livestock and Crop Conservation (2378)	138,600	73,600	73,600
Livestock Custody Trust (2065)	74,000	72,400	72,400
Nuclear Emergency Management (2138)	20,400	0	0
Pest Management Trust (2050)	1,604,700	1,712,700	1,712,700
Pesticide Trust (2051)	359,000	534,200	534,200
Produce Safety Trust (2371)	0	0	0
Protected Native Plant Trust (2298)	73,100	77,500	77,500
Seed Law Trust (2064)	187,500	89,300	89,300
Total - Arizona Department of Agriculture	\$20,558,000	\$20,118,000	\$20,584,600

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
AHCCCS (HCA)			
AHCCCS Restitution (2586)	\$5,900,000	\$0	\$0
Arizona Tobacco Litigation Settlement (TRA2561)	98,938,500	102,000,000	102,000,000
County Funds (2120/2223)	269,364,900	336,437,800	351,691,000
Delivery System Reform Incentive Payment (2130)	20,496,000	28,062,400	21,686,700
Employee Recognition (2025)	0	1,400	1,400
Federal - Medicaid Direct Services (2120)	61,758,800	70,038,500	70,038,500
Federal (2000)	77,956,400	99,456,600	99,456,600
Federal Medicaid Authority (2120/2223)	8,492,754,100	9,137,369,700	9,997,977,500
Hospital Assessment (9692)	270,895,900	340,871,900	408,220,600
IGA and ISA Fund (2500)	0	0	0
IGA for County Behavioral Health Services (4503)	67,444,400	70,373,400	70,373,400
Intergovernmental Service (2438)	10,449,200	11,400,000	11,400,000
Nursing Facility Provider Assessment (2567)	28,030,200	32,989,600	32,989,600
Political Subdivision (1111)	116,667,900	127,262,800	193,345,100
Prescription Drug Rebate (2546)	644,237,200	609,060,300	609,060,300
Proposition 202 - Trauma and Emergency Services (2494)	24,227,700	24,227,700	24,227,700
Seriously Mentally Ill Housing Trust (2555)	2,287,100	4,100,000	4,100,000
Substance Use Disorder Services (2325)	0	0	0
Third Party Liability and Recovery (3791/3019)	937,000	2,326,000	2,326,000
Tobacco Products Tax Fund - Proposition 204 Protection Account (1303)	36,685,400	34,054,300	34,797,900
Total - AHCCCS	\$10,229,030,700	\$11,030,032,400	\$12,033,692,300
Arizona Commission on the Arts (HUA)			
Arizona Arts Trust (3043)	\$1,384,100	\$1,053,400	\$1,053,400
Arts Special Revenues (2116)	348,600	370,400	370,400
Federal Grants (2000)	830,800	841,400	841,400
State Poet Laureate (2569)	0	0	0
Total - Arizona Commission on the Arts	\$2,563,500	\$2,265,200	\$2,265,200
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	\$8,353,700	\$6,863,800	\$6,863,800
Attorney General Expendable Trust (3102)	1,096,100	1,214,000	1,214,000
Child and Family Advocacy Center (2540)	0	300,000	300,000
CJEF Distribution to County Attorneys (2068)	3,007,800	2,888,800	2,888,800
Colorado River Land Claims Revolving (2430)	2,300	0	0
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving (2573)	2,398,300	2,500,200	2,500,200
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving (2573)	12,554,500	11,380,200	11,380,200
Court-Ordered Trust (3180)	809,600	0	0
Criminal Case Processing (2461)	67,300	155,300	155,300
Federal Grants (2000)	6,161,400	7,392,800	7,392,800
Indirect Cost Recovery (9000)	8,821,300	10,936,900	10,936,900
Intergovernmental Agreements (2500)	28,514,100	27,581,500	27,581,500
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	990,700	974,800	974,800
Total - Attorney General - Department of Law	\$72,777,100	\$72,188,300	\$72,188,300
Automobile Theft Authority (ATA)			
Settlement (1991)	\$16,000	\$600	\$0
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319)	\$3,000	\$3,000	\$3,000
Economic Security Donations (3145)	0	0	0
Implementation Project (2025)	0	0	0
New Charter Application Processing (2568)	81,800	82,000	82,000
Total - State Board for Charter Schools	\$84,800	\$85,000	\$85,000
Department of Child Safety (CHA)			
Child Restraint (2192)	\$213,200	\$163,200	\$163,200
Child Safety Expenditure Authority (2009)	351,862,000	438,393,600	438,393,600
Client Trust (3152)	3,240,800	5,300,000	5,300,000
Economic Security Donations (3145)	0	0	0
Total - Department of Child Safety	\$355,316,000	\$443,856,800	\$443,856,800
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections (2425)	\$8,728,800	\$11,468,400	\$11,468,400
Arizona Commerce Authority (CAA)			
Application Fees (3005)	\$604,400	\$1,270,800	\$1,270,800

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Arizona Commerce Authority Carryover (1001)	236,800	1,860,000	1,860,000
Arizona Commerce Authority (2547)	0	0	0
Arizona Competes (2548)	0	0	0
Arizona Innovation Accelerator (9507)	29,900	530,000	530,000
Arizona Job Training (1237)	3,735,400	13,086,100	13,086,100
Donations (3189)	90,000	57,500	57,500
Federal (2000)	1,484,400	1,468,800	1,468,800
Israel Trade Office (1021)	5,400	10,800	10,800
Mexico Trade Office (9972)	331,200	100	100
RevAZ (9971)	418,900	688,800	688,800
Rural Broadband Grants (1006)	0	0	3,000,000
State Workforce Programs (1025)	2,204,000	1,205,600	1,205,600
Total - Arizona Commerce Authority	\$9,140,400	\$20,178,500	\$23,178,500
Arizona Community Colleges (CMA)			
Tribal Assistance (NA)	\$975,700	\$772,700	\$772,700
Workforce Development Accounts (varies by account)	20,783,400	19,348,900	19,348,900
Total - Arizona Community Colleges	\$21,759,100	\$20,121,600	\$20,121,600
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$387,600	\$520,300	\$520,300
Registrar of Contractors (RGA)			
Residential Contractors' Recovery (3155)	\$6,182,600	\$4,666,800	\$4,666,800
Corporation Commission (CCA)			
Federal (2000)	\$588,500	\$1,889,100	\$1,889,100
IGA and ISA (2500)	1,000	2,000	2,000
Statewide Donations (ADA2025)			
Utility Siting (2076)	17,400	15,900	15,900
Total - Corporation Commission	\$606,900	\$1,907,000	\$1,907,000
State Department of Corrections (DCA)			
Arizona Correctional Industries Revolving (4002)	\$47,731,800	\$46,003,400	\$42,003,400
Community Corrections Enhancement (2395)	576,700	422,500	422,500
Corrections Donations (3147)	0	0	0
Federal (2000)	8,649,100	9,147,600	8,618,900
Indirect Cost Recovery (9000)	392,700	2,272,500	272,500
Inmate Store Proceeds (2505)	7,577,600	5,574,800	3,874,800
Interagency Service Agreement (2500)	56,100	66,400	39,700
Special Services (3187)	7,623,900	14,213,100	10,213,100
State DOC Revolving (2515)	3,536,600	4,889,200	4,889,200
Statewide Employee Recognition Gifts/Donations (2449)	53,000	122,100	122,100
Total - State Department of Corrections	\$76,197,500	\$82,711,600	\$70,456,200
Arizona Criminal Justice Commission (JCA)			
Drug and Gang Enforcement (2516)	\$4,365,100	\$5,548,300	\$5,548,300
Federal Grants (2000)	7,760,900	9,924,400	9,924,400
Total - Arizona Criminal Justice Commission	\$12,126,000	\$15,472,700	\$15,472,700
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$1,540,500	\$1,656,200	\$1,656,200
Enterprise (4222)	46,000	66,900	66,900
Federal Grants (2000)	2,032,400	1,443,000	1,443,000
IGA and ISA (2500)	46,000	0	0
Instructional Improvement (2492)	0	0	0
Regional Cooperatives (4221)	15,003,400	16,865,000	16,865,000
State Grants (2011)	1,050,800	995,900	995,900
Trust (3148)	114,300	128,300	128,300
Total - Arizona State Schools for the Deaf and the Blind	\$19,833,400	\$21,155,300	\$21,155,300
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (2025)	\$0	\$0	\$0
Arizona Early Childhood Development and Health Board			
Early Childhood Development and Health (2542)	\$137,464,300	\$158,951,700	\$158,406,400
Federal Grants (2000)	7,997,800	1,820,500	1,381,300
Total - Arizona Early Childhood Development and Health Board	\$145,462,100	\$160,772,200	\$159,787,700
Office of Economic Opportunity (EOA)			
Arizona Finance Authority Operations (FAA5352)	\$150,900	\$151,600	\$151,600
Arizona Industrial Development Authority (FAA9973)	0	0	0
Clean Water Annual Debt Service Interest (FAA4313)	8,182,500	6,286,800	6,286,800
Clean Water Annual Debt Services Principal Fund (FAA4312)	46,472,700	28,534,000	28,534,000
Clean Water Debt Service Reserve - Clean Water (FAA4315)	0	0	0

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Clean Water Federal Loan (FAA4310)	4,793,900	6,776,700	6,776,700
Clean Water Fee Program Income (FAA4309)	6,500	178,100	178,100
Clean Water Fees Non Program Income (FAA4317)	3,611,000	4,589,900	4,589,900
Clean Water Financial Assistance (FAA4319)	65,000	85,000	85,000
Clean Water State Loan (FAA4311)	0	0	0
Drinking Water Annual Debt Service Interest (FAA4333)	2,097,700	5,848,000	5,848,000
Drinking Water Annual Debt Services Principal (FAA4332)	24,141,300	25,276,000	25,276,000
Drinking Water Debt Service Reserve (FAA4320)	0	0	0
Drinking Water Federal Loan (FAA4335)	10,001,300	14,394,800	14,394,800
Drinking Water Fees Non Program (FAA4322)	5,154,500	6,668,800	6,668,800
Drinking Water Fees Program Income (FAA4336)	0	290,400	290,400
Drinking Water Financial Assistance (FAA4324)	2,143,200	2,800,000	2,800,000
Drinking Water State Loan (FAA4331)	0	0	0
Economic Development (3337)	0	4,000,000	4,000,000
Federal Grants (2000)	1,904,900	2,755,600	2,755,600
Greater Arizona Development Authority Revolving (FAA2311)	26,700	33,000	33,000
IGA and ISA (FAA2500)	25,000	0	0
IGA and ISA (2500)	556,500	320,000	320,000
Office of Economic Opportunity Operations (9903)	3,195,400	2,913,800	2,913,800
Small Drinking Water Systems (FAA2225)	0	0	0
Total - Office of Economic Opportunity	\$112,529,000	\$111,902,500	\$111,902,500
Department of Economic Security (DEA)			
Child Support Enforcement Administration (2091)	\$33,410,300	\$42,299,500	\$42,299,500
Client Trust (3152)	0	0	0
Developmentally Disabled Client Investment (3146)	13,500	15,400	15,400
Developmentally Disabled Client Services Trust (2019)	5,300	5,300	5,300
Donations (3145)	18,500	2,500	2,500
Economic Security Capital Investment (2093)	0	0	0
Employee Recognition (2449)	1,600	0	0
Family Caregiver Grant Program (2347)	0	0	0
Federal Grants (2000)	1,659,529,100	1,656,784,100	1,656,784,100
IGA and ISA (2500)	0	0	0
Long Term Care System - Federal Match (2225)	1,092,473,900	1,404,025,800	1,545,626,600
Neighbors Helping Neighbors (2348)	34,100	40,000	40,000
Revenue from State or Local Agency Fund (3193)	1,593,000	1,550,100	1,550,100
Special Olympics Tax Refund (3207)	95,200	108,400	108,400
Unemployment Insurance Benefits (7510)	226,318,000	213,500,000	213,500,000
Total - Department of Economic Security	\$3,013,492,500	\$3,318,331,100	\$3,459,931,900
Department of Education (EDA)			
Arizona Agricultural Youth Organization Special Plate (2650)	\$164,800	\$164,800	\$164,800
Arizona Structured English Immersion (2535)	0	0	0
Arizona Youth Farm Loan (2136)	0	0	0
Assistance for Education (2420)	47,100	40,900	40,900
Broadband Expansion (2145)	0	0	0
Character Education Special Plate (2522)	24,200	25,000	25,000
Classroom Site (2471)	0	0	0
College Credit by Examination Development (9999)	0	0	0
Computer Science Professional Development Program (2635)	0	0	0
Department of Education Production Revolving (4211)	880,300	800,200	800,200
Education Commodity (4210)	240,800	581,300	581,300
Education Donations (2025)	4,200	53,200	53,200
Federal (2000)	1,140,687,200	1,207,623,100	1,207,623,100
Golden Rule Special Plate (2366)	205,800	206,300	206,300
IGA and ISA (2500)	3,869,400	1,804,100	1,804,100
Indirect Cost Recovery (9000)	7,725,300	9,140,100	9,140,100
Instructional Improvement (2492)	47,917,000	48,765,400	48,765,400
Internal Services (4209)	3,763,700	4,036,500	4,036,500
Proposition 301 (9001)	555,882,400	579,683,600	579,683,600
Proposition 301/Classroom Site - Carry-Forward (9003)	26,715,900	15,058,400	15,058,400
Proposition 301/Classroom Site - Land Trust (9002)	99,343,100	103,550,100	103,550,100
Results-Based Funding (2151)	0	0	0
Special Education (1009)	0	0	0
Total - Department of Education	\$1,887,471,200	\$1,971,533,000	\$1,971,533,000
Department of Emergency and Military Affairs (MAA)			
Camp Navajo (2106)	\$15,816,200	\$13,960,700	\$13,960,700

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Emergency Management Assistance Compact Revolving (2602)	0	0	0
Federal - Emergency (2000)	7,957,200	12,574,700	10,874,900
Federal - Military (2000)	40,857,500	48,165,600	38,962,100
Indirect Cost Recovery (9000)	815,800	1,000,800	1,000,800
Interagency Service Agreement (2500)	659,800	763,800	763,800
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	24,600	165,000	165,000
National Guard (2140)	83,800	255,800	146,600
State Armory Property (2146)	0	50,000	2,160,200
Total - Department of Emergency and Military Affairs	\$66,214,900	\$76,936,400	\$68,034,100
Department of Environmental Quality (EVA)			
Employee Recognition (2449)	\$8,200	\$9,000	\$9,000
Federal (2000)	14,618,000	17,512,200	17,512,200
IGA and ISA (2500)	6,168,600	8,426,900	7,433,000
Institutional and Engineering Control (2563)	17,100	16,000	16,000
Monitoring Assistance (2308)	813,700	892,300	892,300
Specific Site Judgment (3006)	12,600	31,800	31,800
Underground Storage Tank Revolving Summary (2271)	24,164,200	31,948,700	31,948,700
Voluntary Remediation (2564)	248,000	223,300	223,300
Voluntary Vehicle Repair and Retrofit Program (2365)	842,500	2,250,000	2,250,000
Water Quality Assurance Revolving (2221)	23,102,700	17,401,800	17,401,800
Total - Department of Environmental Quality	\$69,995,600	\$78,712,000	\$77,718,100
Board of Executive Clemency (PPA)			
IGA and ISA (2500)	\$17,000	\$30,100	\$30,100
State Department of Financial Institutions (BDA)			
Appraisal Subcommittee (2004)	\$0	\$0	\$0
IGA and ISA (2500)	0	0	0
Mortgage Recovery (1997)	0	0	0
Receivership Revolving (3023)	1,469,700	46,600	0
Revolving (2126)	438,600	206,400	0
Total - State Department of Financial Institutions	\$1,908,300	\$253,000	\$0
Arizona Department of Forestry and Fire Management (FFM)			
Arson Detection Reward (2169)	\$0	\$0	\$0
Cooperative Forestry (2232)	7,799,600	10,395,000	10,395,000
Fire Suppression Revolving (2360)	58,398,900	44,915,000	44,915,000
IGA and ISA (2500)	36,000	3,300	3,300
Indirect Cost Recovery (9000)	588,800	593,800	593,800
Nonnative Vegetation Species Eradication (9900)	0	0	0
Trampoline Court Safety (2578)	0	0	0
Total - Arizona Department of Forestry and Fire Management	\$66,823,300	\$55,907,100	\$55,907,100
Arizona Game and Fish Department (GFA)			
Big Game Permit (3712)	\$0	\$0	\$0
Conservation Development (2062)	2,007,000	1,958,000	1,958,000
Federal (2000)	0	0	0
Federal Grants - American Recovery and Reinvestment Act (2999)	17,400	0	0
Federal Revolving (2028)	43,961,900	54,004,600	54,004,600
Firearms Safety and Ranges (2442)	56,700	0	0
Game and Fish Federal Duck Stamps (3711)	0	0	0
Game and Fish In-Lieu Fee Program Restoration Endowment Trust (3167)	168,400	13,900	13,900
Game and Fish Publications Revolving (4007)	182,500	0	0
Game and Fish Special Stamp Collection (3709)	0	0	0
Game and Fish Trust (3111)	5,563,800	370,300	370,300
Heritage - Acquisition (2294)	469,700	4,220,000	4,220,000
Heritage - Administration (2292)	104,700	162,200	162,200
Heritage - Environmental Education (2290)	329,300	553,900	553,900
Heritage - Habitat Evaluation or Habitat Protection (2291)	1,585,400	1,582,700	1,582,700
Heritage - Identification, Inventory, Protection and Mgmt (2295)	17,611,600	4,090,300	4,090,300
Heritage - Public Access (2293)	415,500	520,500	520,500
Heritage - Urban Wildlife and Urban Life Habitat (2296)	1,417,900	1,948,600	1,948,600
IGA and ISA (2500)	110,000	0	0
Indirect Cost Recovery (9000)	7,294,300	8,479,100	8,479,100
Kaibab Co-op (3714)	0	0	0
Off Highway Vehicle Recreation (2253)	1,663,100	1,747,900	1,747,900
Wildlife Conservation (2497)	7,771,700	8,663,000	8,663,000

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Wildlife Conservation Enterprise (2029)	356,900	723,000	723,000
Wildlife Theft Prevention (2080)	173,400	95,500	95,500
Total - Arizona Game and Fish Department	\$91,261,200	\$89,133,500	\$89,133,500
Department of Gaming (GMA)			
Ariona Breeders Award (2206)	\$0	\$288,000	\$288,000
IGA and ISA (2500)	240,300	180,000	180,000
Racing Investigation (2369)	0	0	0
Racing Regulation - Unarmed Combat Subaccount (2393)	12,800	0	0
Retired Racehorse Adoption (2015)	1,400	1,300	1,300
Rural County Fair Racing (2558)	100,000	0	0
Total - Department of Gaming	\$354,500	\$469,300	\$469,300
Office of the Governor (GVA)			
County Fairs Livestock and Agriculture Promotion (2037)	\$0	\$0	\$0
Federal Grants (2000)	22,870,900	32,741,900	32,741,900
Foster Youth Education Success (1400)	0	0	0
Governor's Endowment Partnership (3206)	711,300	310,300	310,300
IGA and ISA (2500)	1,490,800	1,220,000	1,220,000
Indirect Cost Recovery (9000)	742,000	1,118,100	1,118,100
Prevention of Child Abuse (2439)	0	52,600	52,600
Total - Office of the Governor	\$25,815,000	\$35,442,900	\$35,442,900
Department of Health Services (HSA)			
Arizona State Hospital Charitable Trust (9985)	\$111,000	\$136,500	\$136,500
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	359,700	500,000	500,000
Disease Control Research (2090)	2,020,200	3,822,500	3,822,500
Donations - DHS (3010/2025)	353,000	453,000	453,000
Donations - Statewide (2025)	5,500	0	0
Drug Disposal Education and Awareness (2230)	0	0	0
Federal (2000)	248,009,100	249,668,400	249,668,400
Health Services Lottery Monies (4250)	8,611,500	8,346,000	8,346,000
IGA and ISA (4500)	13,495,500	16,925,800	16,925,800
Interagency Service Agreement for Behavioral Health Services (4502)	0	0	0
Internal Services (4202)	35,800	0	0
Laser Safety (2388)	2,300	0	0
Medical Marijuana (2544)	14,686,400	16,333,200	16,333,200
Medical Student Loan (3306)	15,900	0	0
Oral Health (3038)	165,500	630,200	630,200
Public Health Emergencies (2775)	5,000	0	0
Risk Assessment (2427)	2,800	0	0
Smoke-Free Arizona (2541)	2,595,400	2,560,000	2,560,000
Tobacco Tax and Health Care - Health Education Account (1308)	18,357,000	15,623,800	15,623,800
Tobacco Tax and Health Care - Health Research Account (2096)	5,878,700	9,515,200	9,515,200
Workforce Data Repository (9999)	0	0	0
Total - Department of Health Services	\$314,710,300	\$324,514,600	\$324,514,600
Arizona Historical Society (HIA)			
Permanent Arizona Historical Society Revolving (2900)	\$692,200	\$719,700	\$719,700
Preservation and Restoration (2125)	78,900	83,800	83,800
Private (9447)	379,400	450,100	450,100
Private Grants (9449)	1,300	3,000	3,000
Trust (9450)	0	1,000	1,000
Total - Arizona Historical Society	\$1,151,800	\$1,257,600	\$1,257,600
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$1,004,200	\$3,162,000	\$3,162,000
Department of Homeland Security (HLA)			
Federal (2000)	\$20,136,600	\$20,092,400	\$20,092,400
Arizona Department of Housing (HDA)			
Consumer Recovery (3090)	\$5,500	\$8,600	\$8,600
DPS-FBI Fingerprint (2159)	5,000	5,400	5,400
Federal (2000)	81,619,400	75,805,800	73,861,300
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Housing Program (2200)	7,083,500	7,458,300	7,458,300
Housing Trust (2235)	5,672,600	5,192,100	5,042,100
IGA and ISA (2500)	6,321,800	5,872,400	5,914,900

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	390,200	382,600	382,600
Total - Arizona Department of Housing	\$101,098,000	\$94,725,200	\$92,673,200
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	\$2,662,900	\$3,182,900	\$3,182,900
Revolving (2002)	189,800	147,000	147,000
Special (2180)	13,781,800	13,882,900	13,882,900
Total - Industrial Commission of Arizona	\$16,634,500	\$17,212,800	\$17,212,800
Department of Insurance (IDA)			
Arizona Property and Casualty Insurance Guaranty (2114)	\$12,069,700	\$12,069,700	\$0
Assessment Fund for Voluntary Plans (2316)	91,700	124,100	0
Captive Insurance Regulatory/Supervision (2377)	319,000	396,100	0
Federal (2000)	215,500	0	0
Financial Surveillance (2473)	528,600	532,100	0
Health Care Appeals (2467)	266,900	271,300	0
IGA and ISA (2500)	0	300	0
Insurance Examiners' Revolving (2034)	2,281,400	2,265,900	0
Life and Disability Insurance Guaranty (2154)	12,946,500	12,946,500	0
Receivership Liquidation (3104)	119,900	133,200	0
Total - Department of Insurance	\$28,839,200	\$28,739,200	\$0
Department of Insurance and Financial Institutions (DIF)			
Appraisal Subcommittee (BDA2004)	\$0	\$0	\$0
Arizona Property and Casualty Insurance Guaranty (IDA2114)	0	0	12,069,700
Assessment Fund for Voluntary Plans (IDA2316)	0	0	124,100
Captive Insurance Regulatory/Supervision (IDA2377)	0	0	396,100
Federal (IDA2000)	0	0	0
Financial Surveillance (IDA2473)	0	0	532,100
Health Care Appeals (IDA2467)	0	0	271,300
IGA and ISA (IDA2500)	0	0	300
Insurance Examiners' Revolving (IDA2034)	0	0	2,265,900
Life and Disability Insurance Guaranty (IDA2154)	0	0	12,946,500
Mortgage Recovery (BDA1997)	0	0	0
Receivership Liquidation (IDA3104)	0	0	133,200
Receivership Revolving (BDA3023)	0	0	46,600
Revolving (BDA2126)	0	0	206,400
Settlement (ATA1991)	0	0	600
Total - Department of Insurance and Financial Institutions	\$0	\$0	\$28,992,800
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$207,300	\$397,300	\$397,300
Arizona Lengthy Trial (2382)	623,500	774,300	774,300
Certified Reporters (2440)	99,400	109,900	109,900
Drug Treatment and Education (2277)	587,400	654,400	654,400
Grants and Special Revenue (2084)	17,372,600	20,238,000	20,238,000
Juvenile Probation Services (2193)	0	0	0
Public Defender Training (3013)	552,800	543,000	543,000
Total - Judiciary - Supreme Court	\$19,443,000	\$22,716,900	\$22,716,900
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$129,500	\$125,000	\$125,000
Drug and Gang Enforcement Account (2074)	951,800	951,800	951,800
Drug Treatment and Education (2277)	3,910,100	3,719,300	3,719,300
Grants and Special Revenue (2084)	633,400	638,400	638,400
Juvenile Probation Services (2193)	0	0	0
Total - Judiciary - Superior Court	\$5,624,800	\$5,434,500	\$5,434,500
Department of Juvenile Corrections (DJA)			
DJC Restitution (2476)	\$53,300	\$53,300	\$53,300
Employee Recognition (2449)	2,700	2,700	2,700
Federal (2000)	1,024,500	954,800	954,800
Indirect Cost Recovery (9000)	0	0	0
Juvenile Corrections (3024)	27,700	27,700	27,700
State Education System for Committed Youth Classroom Site (2487)	87,500	87,500	87,500
Statewide Donations (2025)	600	600	600
Total - Department of Juvenile Corrections	\$1,196,300	\$1,126,600	\$1,126,600
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Federal Reclamation Trust (2024)	0	0	0
IGA and ISA (2500)	0	0	0
Interagency Agreements (2212)	0	0	0
Off-Highway Vehicle Recreation (2253)	378,300	410,900	410,900
Resource Analysis Division Revolving (4009)	16,700	85,800	85,800
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	239,200	251,200	251,200
Statewide Employee Recognition Gifts/Donations (2449)	500	1,000	1,000
Total - State Land Department	\$634,700	\$748,900	\$748,900
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,081,000	\$900,800	\$900,800
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$24,300	\$1,500	\$1,500
Audit Surcharge (3010)	153,700	121,300	121,300
Direct Shipment License Issuance (3017)	28,800	49,400	49,400
Direct Shipment License Renewal (3018)	0	98,600	98,600
DPS - FBI Fingerprint (2159)	0	0	0
Enforcement Surcharge - Enforcement Unit (3012)	328,900	418,400	418,400
Enforcement Surcharge - Multiple Complaints (3011)	480,000	419,300	419,300
Federal Grants (2000)	278,800	0	0
Growlers (1997)	5,800	0	0
IGA and ISA (2500)	50,000	0	0
Sampling Privileges (1998)	0	0	0
Total - Department of Liquor Licenses and Control	\$1,350,300	\$1,108,500	\$1,108,500
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$723,309,400	\$719,502,400	\$751,160,300
Debt Service (NA)	37,503,500	34,511,900	34,509,800
University Capital Improvement (NA)	39,819,400	40,642,800	40,624,800
Mass Transit (NA)	11,464,200	11,473,200	11,473,200
Total - Arizona State Lottery Commission	\$812,096,500	\$806,130,300	\$837,768,100
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$0	\$0	\$0
Federal Education and Training (2400)	53,600	44,100	44,100
Federal Grants (2000)	263,900	495,000	495,000
Total - State Mine Inspector	\$317,500	\$539,100	\$539,100
State Board of Nursing (BNA)			
Nurse Aide Training and Registration (2000)	\$414,700	\$414,700	\$414,700
Statewide Donations (2025)	0	0	0
Total - State Board of Nursing	\$414,700	\$414,700	\$414,700
Arizona Parents Commission on Drug Education and Prevention (PCA)			
Drug Treatment and Education (2277)	\$4,472,100	\$4,957,500	\$4,957,500
Arizona State Parks Board (PRA)			
Arizona State Parks Heritage (2296)	\$0	\$0	\$0
Arizona Trail (2525)	0	0	0
Federal (2000)	2,536,500	5,812,100	5,812,100
Land Conservation - Administration Account (2432)	21,000	0	0
Land Conservation - Donation Account (2432)	0	0	0
Land Conservation - Public Conservation Account (2432)	0	0	0
Off Highway Vehicle Recreation (2253)	1,381,000	2,617,500	2,617,500
Partnership (2448)	594,000	2,618,900	2,618,900
State Lake Improvement (2105)	6,615,500	8,419,700	8,419,700
State Parks (3117)	52,000	0	0
Sustainable State Parks and Roads (3125)	88,000	190,000	190,000
Yarnell Hill Memorial (3124)	3,000	0	0
Total - Arizona State Parks Board	\$11,291,000	\$19,658,200	\$19,658,200
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	\$1,636,700	\$1,773,100	\$1,773,100
Federal Grants (2000)	0	0	0
Total - Arizona State Board of Pharmacy	\$1,636,700	\$1,773,100	\$1,773,100
Arizona Pioneers' Home (PIA)			
Pioneers' Home (Cemetery Proceeds) (3144)	\$54,700	\$0	\$0
Pioneers' Home (Donations) (3143)	600	0	0
Statewide Employee Recognition Gifts (2449)	2,700	0	0

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Total - Arizona Pioneers' Home	\$58,000	\$0	\$0
Commission for Postsecondary Education (PEA)			
Arizona Teacher Student Loan (2358)	\$0	\$0	\$0
Family College Savings Program Trust (3121)	957,800	995,400	995,400
Federal Grants (2000)	170,400	168,000	168,000
Private Donations (2402)	21,800	95,800	95,800
Private Postsecondary Education Student Financial Assistance (2128)	0	0	0
Total - Commission for Postsecondary Education	\$1,150,000	\$1,259,200	\$1,259,200
Arizona Power Authority (PAA)			
Arizona Power Authority (9506)	\$1,179,100	\$3,137,000	\$3,137,000
Hoover Uprating (1113)	20,796,300	19,881,000	19,881,000
Interest Income (1112)	105,600	80,000	80,000
Total - Arizona Power Authority	\$22,081,000	\$23,098,000	\$23,098,000
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$372,800	\$250,300	\$250,300
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$3,750,900	\$2,436,900	\$2,436,900
Board of Fingerprinting (2435)	549,100	707,000	707,000
Capitol Police Administrative Towing (1999)	700	0	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	1,910,100	1,976,500	1,976,500
DPS Licensing (2490)	1,119,900	1,229,100	1,229,100
Driving Under the Influence Abatement (2422)	1,050,200	1,592,400	1,592,400
Families of Fallen Police Officers Special Plate (2386)	203,000	246,000	246,000
Federal Grants and Reimbursements (2000)	58,711,900	76,473,100	76,473,100
Fingerprint Clearance Card (2433)	5,175,200	5,929,900	5,929,900
IGA and ISA (2500)	11,766,300	11,144,900	11,144,900
Indirect Cost Recovery (9000)	2,937,300	1,328,700	1,328,700
Motor Carrier Safety Revolving (2380)	0	0	0
Peace Officers' Training (2049)	4,065,600	5,404,900	5,404,900
Public Safety Equipment (2391)	733,200	0	0
Records Processing (2278)	4,852,400	5,783,700	5,783,700
State Highway Work Zone Safety (2480)	110,100	24,000	24,000
Victims' Rights Enforcement (2519)	944,600	964,200	964,200
Total - Department of Public Safety	\$97,880,500	\$115,241,300	\$115,241,300
Public Safety Personnel Retirement System (NA)			
Disability Program Trust (NA)	\$0	\$0	\$0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (NA)	32,200	32,200	32,200
Investment and Administrative Expenses (NA)	13,203,900	15,100,100	15,100,100
Retiree Pool Account (NA)	0	0	0
Total - Public Safety Personnel Retirement System	\$13,236,100	\$15,132,300	\$15,132,300
State Real Estate Department (REA)			
Condominium and Planned Community Hearing Office (2537)	\$31,700	\$33,000	\$33,000
Education Revolving (4011)	11,900	12,000	12,000
Recovery (3119)	300	158,300	158,300
Total - State Real Estate Department	\$43,900	\$203,300	\$203,300
Arizona State Retirement System (RSA)			
Administrative Account - Investment Expenses (1407)	\$15,283,400	\$17,790,400	\$18,323,700
Department of Revenue (RVA)			
Escheated Estates (3745)	\$0	\$0	\$0
Estate and Unclaimed Property (1520)	0	0	0
I Didn't Pay Enough (6001)	0	0	0
IGA and ISA (2500)	999,900	1,580,900	1,580,900
Revenue Publications Revolving (2166)	10,400	10,600	10,600
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	6,000	2,600	2,600
Veterans' Income Tax Settlement (1601)	0	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	\$1,016,300	\$1,594,100	\$1,594,100
School Facilities Board (SFA)			
Arizona Public School Credit Enhancement (9999)	\$0	\$0	\$0
Building Renewal Grant (2392)	0	0	0
Emergency Deficiencies Correction (2484)	667,600	1,000,000	0

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
IGA and ISA (2500)	116,500	252,700	0
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	0	0	0
School Improvement Revenue Bond Debt Service (5020)	64,120,100	64,126,000	9,250,700
State School Trust Revenue Bond Service (5030)	0	0	0
Total - School Facilities Board	\$64,904,200	\$65,378,700	\$9,250,700
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$561,300	\$418,500	\$418,500
County Contributions to the Voter Registration System (8888)	0	0	0
Data Processing Acquisition (2265)	84,400	285,000	285,000
Election Training (2521)	2,100	3,300	3,300
Federal Grants (LAA2000)	3,670,300	3,470,400	3,470,400
IGA and ISA (2500)	184,900	111,200	111,200
Museum Gift Shop Revolving (LAA4008)	29,300	58,100	58,100
Notary Bond (2387)	132,500	110,700	110,700
Standing Political Committee Administrative (2426)	0	0	0
State Library (LAA2115)	95,200	116,900	116,900
Total - Secretary of State - Department of State	\$4,760,000	\$4,574,100	\$4,574,100
State Board of Technical Registration (TEA)			
Technical Registration Board of Investigations (2072)	\$30,000	\$0	\$0
Office of Tourism (TOA)			
Tourism (2236)	\$15,862,800	\$17,737,400	\$17,737,400
Department of Transportation (DTA)			
Abandoned Vehicle Administration (2150)	\$852,800	\$1,011,800	\$1,050,600
Arizona Highways Magazine (2031)	5,000,000	4,760,000	4,760,000
Cash Deposits (2266)	0	0	0
Federal Grants (2097)	23,369,800	27,415,200	27,415,200
Highway Expansion and Extension Loan Program (2417)	0	0	0
IGA and ISA (2500)	18,455,700	13,264,300	9,930,200
Local Agency Deposits (3701)	0	0	0
Maricopa Regional Area Road (2029)	13,334,000	13,002,000	13,002,000
Motor Carrier Safety Revolving (2380)	11,100	4,300	4,300
Rental Tax and Bond Deposit (3737)	0	0	0
Shared Location and Advertising Agreements Expense (2414)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	12,900	13,000	13,000
Statewide Special Plates (2650)	3,265,500	4,101,100	4,544,100
Total - Department of Transportation	\$64,301,800	\$63,571,700	\$60,719,400
State Treasurer (TRA)			
Arizona Fallen Firefighter Memorial (3033)	\$0	\$0	\$0
Arizona Public School Credit Enhancement (2675)	0	0	0
Criminal Justice Enhancement (3702)	3,826,300	3,826,300	3,826,300
Public Deposit Administration (2574)	100,000	104,000	104,000
Total - State Treasurer	\$3,926,300	\$3,930,300	\$3,930,300
Governor's Office on Tribal Relations (IAA)			
Arizona Indian Town Hall (4014)	\$0	\$0	\$0
Statewide Donations (2025)	22,300	18,500	18,500
Total - Governor's Office on Tribal Relations	\$22,300	\$18,500	\$18,500
Arizona Board of Regents (BRA)			
Arizona Health Education Center Program (BRA2)	\$0	\$0	\$0
Arizona Teachers Academy (9900)	0	0	0
Federal (2000)	600	250,000	250,000
Regents Local (BRA1)	5,172,300	5,213,300	5,213,300
Technology and Research Initiative (2472)	1,965,500	2,319,200	2,319,200
Trust Land (3131/3132/3134/3136)	0	0	0
Total - Arizona Board of Regents	\$7,138,400	\$7,782,500	\$7,782,500
Arizona State University (ASA)			
Auxiliary (UNI8906)	\$214,516,000	\$244,524,000	\$244,524,000
Capital Infrastructure (UNI3001)	0	0	0
Designated - Other (UNI8905)	137,671,700	169,651,400	169,651,400
Designated - Tuition and Fees (UNI8905)	1,116,494,900	1,252,312,300	1,340,618,800
Endowment and Life Income (UNI8904)	1,867,900	0	0
Federal Grants (UNI8903)	385,587,500	404,811,600	404,811,600
Federal Indirect Cost Recovery (UNI8902)	60,505,400	63,170,500	63,170,500
Indirect Cost Recovery (Non-Federal) (UNI8900)	20,466,900	25,488,300	25,488,300

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Loan (UNI8901)	189,500	0	0
Restricted (Excluding Federal Funds) (UNI8907)	309,531,300	286,251,100	286,251,100
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,914,700	11,921,000	11,914,900
Total - Arizona State University	\$2,258,745,800	\$2,458,130,200	\$2,546,430,600
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	\$101,479,400	\$114,454,200	\$110,281,200
Capital Infrastructure (UNI3002)	0	0	0
Designated - Other (UNI8905)	80,104,100	78,767,800	78,872,800
Designated - Tuition and Fees (UNI8905)	107,834,600	133,118,800	134,449,900
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	105,341,400	106,395,000	107,459,200
Federal Indirect Cost Recovery (UNI8902)	10,974,200	11,083,900	11,194,800
Indirect Cost Recovery (Non-Federal) (UNI8900)	0	3,227,800	1,668,000
Loan (UNI8901)	163,000	700,000	700,000
Restricted (Excluding Federal Funds) (UNI8907)	29,145,500	29,437,100	29,731,500
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,072,500	11,060,200	11,050,300
Total - Northern Arizona University	\$446,114,700	\$488,244,800	\$485,407,700
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	\$289,348,100	\$321,815,000	\$328,251,400
Capital Infrastructure (UNI3003)	0	0	0
Designated - Other (UNI8905)	193,063,500	254,986,000	259,819,900
Designated - Tuition and Fees (UNI8905)	442,330,400	417,800,300	426,156,300
Endowment and Life Income (UNI8904)	1,317,000	1,343,400	1,370,300
Federal Grants (UNI8903)	166,444,500	169,717,100	172,201,600
Federal Indirect Cost Recovery (UNI8902)	48,632,000	49,604,700	50,596,700
Geological Survey (UNI3030)	168,200	346,000	346,000
Geological Survey Federal Grants (UNI3031)	855,000	928,400	928,400
Geological Survey - Mining, Mineral and Natural Resources			
Educational Museum Account (UNI9999)	48,600	38,600	38,600
Indirect Cost Recovery (Non-Federal) (UNI8900)	10,971,400	11,190,900	11,414,600
Loan (UNI8901)	807,100	823,300	839,800
Restricted (Excluding Federal Funds) (UNI8907)	195,772,600	205,779,900	209,785,100
University Capital Improvement Lease-to-Own and Bond (BRA3042)	26,874,000	27,822,300	27,815,800
Total - University of Arizona - Main Campus	\$1,376,632,400	\$1,462,195,900	\$1,489,564,500
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	\$8,255,300	\$8,361,600	\$8,528,800
Designated - Other (UNI8905)	287,173,100	236,826,000	\$241,562,500
Designated - Tuition and Fees (UNI8905)	28,424,000	30,174,100	30,777,600
Endowment and Life Income (UNI8904)	20,000,300	20,400,300	20,400,300
Federal Grants (UNI8903)	115,446,700	117,755,400	120,110,400
Federal Indirect Cost Recovery (UNI8902)	37,472,500	38,221,900	38,986,400
Indirect Cost Recovery (Non-Federal) (UNI8900)	5,137,200	5,239,900	5,344,800
Restricted (Excluding Federal Funds) (UNI8907)	85,557,500	87,268,800	89,014,300
Total - University of Arizona - Health Sciences Center	\$587,466,600	\$544,248,000	\$554,725,100
Department of Veterans' Services (VSA)			
Arizona State Veterans' Cemetery Trust (2499)	\$413,600	\$262,300	\$262,300
Federal (2000)	872,000	18,767,400	18,767,400
Hyperbaric Oxygen Therapy for Military Veterans (3219)	0	0	0
Military Family Relief (2339)	814,600	1,209,500	1,209,500
Statewide Employee Recognition Gifts (2449)	1,800	4,000	4,000
Veterans' Cemetery (2481)	21,000	0	0
Veterans' Donations (2441)	3,587,400	2,584,500	2,584,500
Veterans' Income Tax Settlement (1601)	2,100	33,000	33,000
Total - Department of Veterans' Services	\$5,712,500	\$22,860,700	\$22,860,700
Department of Water Resources (WCA)			
Arizona System Conservation (9900)	\$0	\$0	\$0
Arizona Water Banking (2110)	11,132,000	7,873,100	7,873,100
Arizona Water Protection (1302)	660,300	454,200	454,200
Arizona Water Quality (2304)	28,500	175,000	175,000
Augmentation and Conservation Assistance (2213)	573,600	520,500	520,500
Colorado River Water Use Fee Clearing Account (2538)	29,400	0	0
Dam Repair (2218)	161,000	150,000	150,000
Employee Recognition (2449)	2,800	3,000	3,000
Federal Grants (2000)	507,100	550,200	550,200
Flood Warning System (1021)	9,300	50,100	50,100

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
General Adjudications (2191)	12,200	13,500	13,500
Indirect Cost Recovery (9000)	1,069,500	155,200	155,200
Interagency Service Agreement (2500)	229,500	107,300	107,300
Production and Copying (2411)	1,700	0	0
Publication and Mailing (2410)	0	0	0
Purchase and Retirement (2474)	0	0	0
Statewide Donations (2025)	0	15,000	15,000
Temporary Groundwater and Irrigation Efficiency Projects (9901)	0	0	0
Well Administration and Enforcement (2491)	310,500	504,400	504,400
Total - Department of Water Resources	<u>\$14,727,400</u>	<u>\$10,571,500</u>	<u>\$10,571,500</u>
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$23,788,566,200	\$25,517,323,700	\$26,725,109,500
Subtotal - Other Funds	9,333,284,500	9,815,817,100	10,027,438,900
Subtotal - Federal Funds	14,455,281,700	15,701,506,600	16,697,670,600
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$23,788,566,200</u>	<u>\$25,517,323,700</u>	<u>\$26,725,109,500</u>
CAPITAL - NON-APPROPRIATED			
Aviation Federal Funds (DTA2267)	\$1,302,000	\$171,300	\$4,458,000
Bond Proceeds (DTA5004/5008/2463)	328,718,000	66,572,000	331,635,000
Federal Grants (DTA2097)	632,223,000	873,791,000	1,029,264,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000
Highway Expansion and Extension Loan Program (DTA2417)	0	0	0
Local Agency Deposits (DTA3701)	6,531,000	20,463,000	16,501,000
Maricopa Regional Area Road (DTA2029)	310,187,000	441,701,000	603,814,000
State Parks Board - State Lake Improvement (2105)	1,714,000	3,603,100	1,440,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$1,281,675,000	\$1,407,301,400	\$1,988,112,000
Subtotal - Other Funds	648,150,000	533,339,100	954,390,000
Subtotal - Federal Funds	633,525,000	873,962,300	1,033,722,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$1,281,675,000</u>	<u>\$1,407,301,400</u>	<u>\$1,988,112,000</u>
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$25,070,241,200	\$26,924,625,100	\$28,713,221,500
Subtotal - Other Funds	9,981,434,500	10,349,156,200	10,981,828,900
Subtotal - Federal Funds	15,088,806,700	16,575,468,900	17,731,392,600
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$25,070,241,200</u>	<u>\$26,924,625,100</u>	<u>\$28,713,221,500</u>

1/ If General Fund monies are deposited into a non-appropriated fund, the expenditures of these monies are not displayed in this chart to avoid double counting.

NA = No Fund Number

**PREVIOUSLY ENACTED APPROPRIATIONS
FY 2021 and BEYOND 1/**

GENERAL FUND

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>Attorney General</u>			
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000	85,000
<u>Charter Schools, State Board for</u>			
Laws 2019, Ch. 263 - 5 FTE Positions	392,800		
<u>Commerce Authority, Arizona</u>			
A.R.S. § 43-409 - Withholding Tax Revenues	15,500,000	15,500,000	15,500,000
<u>Community Colleges</u>			
Laws 2019, Ch. 263 - Maricopa/Pima STEM and Workforce Development	2,000,000	2,000,000	
A.R.S. § 42-5031.01 - Indian Tribal Postsecondary Institutions <u>2/</u>	2,856,100	2,856,100	2,856,100
A.R.S. § 15-1469.01 - Rural County Allocation <u>3/</u>	3,420,800	3,420,800	3,420,800
<u>Education, Department of</u>			
Laws 2015, 1st Special Session, Ch. 1 - State Aid Supplement (through FY 2025)	75,000,000	75,000,000	75,000,000
Laws 2018, Ch. 276 - Basic State Aid/Teacher Salaries	289,200,000		
Laws 2019, Ch. 263 - Teacher Professional Development	400,000	400,000	
Laws 2019, Ch. 263 - CTED Incentive Program	5,000,000	5,000,000	
Laws 2019, Ch. 263 - Rollover Reduction		30,000,000	
Laws 2019, Ch. 263 - Basic State Aid	930,727,700		
<u>Emergency and Military Affairs, Department of</u>			
A.R.S. § 26-263 - Military Airport Planning	90,000	90,000	90,000
A.R.S. § 35-192 - Governor's Emergency Authority	4,000,000	4,000,000	4,000,000
<u>Environmental Quality, Department of</u>			
A.R.S. § 49-282 - WQARF Priority Site Remediation <u>4/</u>	0	0	0
<u>Forestry and Fire Management, Department of</u>			
Laws 2019, Ch. 263 - Nonnative Species Eradication (through FY 2029)	1,000,000	1,000,000	1,000,000
A.R.S. § 37-1305 - Wild Land Fire Emergency	3,000,000	3,000,000	3,000,000
<u>Health Services, Department of</u>			
Laws 2019, Ch. 263 - Rural Prenatal Provider Loan Repayment	500,000	500,000	
<u>Public Safety Personnel Retirement System</u>			
Laws 2019, Ch. 263 - Prescott Fire Dept. Pension Liability (through FY 2026)	1,000,000	1,000,000	1,000,000
A.R.S. § 38-810 - EORP Closure (through FY 2043)	5,000,000	5,000,000	5,000,000
<u>Secretary of State</u>			
Laws 2019, Chapter 275 - Electronic Repository and 1 FTE (FY 2024) <u>5/</u>			
<u>School Facilities Board</u>			
Laws 2019, Ch. 263 - New School Facilities Fund	45,805,900		

	FY 2021	FY 2022	FY 2023
<u>Treasurer, State</u>			
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)		1,500,000	1,500,000
<u>Arizona State University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	13,458,700	13,451,900	13,462,100
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	12,381,200	12,625,100	12,877,600
<u>Northern Arizona University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	4,879,500	5,039,800	5,301,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	4,692,900	4,785,400	4,881,100
<u>University of Arizona</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	14,251,500	14,248,900	14,252,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	10,953,200	11,169,000	11,392,400
<u>Other</u>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>8/</u>	23,997,900	24,498,500	24,999,400
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>9/</u>	16,000,000	16,000,000	16,000,000
TOTAL	1,485,593,200	252,170,500	215,618,500

OTHER FUNDS

	FY 2021	FY 2022	FY 2023
<u>Agriculture, Department of</u>			
Laws 2019, Ch. 24 - Nuclear Emergency Management	280,500		
<u>Attorney General - Department of Law</u>			
Laws 2019, Ch. 263 - Criminal Division	950,000	2,350,000	2,350,000
<u>County Funding</u>			
Laws 2018, Ch. 342 - Reentry Planning Services	500,000		
<u>Criminal Justice Commission, Arizona</u>			
Laws 2018, Ch. 276 - Data Exchange System	600,000		
<u>Emergency and Military Affairs, Department of</u>			
Laws 2019, Ch. 24 - Nuclear Emergency Management	1,506,100		
<u>Health Services, Department of</u>			
Laws 2019, Ch. 24 - Nuclear Emergency Management	789,700		
<u>Transportation, Department of</u>			
Laws 2019, Ch. 264 - I-17 Expansion	45,000,000	45,000,000	
<u>Veterans Services, Department of</u>			
Laws 2018, Ch. 98 - Hyperbaric Oxygen Therapy Fund Reimbursement <u>10/</u>			25,000
<u>Water Resources, Department of</u>			
Laws 2019, Ch. 263 - Groundwater and Irrigations Efficiency Projects <u>11/</u>		20,000,000	
TOTAL	49,626,300	67,350,000	2,375,000

1/ All statutory appropriations are indefinite unless otherwise noted in this report.

2/ Pursuant to A.R.S. § 42-5031.01, the JLBC Staff assumes an annual distribution of \$2,625,000 to the Navajo Nation, comprised of

\$1,750,000 for Dine College and \$875,000 for Navajo Technical College, and an annual distribution of \$200,000 for the Tohono O'Odham Community College.

- 3/ Pursuant to A.R.S. § 42-1469.01, the JLBC Staff assumes an annual distribution of \$3,420,800 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 the allocation of \$15,000,000 of Corporate Income Tax collections for WQARF Site Remediation. This statute is currently suspended. Instead, WQARF is funded in FY 2020 with \$5.0 million from the Underground Storage Tank Revolving Fund, \$2.8 million from the Vehicle Emissions Inspection Fund, \$2.6 million from the Air Quality Fund, \$2.2 million from the Recycling Fund, \$1.0 million from the Permit Administration Fund, and \$2.0 million from non-appropriated funds.
- 5/ Laws 2019, Chapter 275 appropriates \$70,000 and 1 FTE Position from the General Fund to the Secretary of State in FY 2024 for the establishment of an electronic repository of state archives and documents.
- 6/ 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.
- 7/ 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. The amounts displayed above assume a 1.77% increase in FY 2021, 1.97% in FY 2022, and 2% in FY 2023.
- 8/ 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.
- 9/ Pursuant to A.R.S. § 42-5031, the JLBC Staff assumes an annual distribution of \$16,000,000 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.
- 10/ The FY 2019 budget appropriated \$25,000 from the General Fund to the Hyperbaric Oxygen Therapy for Military Veterans Fund, and appropriated \$25,000 from the fund to the General Fund in FY 2023 for reimbursement.
- 11/ The FY 2020 budget includes \$20.0 million from the General Fund to construct, rehabilitate, and lease wells and infrastructure related to withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be reimbursed to the General Fund by December 31, 2021.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2020 and 2021 1/

BUDGET UNITS	Fiscal Year 2020			Fiscal Year 2021		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Accountancy, State Board of	0.0	14.0	14.0	0.0	14.0	14.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	114.2	435.9	550.1	114.2	431.9	546.1
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
SUBTOTAL - Administration, Arizona Department of	114.2	440.9	555.1	114.2	436.9	551.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
African-American Affairs, Arizona Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Agriculture, Arizona Department of	192.1	17.2	209.3	192.1	17.2	209.3
AHCCCS	460.1	694.1	1,154.2	460.1	694.1	1,154.2
AHCCCS - DES Eligibility	621.2	563.9	1,185.1	621.2	563.9	1,185.1
SUBTOTAL - AHCCCS <u>2/</u>	1,081.3	1,258.0	2,339.3	1,081.3	1,258.0	2,339.3
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	218.6	389.1	607.7	218.6	389.1	607.7
Automobile Theft Authority <u>3/</u>	0.0	6.0	6.0	0.0	0.0	0.0
Barbers, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	17.0	17.0
Charter Schools, State Board for	19.0	0.0	19.0	24.0	0.0	24.0
Child Safety, Department of <u>4/</u>	1,627.2	1,565.9	3,193.1	1,503.6	1,689.5	3,193.1
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	6.0	294.9	300.9	6.0	294.9	300.9
Corrections, State Department of	9,545.0	21.0	9,566.0	9,545.0	21.0	9,566.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, Arizona	0.0	11.0	11.0	0.0	11.0	11.0
Deaf and the Blind, Arizona State Schools for the	284.8	277.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	17.0	17.0	0.0	17.0	17.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>5/</u>	1,019.3	3,358.5	4,377.8	1,019.3	3,358.5	4,377.8
Education, State Board of	6.0	0.0	6.0	6.0	0.0	6.0
Education, Department of <u>6/</u>	140.4	55.5	195.9	140.4	55.5	195.9
Emergency and Military Affairs, Department of	64.1	5.5	69.6	64.1	5.5	69.6
Environmental Quality, Department of	0.0	322.0	322.0	0.0	322.0	322.0
Equal Opportunity, Governor's Office of	0.0	4.0	4.0	0.0	4.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.5	0.0	14.5	14.5	0.0	14.5
Exposition and State Fair Board, Arizona	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of <u>3/</u>	22.1	51.0	73.1	0.0	0.0	0.0
Forestry and Fire Management, Arizona Department of	88.0	0.0	88.0	88.0	0.0	88.0
Funeral Directors and Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	155.8	155.8	0.0	155.8	155.8
Governor's Office of Strategic Planning and Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of	817.9	312.6	1,130.5	817.9	307.1	1,125.0
Historical Society, Arizona	50.9	0.0	50.9	50.9	0.0	50.9
Historical Society of Arizona, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic and Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	3.0	3.0	0.0	3.0	3.0
Independent Redistricting Commission	0.0	0.0	0.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance, Department of <u>3/</u>	72.3	0.0	72.3	0.0	0.0	0.0
Insurance and Financial Institutions, Department of <u>3/</u>	0.0	0.0	0.0	94.4	57.0	151.4
Judiciary						
Supreme Court	144.6	38.4	183.0	145.6	38.4	184.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	226.8	8.7	235.5	226.8	8.7	235.5
SUBTOTAL - Judiciary	508.2	47.1	555.3	509.2	47.1	556.3
Juvenile Corrections, Department of	478.5	260.0	738.5	478.5	260.0	738.5
Land Department, State	126.7	3.0	129.7	126.7	3.0	129.7
Legislature						
Auditor General	200.8	0.0	200.8	200.8	0.0	200.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0

BUDGET UNITS	Fiscal Year 2020			Fiscal Year 2021		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Legislative Council	55.0	0.0	55.0	55.0	0.0	55.0
SUBTOTAL - Legislature	284.8	0.0	284.8	284.8	0.0	284.8
Liquor Licenses and Control, Department of	0.0	45.2	45.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	98.8	98.8	0.0	98.8	98.8
Massage Therapy, Board of	0.0	5.0	5.0	0.0	5.0	5.0
Medical Board, Arizona	0.0	61.5	61.5	0.0	61.5	61.5
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0
Naturopathic Physicians Medical Board	0.0	2.0	2.0	0.0	2.0	2.0
Navigable Stream Adjudication Commission, Arizona	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	48.5	48.5	0.0	48.5	48.5
Nursing Care Institution of Administrators, Board of	0.0	6.0	6.0	0.0	6.0	6.0
Occupational Therapy Examiners, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, Arizona Board of	0.0	8.0	8.0	0.0	8.0	8.0
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	3.0	3.0	0.0	3.0	3.0
Pharmacy, Arizona State Board of	0.0	22.4	22.4	0.0	22.4	22.4
Physical Therapy, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Pioneers' Home, Arizona	0.0	106.3	106.3	0.0	106.3	106.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	5.0	5.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	743.7	1,271.0	2,014.7	743.7	1,271.0	2,014.7
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	240.9	240.9	0.0	240.9	240.9
Revenue, Department of ^{6/}	274.0	606.8	880.8	274.0	606.8	880.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	133.1	10.0	143.1	133.1	10.0	143.1
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	25.0	25.0	0.0	25.0	25.0
Tourism, Office of	28.0	0.0	28.0	28.0	0.0	28.0
Transportation, Department of	0.0	4,554.0	4,554.0	0.0	4,558.0	4,558.0
Treasurer, State	0.0	34.4	34.4	0.0	34.4	34.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities ^{7/8/}						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University	2,419.9	5,370.9	7,790.8	2,419.9	5,370.9	7,790.8
Northern Arizona University	884.1	1,476.0	2,360.1	884.1	1,476.0	2,360.1
University of Arizona - Main Campus	2,271.2	3,750.1	6,021.3	2,271.2	3,750.1	6,021.3
University of Arizona - Health Sciences Center	824.7	541.7	1,366.4	824.7	541.7	1,366.4
SUBTOTAL - Universities	6,425.8	11,138.7	17,564.5	6,425.8	11,138.7	17,564.5
Veterans' Services, Department of	116.3	381.0	497.3	116.3	381.0	497.3
Veterinary Medical Examining Board, Arizona State	0.0	6.0	6.0	0.0	6.0	6.0
Water Resources, Department of	139.0	6.0	145.0	139.0	6.0	145.0
TOTAL APPROPRIATED FUNDS	24,780.8	28,639.1	53,419.9	24,666.2	28,757.2	53,423.4

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2020 and FY 2021 can be found in the individual agency pages.
- 2/ Includes 1,210.1 FTE Positions in FY 2020 and FY 2021 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Laws 2019, Chapter 252 merged the Department of Insurance (DOI), Department of Financial Institution (DFI), and the Automobile Theft Authority (ATA) into 1 agency and renamed it the Department of Insurance and Financial Institutions (DIFI). The FY 2021 FTE Positions for DOI, DFI, and ATA were reduced to 0 and moved to DIFI.
- 4/ Includes 970.3 FTE Positions in FY 2019 and FY 2020 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 5/ Includes 1,922.5 FTE Positions in FY 2020 and FY 2021 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 6/ The FY 2020 FTE Position allocations have been rebased to match FY 2021 allocations.
- 7/ The FY 2020 General Appropriation Act originally appropriated 17,361.1 FTE Positions to the Universities for FY 2020. This FTE Position amount has been revised to 17,564.5 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.
- 8/ The Other Fund FTE Positions are funded by the University Collections Fund, which includes a portion of tuition and fees and a portion of land earnings.

FY 2021 BUDGET RECONCILIATION BILL (BRB) 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, continue to set the FY 2021 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space.
2. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
3. As session law, continue to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2023.

Arizona Department of Agriculture

4. As session law, continue fee changing authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2021. The bill continues an intent clause that limits additional revenues to \$357,000.

AHCCCS

Rates and Services

5. As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.

Counties

6. As session law, set the FY 2021 county Arizona Long Term Care System (ALTCS) contributions at \$304,318,200.
7. As session law, set the County Acute Care contribution at \$45,819,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
8. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
9. As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2021 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.

Hospitals

10. As session law, continue to establish FY 2021 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2021.
11. As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations. Permit local jurisdictions to provide additional local match for Pool 5 distributions.

Available Funding

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

Arizona Community Colleges

13. As session law, continue to suspend the Operating State Aid funding formula in FY 2021 for Maricopa and Pima Counties.
14. As session law, continue to suspend Maricopa, Pima, and Pinal's Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2021. The Pinal funding would be specified in the General Appropriation Act and would again equal \$96,500. The Maricopa and Pima distributions are already set by the FY 2020 General Appropriation Act through FY 2022.

State Department of Corrections

15. As session law, continue to require the department to report actual FY 2020, estimated FY 2021, and requested FY 2022 expenditures as delineated in the prior year when the department submits its FY 2021 budget request pursuant to A.R.S. § 35-113.

Counties and Cities & Towns

16. As session law, continue to allow counties with a population below 250,000 in the 2010 decennial census to use any source of county revenue to meet a county fiscal obligation for FY 2021, up to \$1,250,000 of county revenue for each county. Requires counties using this authority to report to the Director of JLBC on the intended amount and sources of funds by October 1, 2020.

Department of Economic Security

17. As session law, continue 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 cause to believe that the recipient uses illegal drugs.
18. As permanent law, continue to allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits. This provision has previously been authorized as session law.

Department of Education*Formula Requirements*

19. 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 1.77% for standard inflation.
20. As permanent law, increase the base level to incorporate into Basic State Aid \$124,600,000 for teacher salary increases already appropriated for FY 2021 by Section 136 of the FY 2019 General Appropriation Act.
21. * As permanent law, amend A.R.S. § 15-977 to require, beginning in FY 2022, that \$64,100,000 from the Classroom Site Fund be transferred to the Superintendent of Public Instruction to fund Basic State Aid.

Results-Based Funding

22. As session law, continue to notwithstanding A.R.S. § 15-249.08 to allocate Results-Based Funding using the same formula that was used in FY 2020, but based on AzMERIT test results from spring 2019 rather than spring 2018. Under permanent law, the Results-Based Funding instead would be distributed in FY 2021 to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.
23. As session law, continue to make eligible for Results-Based Funding schools with AzMERIT test results in the top 13% for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% for schools with 60% or higher FRPL eligibility.
24. As session law, continue to establish per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with more than 60% FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with greater than 60% FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or more FRPL eligibility would receive \$400.
25. As session law, continue to provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2019 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced price lunch eligibility rates.

Other

26. As session law, continue 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.
27. As permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2021 under it.

Department of Emergency and Military Affairs

28. As session law, extend to FY 2022 the lapsing date of the FY 2019 appropriation of \$1,250,000 from the Military Installation Fund and \$3,759,000 from the General Fund for the construction of a new Tucson Readiness Center.

29. As session law, extend to FY 2022 the lapsing date of the FY 2020 appropriation of \$3,875,000 from the General Fund for the construction of a new West Valley Readiness Center.

Department of Environmental Quality

30. As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2021 for department administrative expenses and for sewage remediation.
31. As session law, continue to suspend the requirement to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF). The fund sources for WQARF in FY 2021 would be as follows: \$5,000,000 from the Underground Storage Tank Revolving Fund, \$2,800,000 from the Vehicle Emissions Inspection Fund, \$2,600,000 from the Air Quality Fund, \$2,152,000 from the Recycling Fund, and \$1,000,000 from the Permit Administration Fund for a total of \$13,552,000. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.
32. As session law, continue to include a legislative intent statement that the WQARF appropriations are being supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.
33. As session law, continue the FY 2019 level of vehicle emissions inspection fees in FY 2021 (FY 2020 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties.)

Department of Gaming

34. As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2021 only.

Department of Health Services

35. As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
36. As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services.
37. As session law, continue fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2021. Includes an intent clause that limits additional revenues to \$1,900,000.

Department of Insurance and Financial Institutions

38. * As permanent law, remove the requirement that fees collected by the department be between 95% and 110% of the department's appropriation.

Arizona Navigable Stream Adjudication Commission

39. As session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

Department of Public Safety

40. As permanent law, continue to require the Department of Public Safety (DPS) to receive JLBC review of the annual expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount appropriation prior to its expenditure. This provision has previously been authorized as session law.
41. As permanent law, continue to allow the Concealed Weapons Permit Fund and the State Aid to Indigent Defense Fund to be used for DPS operating expenses. This provision has previously been authorized as session law.
42. As permanent law, continue to allow DPS to use the Arizona Highway Patrol Fund for the Pharmaceutical Diversion and Drug Theft Task Force. This provision has previously been authorized as session law.
43. As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.

Department of Revenue

44. As session law, continue legislative intent statement that local fees to fund the Department of Revenue (DOR) are not to exceed \$20,755,835 and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them (excluding Highway User Revenue Fund money).

Universities

45. As session law, continue 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

46. 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 2021.
47. As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200, and exempt the department from rulemaking for this purpose.

FY 2021 GENERAL APPROPRIATION ACT PROVISIONS

The Baseline includes the following provisions in the General Appropriation Act. These provisions are in addition to the individual agency appropriations, but exclude supplemental appropriations, ex-appropriations, and fund transfers.

Arizona Commerce Authority

48. As session law, in accordance with statute (A.R.S. § 43-409), allocate \$15,500,000 of General Fund withholding tax revenue to the Authority in FY 2021.

Counties and Cities & Towns

49. As session law, continue to appropriate \$550,050 to all counties with populations under 900,000 people according to the 2010 Census. As session law, continue to appropriate additional \$500,000 to Graham County.
50. As session law, in accordance with A.R.S. § 9-601, appropriate \$23,997,900 from the General Fund in FY 2021 for the Phoenix Convention Center.
51. As session law, in accordance with A.R.S. § 42-5031, continue to provide sales tax revenues, estimated at \$16,000,000 in FY 2021, to the Rio Nuevo Multipurpose Facility District.

Department of Education

52. As session law, continue to defer \$930,727,700 in Basic State Aid payments for FY 2021 until FY 2022. Appropriate \$930,727,700 in FY 2022 for these deferred Basic State Aid payments. Continue to exempt school districts with less than 600 students from the K-12 Rollover. Allow ADE to make the rollover payment no later than July 12, 2021.
53. As session law, continue to require school districts to include in the FY 2021 revenue estimates that they use for computing their FY 2021 tax rates the rollover monies that they will receive for FY 2021 in July 2021.

Debt Service

54. As session law, appropriate \$53,701,800 from the General Fund to the Arizona Department of Administration in FY 2021 for a debt service payment on the 2010 sale and leaseback of state buildings.

Revenues

55. As session law, continue to specify revenue and expenditure estimates for FY 2020, FY 2021, FY 2022, and FY 2023.
56. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2020 ending balances by September 15, 2020. Require JLBC Staff to report to JLBC by October 15, 2020 as to whether FY 2021 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

Statewide

57. 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.

- 58. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2021 in all agencies and provide it to the JLBC Director by October 1, 2021. The Universities are exempt from the report but are required to report separately.
- 59. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2020 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2020.
- 60. 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.

General

- 61. As session law, continue to define "*" as designating an appropriation exempt from lapsing.
- 62. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
- 63. As session law, continue to define "review by the Joint Legislative Budget Committee" as a review by a vote of a majority of a quorum of the members.

FY 2021 MAJOR FOOTNOTE CHANGES

The Baseline includes the following major additions, deletions or modifications of footnotes. This list does not include footnote changes pertaining to one-time reports or appropriations or footnote changes conforming to enacted policy.

Arizona Department of Administration

- 64. Transfers footnote requiring the department to report by August 1, 2020 on the maintenance savings associated with replacing vehicles with an average of 80,000 miles to the Arizona Department of Transportation.

Department of Insurance and Financial Institutions

- 65. Adds footnote requiring agency to set the fees required to be deposited into the General Fund at a level that will equal or exceed the department's General Fund expenditure. A similar footnote was previously in the Department of Financial Institutions budget.

Department of Public Safety

- 66. Adds footnote extending the lapsing date for the FY 2020 appropriation for Peace Officer Training Equipment to June 30, 2021 and reverting any unexpended monies to the fund from which the monies were appropriated.

Secretary of State

- 67. Adds footnote reverting any FY 2019 appropriation for Other Help America Vote Act Projects unexpended as of June 30, 2022 to the fund from which the monies were appropriated.

Department of Transportation

- 68. Adds footnote requiring the department to report by August 1, 2020 on the maintenance savings associated with replacing vehicles with an average of 80,000 miles. A similar footnote was previously in the Department of Administration budget.

* New provisions in the Baseline are noted with an asterisk (*).

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	734,000	913,900	913,900
Employee Related Expenditures	314,400	352,600	352,600
Professional and Outside Services	249,900	429,000	429,000
Travel - In State	6,300	6,100	6,100
Travel - Out of State	5,400	12,000	12,000
Other Operating Expenditures	223,000	294,200	294,200
Equipment	4,600	37,500	37,500
AGENCY TOTAL	1,537,600	2,045,300	2,045,300^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,537,600	2,045,300	2,045,300
SUBTOTAL - Other Appropriated Funds	1,537,600	2,045,300	2,045,300
SUBTOTAL - Appropriated Funds	1,537,600	2,045,300	2,045,300
TOTAL - ALL SOURCES	1,537,600	2,045,300	2,045,300

AGENCY DESCRIPTION — The board licenses, investigates, and conducts examinations of certified public accountants and public accountants. The board is also responsible for registering and investigating accounting firms owned by certified public accountants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,045,300 and 14 FTE Positions from the Board of Accountancy Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,537,600	2,045,300
Year-End Fund Balance	3,282,600	2,940,500

Acupuncture Board of Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	73,600	96,000	96,000
Employee Related Expenditures	20,000	37,200	37,200
Travel - In State	1,700	2,000	2,000
Travel - Out of State	4,500	4,500	4,500
Other Operating Expenditures	33,000	33,000	33,000
Equipment	2,900	3,300	3,300
AGENCY TOTAL	135,700	176,000	176,000^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	135,700	176,000	176,000
SUBTOTAL - Other Appropriated Funds	135,700	176,000	176,000
SUBTOTAL - Appropriated Funds	135,700	176,000	176,000
TOTAL - ALL SOURCES	135,700	176,000	176,000

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

Operating Budget

The Baseline includes \$176,000 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	135,700	176,000
Year-End Fund Balance	191,600	199,000

Arizona Department of Administration

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	535.1	550.1	546.1 ^{1/}
Personal Services	26,814,900	29,027,200	28,846,300
Employee Related Expenditures	9,271,000	10,819,600	10,752,400
Professional and Outside Services	5,456,700	6,442,200	6,422,200
Travel - In State	198,900	224,700	224,700
Travel - Out of State	47,900	102,600	102,600
Other Operating Expenditures	32,160,400	46,248,900	39,275,800
Equipment	2,270,600	4,319,200	1,119,200
OPERATING SUBTOTAL	76,220,400	97,184,400	86,743,200 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	4,975,000	7,649,900	7,649,900
Bolin Plaza Improvements	25,300	0	0
Financial Services			
Arizona Financial Information System	8,878,500	9,418,700	9,418,700
Named Claimants	12,900	0	0
Information Technology Services			
Information Technology Project Management and Oversight	1,500,000	1,504,300	1,504,300
Statewide Information Security and Privacy Operations and Controls	2,674,600	6,356,600	6,356,600
Risk Management			
Federal Transfer Payment	9,168,400	0	0 ^{3/}
Risk Management Administrative Expenses	8,303,300	8,747,200	8,747,200
Risk Management Losses and Premiums	35,960,900	46,178,400	46,178,400
Workers' Compensation Losses and Premiums	25,803,100	31,830,300	31,830,300
Support Services			
Government Transformation Office	968,200	2,008,300	2,008,300
State Surplus Property Sales Agency Proceeds	1,250,700	1,810,000	1,810,000 ^{4/}
Other			
Public Safety Regional Communications	0	271,000	0 ^{5/}
Southwest Defense Contracts	25,000	25,000	25,000 ^{5/}
AGENCY TOTAL	175,766,300	212,984,100	202,271,900 ^{6/}
FUND SOURCES			
General Fund	7,590,900	8,147,600	7,876,600
Other Appropriated Funds			
Air Quality Fund	654,300	927,300	927,300 ^{7/}
Arizona Financial Information System Collections Fund	8,878,500	9,418,700	9,418,700
Automation Operations Fund	21,529,800	31,040,900	31,040,900 ^{8/}
Capital Outlay Stabilization Fund	14,520,700	18,543,600	18,543,600
Corrections Fund	506,800	573,700	573,700
Federal Surplus Materials Revolving Fund	50,100	465,200	465,200
Information Technology Fund	4,741,200	8,443,400	8,443,400
Motor Vehicle Pool Revolving Fund	5,675,100	10,191,200	0 ^{9/}
Personnel Division Fund	11,806,500	12,723,800	12,723,800
Risk Management Revolving Fund	85,511,800	94,579,900	94,579,900
Special Employee Health Insurance Trust Fund	5,056,200	5,291,900	5,291,900
Special Services Revolving Fund	714,000	1,169,000	1,169,000
State Monument and Memorial Repair Fund	25,300	0	0

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
State Surplus Materials Revolving Fund	2,277,000	2,977,800	2,977,800
State Web Portal Fund	4,636,400	6,844,500	6,594,500
Telecommunications Fund	1,591,700	1,645,600	1,645,600
SUBTOTAL - Other Appropriated Funds	168,175,400	204,836,500	194,395,300
SUBTOTAL - Appropriated Funds	175,766,300	212,984,100	202,271,900
Other Non-Appropriated Funds	1,125,557,400	1,188,345,300	1,176,092,100
Federal Funds	995,100	2,966,800	2,966,800
TOTAL - ALL SOURCES	1,302,318,800	1,404,296,200	1,381,330,800

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/ Includes 57 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The department may charge state agencies no more than \$10.42 per user per month for the statewide email and calendar service. (General Appropriation 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 A.R.S. § 38-654, unless the proposed agreements have been reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ All State Surplus Materials Revolving Fund monies received by the Department of Administration in excess of \$2,977,800 in FY 2021 are appropriated to the department. Before spending State Surplus Materials Revolving Fund monies in excess of \$2,977,800 in FY 2021, the department shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ~~D/ The amount appropriated for the Public Safety Regional Communications line item shall be distributed to the City of Sierra Vista for technology infrastructure maintenance at the Southeastern Arizona Communications Center. (General Appropriation Act footnote)~~
- 5/ The amount appropriated for Southwest Defense Contracts shall be distributed to a nonprofit organization that advocates for preserving and enhancing critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ On or before September 1, 2021, the department shall submit a report for review by the Joint Legislative Budget Committee on the results of pilot projects implemented in FY 2021 for the state employee public transportation service reimbursements pursuant to A.R.S § 41-710.01, in a vehicle emissions control area as defined in A.R.S § 49-541 of a county with a population of more than 400,000 persons. (General Appropriation Act footnote)
- 8/ The appropriation from the Automation Operations Fund established by A.R.S. § 41-711 is an estimate representing all monies, including balance forward, revenues and transfers during FY 2021. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. 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 \$31,040,900 in FY 2021, the department shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ~~D/ The Legislature intends that the department not replace vehicles until they have an average of 80,000 miles or more. On or before August 1, 2019, the department shall submit a report to the Joint Legislative Budget Committee on the maintenance savings achieved by replacing vehicles that have an average of 80,000 miles or more. (General Appropriation Act footnote)~~

Operating Budget

The Baseline includes \$86,743,200 and 489.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$7,851,600
Air Quality Fund	927,300
Automation Operations Fund	29,536,600
Capital Outlay Stabilization Fund (COSF)	10,893,700

Corrections Fund	573,700
Federal Surplus Materials Revolving Fund	465,200
Information Technology Fund	2,086,800
Personnel Division Fund	12,723,800
Risk Management Revolving Fund	7,824,000
Special Employee Health Insurance Trust Fund	5,291,900
Special Services Revolving Fund	1,169,000
State Surplus Materials Revolving Fund	1,167,800
State Web Portal Fund	4,586,200
Telecommunications Fund	1,645,600

FY 2021 adjustments are as follows:

Transfer State Motor Vehicle Fleet Operations

The Baseline includes a decrease of \$(10,191,200) and (4) FTE Positions from the Motor Vehicle Pool Revolving Fund in FY 2021 to transfer state motor vehicle fleet operations to the Arizona Department of Transportation (ADOT). The Baseline adds a new motor vehicle fleet operations line item in ADOT's operating budget. In addition, the Baseline transfers a footnote requiring ADOA to replace vehicles after an average of 80,000 miles and to annually report on vehicle replacements. *(Please see the Arizona Department of Transportation section for more information.)*

Remove One-Time Government Website Support

The Baseline includes a decrease of \$(250,000) from the State Web Portal Fund in FY 2021 for the elimination of one-time funding for state agency website transformation and operating costs.

FTE Position Shift

The Baseline includes a decrease of (11) FTE Positions from the Information Technology Fund in FY 2021 for the operating budget. The Baseline would shift these FTE Positions to the Statewide Information Security and Privacy Operations and Controls Line Item to align FTE Positions with the line item appropriation.

Facilities Management

Utilities

The Baseline includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2021 for Utilities. This amount is unchanged from FY 2020.

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

Financial Services

Arizona Financial Information System

The Baseline includes \$9,418,700 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2021 for the Arizona Financial Information System (AFIS). This amount is unchanged from FY 2020.

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

Named Claimants

The Baseline includes no funding in FY 2021 for Named Claimants. This amount is unchanged from FY 2020.

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 2019, Chapter 231 appropriated \$12,846.67 in FY 2019 for prior year unpaid claims.

Information Technology Services

Information Technology Project Management and Oversight

The Baseline includes \$1,504,300 and 15 FTE Positions from the Automation Operations Fund in FY 2021 for IT Project Management and Oversight. This amount is unchanged from FY 2020.

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.

Statewide Information Security and Privacy Operations and Controls

The Baseline includes \$6,356,600 and 14 FTE Positions from the Information Technology (IT) Fund in FY 2021 for Statewide Information Security and Privacy Operations and Controls. FY 2021 adjustments are as follows:

FTE Position Shift

The Baseline includes an increase of 11 FTE Positions from the Information Technology Fund in FY 2021. The Baseline shifts these FTE Positions from the operating budget to align FTE Positions with the line item appropriation.

As part of the Arizona Strategic Enterprise Technology (ASET) Office, the office performs strategic planning, policy development, and risk assessment to protect the state's information resources. The IT Fund receives revenue from a 0.43% pro-rata charge on agency payroll.

Risk Management

Federal Transfer Payment

The Baseline includes no funding in FY 2021 for one-time payments to the federal government. This amount is unchanged from FY 2020.

The FY 2020 General Appropriation Act included an FY 2019 supplemental appropriation of \$9,168,400 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2018. In addition, the FY 2020 General Appropriation Act also specifies 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 HITF, unless the proposed agreements are reviewed by the JLBC.

In order 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. (Please see the [*Federal Financial Participation Repayment*](#) section in *Other Issues for more information.*)

Risk Management Administrative Expenses

The Baseline includes \$8,747,200 from the Risk Management Revolving Fund in FY 2021 for Risk

Management Administrative Expenses. This amount is unchanged from FY 2020.

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 Baseline includes \$46,178,400 from the Risk Management Revolving Fund in FY 2021 for Risk Management Losses and Premiums. This amount is unchanged from FY 2020.

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 Baseline includes \$31,830,300 from the Risk Management Revolving Fund in FY 2021 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2020.

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

Government Transformation Office

The Baseline includes \$2,008,300 from the State Web Portal Fund in FY 2021 for the Government Transformation Office (GTO). This amount is unchanged from FY 2020.

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

State Surplus Property Sales Agency Proceeds

The Baseline includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2021 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2020.

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.

Other

Public Safety Regional Communications

The Baseline includes no funding in FY 2021 for Public Safety Regional Communications. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(271,000) from the General Fund in FY 2021 to eliminate one-time funding for Sierra Vista Public Safety Communications.

The amount appropriated for the Public Safety Regional Communications line item shall be distributed to the city of Sierra Vista for technology infrastructure maintenance at the Southeastern Arizona Communications Center.

Southwest Defense Contracts

The Baseline includes \$25,000 from the General Fund in FY 2021 for Southwest Defense Contracts. This amount is unchanged from FY 2020.

This line item is for the distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwestern United States.

Other Issues

This section includes information on the following topics:

- FY 2020 Supplemental
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayment
- Selected Non-General Fund Budget Requests

FY 2020 Supplemental

The Baseline includes an FY 2020 supplemental appropriation of \$3,933,100 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2019. (Please see the Other Issues - [Federal Financial](#)

Participation Repayment section for additional information.)

Health Insurance Trust Fund

The 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.

HITF has experienced financial issues for several years. As a result, the FY 2019 budget included \$10.0 million from the General Fund and \$31.2 million in total funds for the one-time employer premium increase. The FY 2020 budget removed the FY 2019 one-time employer premium and replaces it with a new one-time employer premium statewide increase. The FY 2020 budget includes \$10.5 million from the General Fund and \$34.4 million in total funds for the one-time employer premium increase (see Table 1).

To further reduce costs, ADOA has also implemented changes to employee premiums, copays, and deductibles. At its September 2017 and June 2018 meetings, the JLBC gave unfavorable reviews of ADOA's proposed changes. However, ADOA proceeded with the changes as proposed.

Table 1

Health Insurance Trust Fund

Balance Sheet

(\$ in millions)

	<u>Actual</u> <u>FY 2019</u>	<u>Estimated</u> <u>FY 2020</u>	<u>Estimated</u> <u>FY 2021</u>
Beginning Balance	147.7	117.0	69.5
Baseline Receipts	832.3	839.0	845.1
Employer One-Time Premium Increase	31.2	34.4	0.0
27th Pay Period	<u>0.0</u>	<u>0.0</u>	<u>16.5</u>
Net Revenues	1,011.2	990.4	931.1
Baseline Expenses	888.9	926.8	956.5
1/20 Plan Revisions	0.0	(11.2)	(15.9)
Administration	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
Net Expenses	894.2	920.9	945.9
Ongoing Balance ^{1/}	(61.9)	(81.9)	(100.8)
Ending Cash Balance	117.0	69.5	(14.8)

^{1/} Reflects ongoing revenues vs. ongoing expenses

At the June 2019 JLBC meeting, ADOA proposed additional changes to employee deductibles and out-of-pocket maximums. The Committee received the report with no further action.

For FY 2020, the fund is projected to have an ongoing shortfall of \$(81.9) million but a cash balance of \$69.5 million. With the reduction of the one-time employer premium contribution increase and the ongoing impact of ADOA's changes to employee costs, HITF has a projected ongoing shortfall of \$(100.8) million in FY 2021 and an ending cash balance of \$(14.8) million.

As a self-insured fund, the state assumes the direct risk for payment of claims and should therefore retain a sufficient balance to ensure claims can be paid in the event of fluctuations in cash flow or catastrophic expenses. The recommended reserve is between \$50.0 million to \$100.0 million, equal to approximately 1 month's claim expenses.

As a result, to remain solvent, HITF would require one-time revenue of at least \$65 million in total funds in FY 2021. However, ADOA is in the process of reviewing a Request for Proposals (RFP) for new health plan network(s) which would be effective in the second half of FY 2021 (beginning of calendar year 2021). The results of the procurement could change the cost estimates for HITF in FY 2021.

Risk Management Revolving Fund

ADOA's Risk Management Division annually levies a charge on all state agencies to provide funding to pay the state's property and liability losses and workers' compensation losses, and to purchase insurance coverage for losses not covered under our self-insured limits. The revenue generated from the charges to agencies is deposited in the Risk Management Revolving Fund.

Property and liability losses, along with workers' compensation losses, comprise the majority of Risk Management Revolving Fund expenditures.

In recent years, Risk Management expenditures have been significantly lower than fund revenue. Even with transfers of Risk Management monies to other agencies and transfers to the General Fund to help balance the budget, the fund has consistently had an ending balance over \$50 million.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2019 as well as the estimated amounts for FY 2020 and FY 2021. Due to the unpredictable nature of the Risk Management program, ADOA tends to

estimate future expenditures above historical spending levels. Table 2 also includes an adjusted FY 2021 expenditure estimate, which is closer to historical spending levels. Under this adjusted estimate, the FY 2021 ending balance would be \$66.8 million.

As a result of the large balance in the Risk Management Revolving Fund, monies from the fund have been used to support other agencies in recent years. The use of the funding has typically been in circumstances where the lack of funding would result in potential liability to the state.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government of \$9,168,500 in FY 2019. (Please see the [Federal Transfer Payment](#) section above, and the [Federal Financial Participation Repayment](#) section below, for more information.)

	Actual FY 2019	Estimated 2020	Estimated 2021
Beginning Balance	69,104.8	73,473.3	65,393.7
Revenues	<u>105,082.6</u>	<u>110,251.2</u>	<u>110,251.1</u>
<i>Total Funds Available</i>	174,187.4	183,724.5	175,644.8
Expenditures			
ADOA	76,343.4	94,579.9	117,885.5
Federal Repayment	<u>9,168.4</u>	<u>3,933.1</u>	<u>0.0</u>
<i>ADOA Subtotal</i>	85,511.8	98,513.0	117,885.5
Other Agencies			
DPS	1,345.3	1,345.3	1,345.3
DCS	3,770.0	0.0	0.0
Attorney General	<u>10,070.0</u>	<u>9,590.0</u>	<u>9,590.0</u>
<i>Other Agencies Subtotal</i>	15,185.3	10,935.3	10,935.3
Other Legislative			
Transfers	0.0	0.0	0.0
Admin Adjustment	<u>17.0</u>	<u>8,882.5</u>	<u>0.0</u>
<i>Total Expenditures</i>	100,714.1	118,330.8	128,820.8
Ending Balance	73,473.3	65,393.7	46,824.0
Spending			
Adjustment ^{1/}	0.0	0.0	(20,000.0)
Adjusted Expenditures	<u>100,714.1</u>	<u>118,330.8</u>	<u>108,820.8</u>
Revised Balance	73,473.3	65,393.7	66,824.0

^{1/} Would reduce projected expenditures closer to historical ongoing spending levels which would increase the revised ending balance.

Federal Financial Participation Repayment

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government, which restricts some uses 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.

Fund Transfers

As part of its budget balancing, the state transferred monies from several ADOA funds to the General Fund in the past. The federal government contributed to several of those funds. For example, the state's Risk Management Revolving Fund is funded from charges to state agencies. These agencies may use Federal Funds to pay their charge. If part of the fund balance is transferred to the General Fund, the federal government bills the state to have a proportionate share of the transfer paid back to the federal government.

Disallowed Costs

The federal government does not allow the use of Federal Funds to pay state agency charges in certain circumstances. For example, the state's oversight of Information Technology (IT) projects was previously funded by an assessment charged to each agency as a percentage of payroll expenses. The federal government disallowed the use of Federal Funds to be spent on this type of oversight, because the costs to administer the program are charged proportionately to all agencies, and are not based on a fee-for-service model. As a result, the federal government billed the state a proportionate share if state agencies use Federal Funds to pay for these disallowed costs. Project oversight is now funded through the Automation Operations Fund which generates revenue through fees to agencies for services. A portion of each fee is cost allocated to ASET administration including oversight. The federal government has not yet audited the cost allocation to determine if any costs are still disallowed.

Excess Retained Earnings

Certain enterprise funds carry a balance beyond the annual needs of the fund in order to provide some stability of cash flow. The federal government, however, charges the state for their proportionate share of excess fund balances above any amount that would fund more than 1/6th of the fiscal years' expenditures, or 60 days of working capital. In the past, the state has successfully negotiated not to be charged for excess fund balances in HITF.

FY 2020

Based on prior year experience of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately \$3,933,100 for restricted uses. This amount consists of:

- \$2,948,900 related to fund transfers from 9 different funds in FY 2018, primarily a transfer from the Automation Operations Fund to the Automation Projects Fund.
- \$180,000 related to interest on fund transfers.
- \$468,600 related to payments made from the Risk Management Revolving Fund which has federal financial participation.
- \$17,200 related to interest on payments.
- \$318,400 related to excess retained earnings in the IT Fund.

Amounts owed for FY 2019 will be paid in FY 2020 through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government. *(Please see the [Federal Transfer Payment](#) line item above for information.)*

Selected Non-General Fund Budget Requests

Cyber Security Insurance Program

The Arizona Department of Administration requested \$22,250,000 for a newly created Cyber Security Insurance Fund in FY 2021 to establish a statewide cyber security insurance program. This amount would fund a \$20,000,000 one-time deposit from the Risk Management Revolving Fund to be used as a retainer for third-party insurance deductibles. The remaining \$2,250,000 would fund annual third-party premiums and FTE Positions to administer the program.

The ongoing FTE Position and premium expenses of \$2,250,000 would be charged to agencies after FY 2021. The General Fund would bear a portion of these ongoing costs.

Federal and State law require the state to investigate any instance of a "cyber incident," which is broadly defined as an event that creates reasonable suspicion that an IT system may have been compromised or cyber security controls may have failed. If investigation of the incident confirms unauthorized access that materially compromised the security or confidentiality of data in an IT system, the incident becomes a "cyber breach," which triggers certain actions the state is required to take. Specifically, the state must conduct an investigation to determine the extent of compromised records and notify individuals affected within 45 days. Depending on the

nature of the breach, the state may be required to establish a hotline and provide free credit monitoring. ADOA's proposal would pay for the state response in the event of an incident or breach.

The JLBC Staff have concerns on the implementation of the proposal including the cost estimates for the third-

party deductible, premiums, and coverage maximum. In addition, because the definition of a cyber incident is broad, questions remain on how ADOA would be allowed to spend monies in the new Cyber Security Insurance Fund in the event of a cyber incident. Finally, the proposal does not sufficiently address the methodology to allocate premiums in future years to each agency.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Financial transaction processing fees.		
Purpose of Fund: To operate the Arizona Financial Information System (AFIS) II. The system was decommissioned in FY 2016. The FY 2019 General Appropriation Act transferred the balance of the fund, totaling \$772,300, to the General Fund. This fund was repealed by Laws 2019, Chapter 79.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	654,300	927,300
Year-End Fund Balance	1,275,000	1,275,000
Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)		Appropriated
Source of Revenue: Revenues are collected from state agencies to recover pro rata costs of operating AFIS. Pro rata charges are determined by ADOA and allocated to each agency based on AFIS usage.		
Purpose of Fund: Supplements the cost of operating AFIS.		
Funds Expended	8,878,500	9,418,700
Year-End Fund Balance	821,400	296,400
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. Balances reflect a transfer into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	21,529,800	31,040,900
Year-End Fund Balance	10,868,700	7,212,800
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	14,508,800	18,543,600
Year-End Fund Balance	17,744,700	6,665,400
Capitol Mall Consolidation Fund (ADA3211/A.R.S. § 41-792.02)		Appropriated
Source of Revenue: Monies appropriated by the Legislature. The FY 2019 Budget Procedures Budget Reconciliation Bill directs the sale proceeds from the properties at 2910 N 44th Street in Phoenix, 2163 Vickey Street in Flagstaff, and the northeast corner of South Horne Street and East Baseline Road in Mesa into the fund.		
Purpose of Fund: For repair and renovations of state-owned buildings. Monies in the fund are for capital expenses and are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	9,729,200	375,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	138,846,000	129,808,000
Year-End Fund Balance	7,465,600	2,613,700
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	1,663,600	4,148,800
Year-End Fund Balance	22,489,900	23,009,400
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To operate the cooperative purchasing program and support its membership list.		
Funds Expended	3,407,800	4,255,400
Year-End Fund Balance	2,132,600	1,277,200
Corrections Fund (ADA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Department of Juvenile Corrections (DJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or DJC.		
Funds Expended	506,800	573,700
Year-End Fund Balance	0	0
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. In addition, a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, as authorized by A.R.S. § 42-5402.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up to 5% of revenue); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	15,339,100	19,039,600
Year-End Fund Balance	10,333,600	9,891,600
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	34,275,200	35,797,800
Year-End Fund Balance	1,243,600	1,116,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Grant Fund (ADA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants, including pass through grants from several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
Funds Expended	995,100	2,966,800
Year-End Fund Balance	168,000	0
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	50,100	465,200
Year-End Fund Balance	37,700	(414,400)
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	9,163,900	26,279,900
Year-End Fund Balance	14,272,700	10,231,600
Information Technology Fund (ADA2152/A.R.S. § 18-401)		Appropriated
Source of Revenue: A pro rata share of 0.43% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. The Statewide Strategic Information Technology Plan is prepared annually by Information Technology (IT) Fund personnel with input from state agency Chief Information Officers. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO). Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	4,741,200	8,443,400
Year-End Fund Balance	4,033,800	3,554,400
Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. Monies appropriated for capital expenses are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	5,779,700	1,207,000
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)		Appropriated
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool.		
Funds Expended	5,675,100	10,191,200
Year-End Fund Balance	3,004,200	711,400

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Oil Overcharge Fund (GVA3171/A.R.S. § 41-1509)		Non-Appropriated
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state.		
Funds Expended	4,800	0
Year-End Fund Balance	0	0
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	61,900	80,500
Year-End Fund Balance	63,900	67,400
Personnel Division Fund (ADA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	11,806,500	12,723,800
Year-End Fund Balance	2,249,800	2,727,100
Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to an individual shall not exceed \$30,000.		
Funds Expended	14,561,500	15,052,000
Year-End Fund Balance	3,502,800	3,647,800
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits. Balances reflect a transfer into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	85,511,800	94,579,900
Year-End Fund Balance	80,560,800	77,910,300
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	5,056,200	5,291,900
Year-End Fund Balance	116,980,300	69,503,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Non-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. The Non-Appropriated expenditures reflect the state's self-insured health care claims costs. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	889,022,400	915,436,400
Year-End Fund Balance	116,980,300	69,503,200
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	20,000	16,300
Year-End Fund Balance	4,600	3,300
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Appropriated monies are collected from 11 small regulatory boards residing in the State Boards' Office to provide centralized administrative services. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	714,000	1,169,000
Year-End Fund Balance	232,300	(206,400)
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Non-Appropriated expenditures reflect various centralized printing, copying, and repair services offered by ADOA. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	782,200	910,000
Year-End Fund Balance	232,300	(206,400)
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	436,900	619,500
Year-End Fund Balance	642,400	557,900
State Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
Funds Expended	25,300	0
Year-End Fund Balance	194,200	194,200
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,277,000	2,977,800
Year-End Fund Balance	1,176,600	1,023,500

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
State Web Portal Fund (ADA2531/A.R.S. § 18-421)		Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in A.R.S. § 18-421.		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	4,636,400	6,844,500
Year-End Fund Balance	5,871,100	8,009,900
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits.		
Purpose of Fund: Employee donations are used to recognize outstanding employees.		
Funds Expended	8,600	8,000
Year-End Fund Balance	5,600	5,600
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,591,700	1,645,600
Year-End Fund Balance	890,300	829,200
Text to 911 Services Fund (ADA2177/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred from the Emergency Telecommunications Service Revolving Fund. In FY 2018, ADOA transferred \$1,362,700 from the fund.		
Purpose of Fund: To provide grants to political subdivisions of the state for text-to-911 services.		
Funds Expended	4,300	130,000
Year-End Fund Balance	1,360,000	1,235,000
Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		Non-Appropriated
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	200	0
Year-End Fund Balance	4,200	4,200
Transparency Website Fund (ADA2955/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to local governments that utilize the state's transparency website, Arizona OpenBooks.		
Purpose of Fund: To maintain the transparency website for public use.		
Funds Expended	25,000	25,000
Year-End Fund Balance	36,400	33,400
VW Diesel Emissions Environment Mitigation Trust Fund (ADA3917/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies deposited from the National Volkswagen Lawsuit Settlement. Arizona will receive approximately \$57.0 million over 10 years in settlement monies to support eligible air pollution mitigation activities		
Purpose of Fund: To support eligible air pollution mitigation activities.		
Funds Expended	17,934,000	36,738,100
Year-End Fund Balance	18,355,800	1,987,900

Arizona Department of Administration - Automation Projects Fund

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
INDIVIDUAL PROJECTS ^{1/2/3/4/}			
Department of Administration Subaccount			
<i>Full Time Equivalent Positions</i>	15.0	0	0
e-Procurement System Replacement ^{5/}	6,058,100	0	0
Business One-Stop Shop Web Portal	0	1,000,000	0
ASET Initiatives			
State Data Center	2,615,500	0	0
Security, Privacy, and Risk	4,242,800	0	0
Project Management	818,200	0	0
E-Government	639,300	0	0
HRIS Replacement Feasibility Study/Upgrade	228,200	0	0
ASET Initiatives Subtotal	8,544,000	0	0
Department of Administration Subtotal	14,602,100	1,000,000	0
Department of Agriculture Subaccount			
Weights and Measures IT Assessment	0	200,000	0
Department of Child Safety Subaccount ^{6/}			
CHILDS Replacement	6,284,400	10,100,000	4,992,800
Department of Corrections ^{5/}			
AIMS Replacement	3,045,000	0	0
Department of Education Subaccount			
Education Learning and Accountability System	0	3,000,000	0
Department of Environmental Quality Subaccount			
e-Licensing	2,217,000	0	0
Department of Financial Institutions Subaccount			
e-Licensing	1,400,000	0	0
Arizona State Lottery Commission			
Information Technology System Upgrade	1,450,000	0	0
Arizona Medical Board Subaccount			
Cloud Migration	0	300,000	0
Department of Public Safety Subaccount			
Arizona Criminal Justice Information System	550,000	2,301,000	0
Microwave System Upgrade	2,019,800	0	0
Concealed Weapon Tracking System	0	410,000	0
Department of Public Safety Subtotal	2,569,800	2,711,000	0
TOTAL - ALL PROJECTS ^{7/}	31,568,300	17,311,000	4,992,800

FUND SOURCES

Other Appropriated Funds

Automation Projects Fund	23,826,000	0	0
Department of Administration APF Subaccount	5,030,500	1,000,000	0
Department of Agriculture APF Subaccount	0	200,000	0
Department of Child Safety APF Subaccount	0	10,100,000	4,992,800
Department of Education APF Subaccount	0	3,000,000	0
Department of Environmental Quality APF Subaccount	617,000	0	0
Department of Financial Institutions APF Subaccount	1,400,000	0	0

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
Medical Board APF Subaccount	0	300,000	0
Department of Public Safety APF Subaccount	694,800	2,711,000	0
SUBTOTAL - Other Appropriated Funds	31,568,300	17,311,000	4,992,800
SUBTOTAL - Appropriated Funds ^{8/}	31,568,300	17,311,000	4,992,800
TOTAL - ALL SOURCES	31,568,300	17,311,000	4,992,800

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/ General Fund monies are transferred into the Automation Projects Fund to finance certain projects. See *Table 1* for all fund transfers into the APF. These individual transfers are discussed in the narrative as part of the individual projects listed in the Automation Projects Fund.
- 2/ Represents expenditures from the APF. Because many of the APF appropriations are spent over multiple years, the FY 2019 actual column also includes non-lapsing expenditures from FY 2017, FY 2018, and FY 2019 appropriations.
- 3/ The amounts appropriated pursuant to this section from the Automation Projects Fund established by A.R.S § 41-714 in FY 2019 are exempt from the provisions of A.R.S § 35-190, relating to lapsing of appropriations until June 30, 2020. (FY 2019 General Appropriation Act footnote)
- 4/ The amounts appropriated pursuant to this section from the Automation Projects Fund established by A.R.S § 41-714 in FY 2020 are exempt from the provisions of A.R.S § 35-190, relating to lapsing of appropriations until June 30, 2021. (FY 2020 General Appropriation Act footnote)
- 5/ For the funding for the Department of Administration e-Procurement system replacement project and the State Department of Corrections Inmate Information Management System Replacement, any remaining balances on June 30, 2017 in the Automation Projects Fund established by A.R.S § 41-714, are appropriated through FY 2020 for the same purpose as specified in FY 2017. (FY 2020 General Appropriation Act footnote)
- 6/ The amounts appropriated pursuant to this section from the Automation Projects Fund established by A.R.S § 41-714 in FY 2021 are exempt from the provisions of A.R.S § 35-190, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- 7/ The Department of Administration shall submit to the Joint Legislative Budget Committee, within 30 days after the last day of each calendar quarter, a quarterly report on implementing projects approved by the Information Technology Authorization Committee established by A.R.S § 18-121, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 8/ The transfers into the Automation Projects Fund established by A.R.S § 41-714 as outlined in this section are not appropriations out of the Automation Projects Fund. Only direct appropriations out of the Automation Projects Fund are appropriations. (General Appropriation Act footnote)

Background

The APF is administered by ADOA and consists of monies appropriated by the Legislature. Monies in the fund are used to implement, upgrade, or maintain automation and information technology (IT) projects for any state agency. ADOA is required to establish a subaccount for each agency that implements an IT project funded through APF. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to the Joint Legislative Budget Committee (JLBC) for review 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 and IT projects that involve more than one state agency if the collective project costs are expected to be more than \$1,000,000. If project costs are greater than \$5,000,000, A.R.S. § 18-104 requires an additional third-party analysis from an independent contracted vendor before receiving ITAC approval and requires agencies to submit quarterly progress reports from the

third-party consultant to ITAC and the JLBC, which include project expenditures, deliverables, timeline for completion, and status updates. Unless otherwise noted, appropriations are non-lapsing for 2 years.

Department of Administration Subaccount

e-Procurement System Replacement

The Baseline includes no funding in FY 2021 for the replacement of the state's e-Procurement system. This amount is unchanged from FY 2020.

A total of \$12,000,000 was appropriated between FY 2017 and FY 2019 to replace the state's e-procurement system. The FY 2019 budget made the FY 2017 appropriation non-lapsing through FY 2019.

ADOA reported that the total project cost is \$12,081,400 including \$10,381,400 to purchase commercial off-the-shelf software, \$1,000,000 to integrate the software with the Arizona Financial Information System (AFIS), and \$700,000 for internal project costs. The system went live in October 2018. The FY 2020 budget extended the lapsing status of the project's appropriation through FY 2020 to complete further modifications to the new system.

The state's previous e-Procurement system, ProcureAZ, was implemented in 2010. The system serves as an online, publicly available, official procurement record and allows state agencies to manage solicitations, requisitions, and purchase orders, and notify registered vendors of available solicitations.

Business One-Stop Shop Web Portal

The Baseline includes no funding in FY 2021 for the Business One-Stop Shop Web Portal. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the ADOA APF Subaccount in FY 2021 for design costs associated with the development of a Business One-Stop Shop Web Portal. The web portal would serve as a streamlined application center for starting a business in Arizona including licensing requirements, trade name registration and TPT and municipal privilege tax registration.

The FY 2020 appropriation of \$1,000,000 was financed by a transfer from the General Fund into the ADOA APF Subaccount.

In September 2019, the Committee gave a favorable review of ADOA's expenditure plan for a public-use prototype and assessment of statewide costs. ADOA anticipates that the prototype will be available in March 2020. The prototype will be limited to the agencies and functionality required to create a new domestic Liability Corporation (LLC), Professional LLC, Sole Proprietorship, or General Partnership in Arizona. This includes:

- Submission of the Arizona Joint Tax Application (JT-1) (excluding foreign entities and contractors) (Department of Revenue)
- Trade Name search and status verification (Secretary of State)
- Creation of a new Arizona LLC or PLLC by domestic entities (Corporation Commission)
- New entity name reservations (Corporation Commission and Secretary of State)
- Small business checklist that provides users with relevant resources and links to additional out-of-scope requirements such as permits and licenses (Arizona Commerce Authority)

ASET Initiatives

The Baseline includes no funding in FY 2021 for ADOA's Arizona Strategic Enterprise Technology (ASET) Office projects. This amount is unchanged from FY 2020.

While the FY 2020 budget included no funding for ASET initiatives, the FY 2019 appropriation is non-lapsing through FY 2020.

Department of Agriculture Subaccount

Weights and Measures IT Assessment

The Baseline includes no funding in FY 2021 for an assessment of the Weights and Measures IT System. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(200,000) from the Department of Agriculture APF Subaccount in FY 2021 for an assessment to modernize the Weights and Measures IT system. The FY 2020 appropriation of \$200,000 was financed by a transfer from the Air Quality Fund into the Department of Agriculture APF Subaccount.

The system is used to track and manage licenses, invoices, complaints, and inspections for the Weights and Measures division. The current system was built in-house and is prone to errors due to obsolete code. The FY 2020 funding will assist in determining the scope of an upgrade

or replacement of the system. In September 2019, the Committee gave a favorable review of the project. The feasibility study is expected to be completed by December 2019.

Department of Child Safety Subaccount

CHILDS Replacement

The Baseline includes \$4,992,800 from the DCS APF Subaccount in FY 2021 to replace the CHILDS system. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(10,100,000) from the DCS APF Subaccount in FY 2021 to eliminate one-time funding for the project. The FY 2020 appropriation of \$10,100,000 was financed by a transfer from the General Fund into the DCS APF Subaccount.

Appropriate Unused Project Balances

The Baseline includes an increase of \$4,992,800 from the DCS APF Subaccount in FY 2021 to continue funding for the CHILDS Replacement project. The \$4,992,800 appropriation would be financed by a transfer from unused prior year Automation Projects Fund balances associated with the CHILDS Replacement project. DCS anticipates the \$4,992,800, along with other resources, would be sufficient to complete the project as outlined below.

Through FY 2020, the Legislature appropriated a total of \$35,784,600 for the CHILDS Replacement project. Including the 50% federal IV-E match, these resources were originally projected to result in cumulative total resources for the project of \$71,569,200 through FY 2020. DCS projects that it needs an additional \$6,791,300 in state match resources (\$13,582,500 in Total Funds) to complete the project in FY 2021, which would bring cumulative project funding to \$42,575,900 in state funds (\$85,151,800 Total Funds).

In its FY 2021 budget submittal, DCS reported that it received approval from the federal government to re-finance the CHILDS Replacement project. DCS is being allowed to fund development expenses using excess dollars from its IV-E waiver. As a result of the re-financing, DCS reverted \$4,992,800 of its FY 2018 APF appropriation for CHILDS Replacement to the APF. The department is requesting that the \$4,992,800 be re-appropriated from APF in FY 2021. This appropriation is included in the Baseline.

In addition, DCS also refinanced an additional \$1,898,400 of its FY 2019 CHILDS appropriation, which does not lapse until June 30, 2020 and therefore will allow the department to reduce spending of its FY 2020 appropriation by an equivalent amount. The \$1,898,400 of unspent FY 2020 monies would then also be available for expenditure in FY 2021, as the FY 2020 appropriation will not lapse until June 30, 2021.

As a result, under DCS' plan, the department would have a total of \$6,891,200 of APF monies available for the project for FY 2021, which would be matched with an equivalent amount of federal IV-E funds, bringing total resources for the project to \$13,782,400 in FY 2021. DCS believes these amounts are sufficient to complete the project.

CHILDS is the management information system used to document the status, demographics, location and outcomes for every child in the care of DCS. *(Please see the FY 2020 Appropriations Report for additional details and background on the project.)*

Pursuant to A.R.S. § 18-104, DCS has contracted with a third-party vendor to provide additional oversight for the project. The most recent quarterly review from November 2019 indicated that the project continues to be on track.

Department of Corrections

AIMS Replacement

The Baseline includes no funding in FY 2021 for the replacement of the Adult Inmate Management System (AIMS) at the Department of Corrections (ADC). This amount is unchanged from FY 2020.

The FY 2017 budget included \$8,000,000 from the APF for the third and final year of a \$24,000,000 project to replace the AIMS at ADC. The FY 2018 budget appropriated any remaining FY 2017 AIMS project balances for use in FY 2018. The FY 2019 and FY 2020 budgets subsequently extended the appropriation through FY 2019 and FY 2020, respectively.

The AIMS system assists in the tracking, identification, population management, sentencing calculations, and the appeals and grievances processes for inmates in the correctional system. A contract was awarded to a vendor to oversee the modification of a commercial "off the shelf" system to fit the needs of ADC. Project costs include the off-the-shelf software, configuration, training, and equipment.

Pursuant to A.R.S. § 18-104, ADC has contracted with a third-party vendor to provide additional oversight for the project. The project has encountered several problems that have delayed its completion, including more customization than originally anticipated, a more detailed validation process for data migration, more complex reporting requirements, and a newly discovered sentence calculation change. ADC expected the project to exceed the original budget by \$6,900,000. To cover this increased cost, ADC utilized \$4,900,000 from its operating budget and \$2,000,000 from the non-appropriated Indirect Cost Fund.

The new system went live on November 29, 2019. ADC is currently evaluating the success of the implementation and assessing if additional development post-implementation will be required. ADC put a freeze on any further change orders prior to the "go live" date. If any further issues are discovered prior to that date, the project cost may continue to rise.

The department estimates an ongoing maintenance cost of \$2,165,000 annually. These costs can be covered from the savings from the previous costs of maintaining the legacy system.

Department of Education Subaccount

Education Learning and Accountability System

The Baseline includes no funding in FY 2021 for the Education Learning and Accountability System. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(3,000,000) from the ADE APF Subaccount in FY 2021 for further development of the Education Learning and Accountability System (ELAS) at ADE. ELAS is intended to allow ADE to collect, compile, maintain, and report student level data for students enrolled in public schools. The funding will begin the replacement of the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools.

The FY 2020 appropriation of \$3,000,000 was financed by a transfer from the Empowerment Scholarship Account Fund into the ADE APF Subaccount.

Before expending the \$3,000,000 from FY 2020, ADOA directed ADE to solicit a Request for Proposals (RFP) for a contracted vendor to complete the project. In October 2019, however, ADE cancelled the RFP due to a lack of

qualified bidders for the project. As a result, ADE intends to develop the school finance system internally. At its December 2019 meeting, JLBC favorably reviewed ADE's plan to expend the \$3,000,000 to begin replacement of CHAR, which ADE expects to be completed by May 2021. Pursuant to A.R.S. § 18-104 ADE plans to reengage with its third-party reviewer during the development of CHAR.

ADE estimates that an additional \$6,000,000 will be needed to complete the replacement of the school finance portions of SAIS. The department therefore currently plans to request the remaining \$6,000,000 to complete the project in FY 2022 and FY 2023. (*See the Department of Education - Education Learning and Accountability System section for more information.*)

Department of Environmental Quality Subaccount

E-Licensing

The Baseline includes no funding in FY 2021 for e-Licensing. This amount is unchanged from FY 2020.

Between FY 2014 and FY 2019, a total of \$23,200,000 has been appropriated to automate 80 business processes within ADEQ allowing customers to conduct additional permitting, billing, payment, and data submissions online. Beyond FY 2019, ADEQ estimates this project will cost an additional \$16,300,000 and take an additional 3 years to complete. The FY 2020 budget did not include additional funding for the project and ADEQ will use current project balances in FY 2020 to continue to the project. ADEQ requested \$4,200,000 from the Underground Storage Tank Fund in FY 2021 to continue the project.

Pursuant to A.R.S. § 18-104, DEQ contracted with a third-party consultant for project oversight. In the November 2019 report, the vendor gave an overall favorable evaluation of DEQ's progress in incorporating recommendations from the previous third-party report while noting that DEQ continues to improve in project development velocity and online services delivery costs.

Arizona Medical Board Subaccount

Cloud Migration

The Baseline includes no funding in FY 2021 for cloud migration. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(300,000) from the Medical Board APF Subaccount in FY 2021 to begin to

migrate board data to the cloud. The board plans to move data from a physical server that supports its daily operations and website to a cloud provider which will reduce hardware needs and increase security. The FY 2020 appropriation funds an assessment to migrate data to the cloud as well as some initial migration.

The FY 2020 appropriation of \$300,000 was financed by a transfer from the Medical Examiners Board Fund into the Medical Board APF Subaccount.

In September 2019, the Committee gave a favorable review of the project.

Department of Public Safety Subaccount

Arizona Criminal Justice Information System

The Baseline includes no funding in FY 2021 for upgrades to the Arizona Criminal Justice Information System (ACJIS). FY 2021 adjustments are as follows:

Eliminate One-time Funding

The Baseline includes a decrease of \$(2,301,000) from the DPS APF Subaccount in FY 2021 for the completion of the ACJIS project.

The FY 2020 appropriation of \$2,301,000 was financed by a transfer from Arizona Highway Patrol Fund into the DPS APF Subaccount.

ACJIS is the state's central repository for criminal history information including criminal history records, wanted persons, stolen vehicles, stolen property, and other information used in background checks. These funds will allow DPS to continue the process of upgrading ACJIS applications to a modern coding language which will allow for increased access by state and local users and help prepare the program for an eventual migration from the mainframe computer to another data storage system.

Microwave System Upgrade

The Baseline includes no funding in FY 2021 for upgrades to the statewide Microwave Radio System. This amount is unchanged from FY 2020.

The statewide microwave radio system is a series of towers situated on mountain tops and divided into 3 loops that allow law enforcement and other state and local agencies to communicate with dispatch centers while in the field. In CY 2007, DPS began upgrading the statewide microwave radio system from analog to digital technology. Of the 3 loops, work on the southern loop

was completed in FY 2011 and work on the western loop was completed in FY 2018.

At its December 2017 meeting, the JLBC favorably reviewed an engineering study of the northern loop which was completed in July 2019. Based off the third-party assessment, DPS estimates the northern loop will cost \$45,000,000, which they propose to fund at \$9,000,000 over 5 years.

Concealed Weapons Tracking System

The Baseline includes no funding in FY 2021 for upgrades to the Concealed Weapons Tracking System. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(410,000) from the DPS APF Subaccount in FY 2021 to eliminate one-time funding to replace the Concealed Weapons Tracking System. 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.

The FY 2020 appropriation of \$410,000 was financed by a transfer from the Concealed Weapons Permit Fund into the DPS APF Subaccount. The FY 2020 budget assumed no additional funding would be required to complete the project.

Table 1

Automation Projects Fund Transfers

(\$ in thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<u>Department of Administration Subaccount</u>			
General Fund		1,000.0	
Automation Operations Fund	5,330.0		
State Web Portal Fund	3,517.0		
Personnel Division Fund	171.9		
<u>Department of Agriculture Subaccount</u>			
Air Quality Fund		200.0	
<u>Department of Child Safety Subaccount</u>			
General Fund	5,000.0	10,100.0	4,992.8
Automation Projects Fund			
<u>Department of Education Subaccount</u>			
Empowerment Scholarship Fund		3,000.0	
<u>Department of Environmental Quality Subaccount</u>			
Underground Storage Tank Revolving Fund	1,400.0		
Permit Administration Fund	1,800.0		
<u>Department of Financial Institutions Subaccount</u>			
Receivership Fund	1,400.0		
<u>Arizona Medical Board Subaccount</u>			
Medical Examiners Fund		300.0	
<u>Department of Public Safety Subaccount</u>			
Public Safety Equipment Fund	1,250.0		
Concealed Weapons Permit Fund		410.0	
Highway Patrol Fund	2,806.2	2,301.0	

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Automation Projects Fund (ADA2566/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. A.R.S § 41-714 requires ADOA to establish subaccounts for each agency that implements an Information Technology project funded through the APF.		
Funds Expended	0	0
Prior Year Appropriations Expended	23,826,000	0
Year-End Fund Balance	7,053,100	7,053,100
Department of Administration Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Administration.		
Funds Expended	5,030,500	1,000,000
Prior Year Appropriation Expended	0	3,988,500
Year-End Fund Balance	3,988,500	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Department of Agriculture Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Agriculture.		
Funds Expended	0	200,000
Year-End Fund Balance	0	0
Department of Child Safety Automation Projects Fund Subaccount (ADA9967/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Child Safety.		
Funds Expended	0	10,100,000
Prior Year Appropriation Expended	0	5,000,000
Year-End Fund Balance	5,000,000	0
Department of Education Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Education.		
Funds Expended	0	3,000,000
Year-End Fund Balance	0	0
Department of Environmental Quality Automation Projects Fund Subaccount (ADA9966/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Environmental Quality.		
Funds Expended	617,000	0
Prior Year Appropriation Expended	0	2,583,000
Year-End Fund Balance	2,583,000	0
Department of Financial Institutions Automation Projects Fund Subaccount (ADA9965/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Financial Institutions.		
Funds Expended	1,400,000	0
Prior Year Appropriation Expended	0	0
Year-End Fund Balance	0	0
Medical Board Automation Projects Fund Subaccount (ADA9965/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Arizona Medical Board		
Funds Expended	0	300,000
Prior Year Appropriation Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Department of Public Safety Automation Projects Fund Subaccount (ADA9964/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Public Safety.		
Funds Expended	694,800	2,711,000
Prior Year Appropriation Expended	0	3,361,400
Year-End Fund Balance	3,361,400	0

Office of Administrative Hearings

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	563,900	565,000	565,000
Employee Related Expenditures	210,700	216,800	216,800
Other Operating Expenditures	94,200	108,000	108,000
AGENCY TOTAL	868,800	889,800	889,800^{1/}
FUND SOURCES			
General Fund	868,800	889,800	889,800
SUBTOTAL - Appropriated Funds	868,800	889,800	889,800
Other Non-Appropriated Funds	753,200	793,900	793,900
TOTAL - ALL SOURCES	1,622,000	1,683,700	1,683,700

AGENCY DESCRIPTION — The Office of Administrative Hearings 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 Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$889,800 and 12 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	753,200	793,900
Year-End Fund Balance	0	0
Video Service Provider Complaint Fund (HGA2603/A.R.S. § 9-1451)		Non-Appropriated
Source of Revenue: Fees from administrative hearings conducted for complaints filed about alleged violations of video service statutes or agreements between local government and video service providers.		
Purpose of Fund: To cover expenses of hearings to hear disputes between local governments and video service providers.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Commission of African-American Affairs

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	68,800	83,100	83,100
Employee Related Expenditures	30,100	25,000	25,000
Travel - Out of State	600	3,200	3,200
Other Operating Expenditures	18,600	16,800	16,800
Equipment	100	0	0
AGENCY TOTAL	118,200	128,100	128,100^{1/}
FUND SOURCES			
General Fund	118,200	128,100	128,100
SUBTOTAL - Appropriated Funds	118,200	128,100	128,100
Other Non-Appropriated Funds	7,100	20,000	20,000
TOTAL - ALL SOURCES	125,300	148,100	148,100

AGENCY DESCRIPTION — The Arizona Commission of African-American Affairs advises state and federal agencies on policies, legislation and rules that affect the African-American community, and enables the state to be responsive to the needs of the African-American community. The commission is composed of 9 public members and 8 ex-officio members.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$128,100 and 3 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs.		
Funds Expended	7,100	20,000
Year-End Fund Balance	7,300	6,300

Arizona Department of Agriculture

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	205.3	209.3	209.3 ^{1/2/}
Personal Services	5,750,000	5,897,300	5,693,800
Employee Related Expenditures	2,507,700	2,887,400	2,790,000
Professional and Outside Services	175,500	239,000	239,000
Travel - In State	636,100	783,500	711,100
Travel - Out of State	54,000	56,000	53,300
Other Operating Expenditures	1,262,100	1,685,800	1,731,400
Equipment	273,800	525,300	175,300
OPERATING SUBTOTAL	10,659,200	12,074,300	11,393,900 ^{D/}
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	128,300	128,500	128,500
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Nuclear Emergency Management Program	274,700	301,400	280,500 ^{3/4/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	11,173,700	12,615,700	11,914,400 ^{5/}
FUND SOURCES			
General Fund	9,470,300	10,865,500	10,185,100
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,428,700	1,448,800	1,448,800
Nuclear Emergency Management Fund	274,700	301,400	280,500
SUBTOTAL - Other Appropriated Funds	1,703,400	1,750,200	1,729,300
SUBTOTAL - Appropriated Funds	11,173,700	12,615,700	11,914,400
Other Non-Appropriated Funds	13,699,900	14,297,300	14,763,900
Federal Funds	6,858,100	5,820,700	5,820,700
TOTAL - ALL SOURCES	31,731,700	32,733,700	32,499,000

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 2.88 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Includes 2.88 OF FTE Positions appropriated by Laws 2019, Chapter 24.
- D/ ~~The Operating Lump Sum appropriation includes \$137,000 and 1 FTE Position for an additional dairy inspector and for Personal Services, Employee Related Expenditures, salary increases, and related expenditures for dairy inspectors. (General Appropriation Act footnote)~~
- 3/ Laws 2019, Chapter 24 appropriated \$301,376 and 2.88 FTE Positions in FY 2020 and \$280,512 and 2.88 FTE Positions in FY 2021 from the Nuclear Emergency Management Fund.
- 4/ 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.
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$11,393,900 and 206.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$9,945,100
Air Quality Fund	1,448,800

FY 2021 adjustments are as follows:

Agricultural Lab Relocation

The Baseline includes an increase of \$69,600 from the General Fund in FY 2021 for increased rental costs associated with the relocation of the State Agricultural Lab. The State Agricultural Lab was relocated to Chandler in FY 2020 but the department's lease for that fiscal year was prorated to reflect only 10 months of utilization at the new facility. The increased funding will be used to pay the additional 2 months of rental cost for a full 12-month lease agreement in FY 2021.

Industrial Hemp Licensing

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2021 to remove one-time start-up funding for the industrial hemp program. The program will receive ongoing funding from the non-appropriated Industrial Hemp Trust Fund, which receives revenue from industrial hemp licensing fees.

Agricultural Consulting and Training

The Baseline includes \$128,500 from the General Fund in FY 2021 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2020.

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 Baseline includes \$23,300 from the General Fund in FY 2021 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2020.

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 Baseline includes \$65,000 from the General Fund in FY 2021 for the Animal Damage Control line item. This amount is unchanged from FY 2020.

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.

Nuclear Emergency Management Program

The Baseline includes \$280,500 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2021 for the Nuclear Emergency Management Program line item. FY 2021 adjustments are as follows:

Realign NEMF Assessment

The Baseline includes a decrease of \$(20,900) from the NEMF in FY 2021 to realign the agency's NEMF appropriation with the FY 2021 NEMF assessment.

Laws 2019, Chapter 24 appropriated \$301,376 and 2.88 FTE Positions from the NEMF to the department in FY 2020 and \$280,512 and 2.88 FTE Positions in FY 2021. As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services (DHS), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019 - FY 2021 are displayed in *Table 1. (Please see the Department of Health Services and the Department of Emergency and Military Affairs narratives 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.

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 Baseline includes \$23,200 from the General Fund in FY 2021 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2020.

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

Statutory Changes

The Baseline would, as session law, continue fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2021, including legislative intent that limits additional revenues to \$357,000.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	2.88	275,012	2.88	301,376	2.88	280,512
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

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

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	36,600	41,900
Year-End Fund Balance	63,200	61,600
Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01.		
Funds Expended	0	3,400
Year-End Fund Balance	30,500	27,100
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	545,000	473,900
Year-End Fund Balance	191,600	216,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	1,428,700	1,448,800
Year-End Fund Balance	44,200	0
Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the regulation of aquaculture.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	7,500	9,900
Year-End Fund Balance	37,900	34,000
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	287,000	287,000
Year-End Fund Balance	64,200	100
Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessment on citrus produced in the state, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	66,500	41,800
Year-End Fund Balance	18,600	19,000
Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessments and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	261,300	345,000
Year-End Fund Balance	138,000	59,300
Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for licensing fees and fees collected for the inspection of animal and bird feeds.		
Purpose of Fund: To regulate animal and bird feeds.		
Funds Expended	356,600	281,800
Year-End Fund Balance	595,400	673,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	11,000	6,500
Year-End Fund Balance	24,300	25,300
Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	2,857,300	3,409,200
Year-End Fund Balance	7,406,000	7,511,800
Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S. § 3-214.01)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for certification fees and reimbursements for the destruction of dangerous plants, pests, and diseases.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Funds Expended	54,100	120,000
Year-End Fund Balance	115,900	38,000
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), 5% of Beef Council surcharges, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	1,161,800	1,080,000
Year-End Fund Balance	1,642,300	660,500
Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees from the regulation of eggs and egg products.		
Purpose of Fund: To administer the Egg Inspection Program.		
Funds Expended	1,608,100	1,644,200
Year-End Fund Balance	522,400	436,300
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	0	0
Year-End Fund Balance	400	600
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: The Arizona Department of Agriculture is the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry in accordance with the cooperative agreement between the department and the U.S. Department of Agriculture.		
Funds Expended	3,281,400	3,476,900
Year-End Fund Balance	2,503,500	2,381,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Funds (AHA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to U.S. Department of Agriculture meat inspection regulation enforcement, hazardous plant pest eradication, increasing consumption of specialty crops, and studies of threatened and endangered plant species. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	6,570,000	5,476,700
Year-End Fund Balance	63,100	100
Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees collected for the inspection of materials and a portion of the fertilizer manufacturer's license fee.		
Purpose of Fund: To regulate fertilizers.		
Funds Expended	445,000	331,500
Year-End Fund Balance	693,800	776,300
Grain Trust Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	163,800	84,600
Year-End Fund Balance	117,900	86,400
Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	99,600	100,000
Year-End Fund Balance	68,900	70,200
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	288,100	344,000
Year-End Fund Balance	427,300	290,300
Industrial Hemp Trust Fund (AHA2372/A.R.S. § 3-315)		Non-Appropriated
Source of Revenue: Legislative appropriations and licensing fees related to the processing, manufacturing, and distribution of industrial hemp.		
Purpose of Fund: To support the licensing and regulation of industrial hemp.		
Funds Expended	0	0
Year-End Fund Balance	317,000	1,604,500
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Originally, \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23. There are no new sources of revenue other than interest payments.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	138,600	73,600
Year-End Fund Balance	322,100	256,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with monies resulting from fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Funds Expended	74,000	72,400
Year-End Fund Balance	173,100	140,400
Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	274,700	301,400
Year-End Fund Balance	6,000	5,800
Nuclear Emergency Management Fund (AEA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: Unexpended monies that remain in the Nuclear Emergency Management Fund at the end of each fiscal year are used to offset the assessment in future years. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	20,400	0
Year-End Fund Balance	6,000	5,800
Pest Management Trust Fund (AHA2050/A.R.S. § 3-3604)		Non-Appropriated
Source of Revenue: Monies collected by the Division of Pest Management for the licensing of professional pest control companies and applicators of structural pesticides.		
Purpose of Fund: To license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,604,700	1,712,700
Year-End Fund Balance	2,791,100	2,471,400
Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from a portion of pesticide registration fees.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	359,000	534,200
Year-End Fund Balance	1,004,200	787,000
Produce Safety Trust Fund (AHA2371/A.R.S. § 3-525.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations from public or private sources, and any monies collected by the Arizona Department of Agriculture through the administration of the Produce Safety Rule Enforcement Program.		
Purpose of Fund: To support the department's administration of the Produce Safety Rule Enforcement Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from permits issued for the removal or salvage of protected native plants.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	73,100	77,500
Year-End Fund Balance	33,200	26,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from seed dealers' and labelers' license fees and penalties.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Funds Expended	187,500	89,300
Year-End Fund Balance	217,000	240,700

Arizona Health Care Cost Containment System

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,339.3	2,339.3	2,339.3 ^{1/}
Personal Services	40,747,000	42,662,000	42,662,000
Employee Related Expenditures	17,412,600	18,179,200	18,179,200
Professional and Outside Services	12,510,100	12,917,500	12,917,500
Travel - In State	98,300	100,300	100,300
Travel - Out of State	34,900	37,600	37,600
Other Operating Expenditures	15,810,100	27,408,200	17,530,200
Equipment	211,600	215,500	215,500
OPERATING SUBTOTAL	86,824,600	101,520,300	91,642,300 ^{2/}
SPECIAL LINE ITEMS			
Administration			
ADOA Data Center	15,697,100	19,325,800	19,325,800
DES Eligibility	88,083,900	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	19,998,500	13,155,200	13,155,200 ^{4/}
Proposition 204 - DES Eligibility	34,457,800	44,358,700	44,358,700 ^{4/}
Medicaid Services			
Traditional Medicaid Services	5,048,492,700	5,179,189,700	5,743,961,500 ^{5/6/7/8/}
Proposition 204 Services	3,878,692,600	4,168,410,500	4,585,376,000 ^{7/8/}
Adult Expansion Services	467,661,400	527,018,800	572,108,200
Comprehensive Medical and Dental Program	177,748,300	180,729,500	197,732,200 ^{7/}
KidsCare Services	73,207,800	106,516,300	92,088,200
ALTCS Services	1,598,027,600	1,796,913,800	1,966,345,300 ^{9/10/11/}
Behavioral Health Services in Schools	9,943,700	9,990,000	10,003,300
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	76,729,900	77,646,900	77,646,900 ^{12/}
Supported Housing	5,324,800	5,324,800	5,324,800
Crisis Services	16,391,300	16,391,300	16,391,300
Hospital Payments			
Disproportionate Share Payments	4,202,300	5,087,100	5,087,100 ^{13/}
DSH Payments - Voluntary Match	7,439,800	40,980,200	27,137,600 ^{8/14/}
Graduate Medical Education	335,141,000	347,558,200	357,621,200 ^{8/15/-18/}
Graduate Medical Education - Community Health Centers	0	750,000	0
Rural Hospitals	28,612,400	28,612,400	28,612,400
Safety Net Care Pool	0	0	0 ^{8/19/}
Targeted Investments Program	65,903,400	90,000,000	70,000,000
AGENCY TOTAL	12,038,580,900	12,848,354,000	14,012,792,500 ^{20/-24/}
FUND SOURCES			
General Fund	1,745,626,100	1,760,748,100	1,942,993,600
Other Appropriated Funds			
Budget Neutrality Compliance Fund	3,756,200	3,906,400	4,037,400
Children's Health Insurance Program Fund	77,051,800	104,650,200	81,245,700
Prescription Drug Rebate Fund - State	148,213,400	150,526,700	148,458,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	17,469,200	16,216,300	16,216,300
Tobacco Tax and Health Care Fund - Medically Needy Account	66,143,900	61,752,600	65,627,200
SUBTOTAL - Other Appropriated Funds	314,884,700	339,302,400	317,835,500
SUBTOTAL - Appropriated Funds	2,060,510,800	2,100,050,500	2,260,829,100

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
Expenditure Authority Funds			
Arizona Tobacco Litigation Settlement Fund	98,938,500	102,000,000	102,000,000
County Funds	269,364,900	336,437,800	351,691,000
Delivery System Reform Incentive Payment Fund	20,496,000	28,062,400	21,686,700
Federal Medicaid Authority	8,492,754,100	9,137,369,700	9,997,977,500
Hospital Assessment Fund	270,895,900	340,871,900	408,220,600
Nursing Facility Provider Assessment Fund	28,030,200	32,989,600	32,989,600
Political Subdivision Funds	116,667,900	127,262,800	193,345,100
Prescription Drug Rebate Fund - Federal	644,237,200	609,060,300	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	36,685,400	34,054,300	34,797,900
SUBTOTAL - Expenditure Authority Funds	9,978,070,100	10,748,303,500	11,751,963,400
SUBTOTAL - Appropriated/Expenditure Authority Funds	12,038,580,900	12,848,354,000	14,012,792,500
Other Non-Appropriated Funds	111,245,400	112,233,800	112,233,800
Federal Funds	139,715,200	169,495,100	169,495,100
TOTAL - ALL SOURCES	12,289,541,500	13,130,082,900	14,294,521,400

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

FOOTNOTES

- 1/ Includes 619.3 GF and 696.8 EA FTE Positions funded from Special Line Items in FY 2021.
- 2/ 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. The AHCCCS Administration, 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 or before September 1, 2021 on the suicide prevention coordinator's accomplishments in FY 2021. (General Appropriation Act footnote)
- 3/ 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 Appropriation Act footnote)
- 4/ 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 A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 5/ The AHCCCS Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2021 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The AHCCCS Administration shall transfer \$836,000 from the Traditional Medicaid Services line item for FY 2021 to the Department of Revenue for enforcement costs associated with the March 13, 2013 Master Settlement Agreement with tobacco companies. (General Appropriation Act footnote)
- 7/ The Legislature intends that the percentage attributable to administration and profit for the Regional Behavioral Health Authorities be 9% of the overall capitation rate. (General Appropriation Act footnote)
- 8/ 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 FY 2021 costs of Graduate Medical Education, Disproportionate Share Payments - Voluntary Match, Safety Net Care Pool, Traditional Medicaid Services, Proposition 204 Services and Adult Expansion Services line items are included in the Expenditure Authority fund source. (General Appropriation Act footnote)

- 9/ Any federal monies that the AHCCCS 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 above. (General Appropriation Act footnote)
- 10/ Pursuant to A.R.S. § 11-292B, the county portion of the FY 2021 nonfederal costs of providing long term care system services is \$305,872,000. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$110,814,900 for nursing facilities that serve Arizona Long Term Care System Medicaid patients in FY 2021, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2021. 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 Appropriation Act footnote)
- 12/ On or before June 30, 2021, the AHCCCS Administration shall report to the Joint Legislative Budget Committee on the progress in implementing the *Arnold v. Sarn* lawsuit settlement. The report shall 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 1,200 class members, supported employment services for 750 class members, 8 assertive community treatment teams and consumer operated services for 1,500 class members. The Administration shall also report by fund source the amounts it plans to use to pay for expanded services. (General Appropriation Act footnote)
- 13/ The \$5,087,100 appropriation for Disproportionate Share Payments (DSH) for FY 2021 made pursuant to A.R.S. § 36-2903.01O includes \$4,202,300 for the Maricopa County Health Care District and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 14/ 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 FY 2021 by the AHCCCS Administration in excess of \$27,137,600 are appropriated to the Administration in FY 2021. 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 Appropriation Act footnote)
- 15/ Any monies for Graduate Medical Education received in FY 2021, including any federal matching monies, by the AHCCCS Administration in excess of \$357,621,200 are appropriated to the Administration in FY 2021. 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 Appropriation Act footnote)
- 16/ Notwithstanding A.R.S. § 36-2903.01G9 (a), (b) and (c), the amount for Graduate Medical Education includes \$3,333,400 from the state General Fund and \$7,781,700 from Expenditure Authority for the direct costs of graduate medical education programs located in a county with a population of less than 500,000 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 Appropriation Act footnote)
- 17/ Notwithstanding A.R.S. § 36-2903.01G9 (a), (b) and (c), the amount for Graduate Medical Education includes \$2,666,600 from the state General Fund and \$6,225,000 from Expenditure Authority for the direct costs of graduate medical education programs located in a county with a population of more than 500,000 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 Appropriation Act footnote)
- 18/ Monies appropriated for Graduate Medical Education in this section are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- 19/ Any monies received for the Safety Net Care Pool by the AHCCCS Administration in FY 2021, including any federal matching monies, are appropriated to the Administration in FY 2021. Before spending these 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 Appropriation Act footnote)
- 20/ The non-appropriated portion of the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 is included in the federal portion of the Expenditure Authority fund source. (General Appropriation Act footnote)

- 21/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 22/ The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1, 2021 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 2%. 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 \$500,000 or more for any fiscal year, the Administration shall submit the policy change for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 23/ On or before July 1, 2021, the AHCCCS 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, 2020. (General Appropriation Act footnote)
- 24/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS' FY 2021 General Fund spending increases by \$182,245,500, or 10.4%, from FY 2020. This amount includes:

- \$179,995,500 for formula adjustments.
- \$(750,000) for removal of one-time funding of Graduate Medical Education in community health centers in Northern Arizona.
- \$3,000,000 for Graduate Medical Education funding in health professional shortage areas.

Below is an overview of FY 2021 formula adjustments, which *Table 1* summarizes. As part of the budget's 3-year spending plan AHCCCS' General Fund costs are projected to increase by \$77,923,600 in FY 2022 above FY 2021 and by \$38,606,500 in FY 2023 above FY 2022. (See the *Other Issues* section for more information.)

Formula Adjustments

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions. The Baseline includes an increase of \$179,995,500 from the General Fund in FY 2021 for the following AHCCCS formula adjustments. This amount includes:

- \$337,578,900 for growth in state match expenses associated with formula adjustments.
- \$(157,583,400) for changes in General Fund offsets.

FY 2020 Base Adjustment

In FY 2021, the Baseline includes \$45,978,600 in state costs for a rebase associated with higher-than-budgeted capitation rates, as well as \$69,839,100 for increased Access to Professional Services Initiative (APSI) spending. The total FY 2020 base adjustment amounts to \$115,817,700. This amount is also included as a supplemental appropriation in FY 2020. (See the *Other Issues* section for more information.)

Table 1

AHCCCS State Match Spending Changes (in millions)

State Match Formula Adjustments

FY 2020 Base Adjustment – Caseload	46
FY 2020 Base Adjustment – APSI	70
FY 2021 Caseload Growth	27
FY 2021 2.6% Capitation Rate Increase	96
FY 2021 Federal Medicaid Match Rate Change	68
FY 2021 Health Insurer Fee Restoration	<u>31</u>
<i>State Match Costs Subtotal</i>	338

Non-General Fund State Match Offsets

Political Subdivision Funds Increase	(70)
Hospital Assessment Fund	(67)
County Funds Increase	(15)
Tobacco Tax Revenue Increase	<u>(5)</u>
<i>General Fund Offsets Subtotal</i> ^{1/}	(158)

Non-Formula Adjustments

North Country GME	(1)
GME/Health Professional Shortage Area	<u>3</u>
<i>Non-Formula Subtotal</i>	2

Total General Fund Spending Change^{1/} **\$182**

^{1/} Numbers do not add to total due to rounding.

Of the corresponding \$519,269,700 Total Fund increase, \$222,542,800, or 42.9%, is attributable to uniform

percentage increases within APSI and the Pediatric Service Initiative (PSI). The initiatives, which provide enhanced financial support to professionals and pediatric units meeting established requirements, will receive uniform percentage increases of 85% and 36%, respectively, to their contracted rates.

FY 2021 Caseload Adjustment

Formula adjustments include enrollment growth for most populations. In FY 2021, the Baseline assumes 2.64% growth for ALTCS; 0.5% growth for Traditional, KidsCare, Childless Adults, and other Proposition 204 populations; and flat growth for Adult Expansion and CMDP populations. Overall, caseload growth is expected to increase state match expenses by \$27,326,500 and Total Funds expenses by \$125,350,700 in FY 2021. *Table 2* displays historical and forecasted member months across AHCCCS populations.

FY 2021 Inflation Adjustments

The Baseline assumes a 2.6% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2020. This increase is based on a 5-year average of the medical care consumer price index. Inflation adjustments would increase AHCCCS state costs by \$95,589,300 and Total Funds costs by \$415,698,200 in FY 2021. Approximately \$94,774,400, or 22.8%, of the Total Fund costs are associated with increased APSI/PSI spending.

FY 2021 Federal Match Rate Changes

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During SFY 2021, the blended FMAP rates will be as follows:

- Traditional Medicaid rate will increase to 70.01% (0.04 percentage point increase).
- Proposition 204 Childless Adult rate will decrease to 90.0% (a 1.5 percentage point decrease).
- Adult Expansion rate will decrease to 90.0% (a 1.5 percentage point decrease).
- CHIP rate will decrease to 82.04% (a 10.8 percentage point decrease).

The Baseline includes an increase of \$67,526,100 in state costs in FY 2021 as a result of these primarily declining FMAP rates.

Health Insurer Fee Restoration

The Baseline includes an increase of \$31,319,300 in state funds for the restoration of the Affordable Care Act Health Insurer Fee in FY 2021. A federal continuing

Population	June 2019 (Actual)	June 2020 (Forecast)	June 2021 (Forecast)	'20-'21 % Change
Traditional	1,009,019	1,009,019	1,014,064	0.5%
Prop 204 Childless Adults	319,925	335,921	337,601	0.5
Other Proposition 204	185,961	187,820	188,759	0.5
Adult Expansion	76,825	76,825	76,825	0.0
KidsCare	34,318	35,588	35,766	0.5
CMDP	13,147	13,147	13,147	0.0
ALTCS - Elderly & Physically Disabled ^{2/}	31,241	32,234	33,085	2.64
Emergency Services	<u>112,234</u>	<u>112,234</u>	<u>112,795</u>	<u>0.5</u>
Total Member Months	1,782,670	1,802,788	1,812,042	0.5%

^{1/} The figures represent June 1 enrollment.
^{2/} The ALTCS program funded in AHCCCS. An additional 36,642 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of September 1, 2019.

resolution (P.L.115-120) imposed a one-time moratorium on the fee in CY 2019. While the Health Insurer Fee is being restored in FY 2021 and FY 2022, the Federal Consolidated Appropriations Act of 2020 repeals the fee beginning in FY 2023.

Non-General Fund State Match Items

The gross state match contribution from the FY 2020 base adjustment and annualizations, FY 2021 caseload growth, inflation, and federal match rate changes is projected to increase by \$337,578,900. The Non-General Fund state match is forecast to offset \$(157,583,400) of this cost, resulting in a net General Fund change of \$179,995,500. When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change increases to \$182,245,200.

The non-General Fund state match offsets are as follows:

- An increase of \$70,232,300 from Political Subdivision Funds in association with APSI. APSI will fund an 85% rate increase in CY 2020 for AHCCCS services rendered by select providers in qualifying hospitals.
- An increase of \$67,348,700 from the Hospital Assessment Fund in FY 2021 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$15,384,200 in County Funds, mostly for ALTCS.
- An increase of \$4,618,200 from tobacco tax revenues to reflect higher-than-budgeted receipts. While receipts continue to decline, they did not decline as quickly as projected in the FY 2020 budget.

Operating Budget

The Baseline includes \$91,642,300 and 1,023.2 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$28,637,600
Children’s Health Insurance Program (CHIP) Fund	5,574,000
Prescription Drug Rebate Fund (PDRF) - State	660,800
Federal Medicaid Authority (FMA)	56,769,900

FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(9,878,000) in FY 2021 to remove one-time funding for operating expenses associated with AHCCCS’ information technology systems for Asset Verification, Electronic Visit Verification, and Provider Management. This amount consists of:

PDRF-State	(2,068,000)
Federal Medicaid Authority	(7,810,000)

Administration

ADOA Data Center

The Baseline includes \$19,325,800 in FY 2021 for the Arizona Department of Administration (ADOA) Data Center. This amount consists of:

General Fund	5,915,400
CHIP Fund	160,000
Federal Medicaid Authority	13,250,400

These amounts are unchanged from FY 2020.

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, including storage of medical records for AHCCCS enrollees.

DES Eligibility

The Baseline includes \$88,874,500 and 885 FTE Positions in FY 2021 for DES Eligibility services. These amounts consist of:

General Fund	25,491,200
Federal Medicaid Authority	63,383,300

These amounts are unchanged from FY 2020.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$13,155,200 and 131 FTE Positions in FY 2021 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,209,300
PDRF - State	60,900
Federal Medicaid Authority	8,885,000

These amounts are unchanged from FY 2020.

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS’ administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2021 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,684,800
Budget Neutrality Compliance Fund (BNCF)	4,037,400
Federal Medicaid Authority	23,636,500

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(131,000) from the General Fund and a corresponding increase of \$131,000 from the BNCF in FY 2021 to reflect an increase of county contributions in FY 2021 as required by 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.

Medicaid Services

AHCCCS oversees acute care, behavioral health services, and long-term care services for Medicaid enrollees. *Chart 1* shows the income eligibility limits for each AHCCCS population in FY 2021. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$5,743,961,500 in FY 2021 for Traditional Medicaid Services. This amount consists of:

General Fund	1,277,622,300
County Funds	45,819,000
Political Subdivision Funds	73,818,600
PDRF - State	140,158,600
TTHCF - Medically Needy Account	65,627,200
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	3,568,082,800

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$564,771,800 in FY 2021 for formula adjustments. This amount consists of:

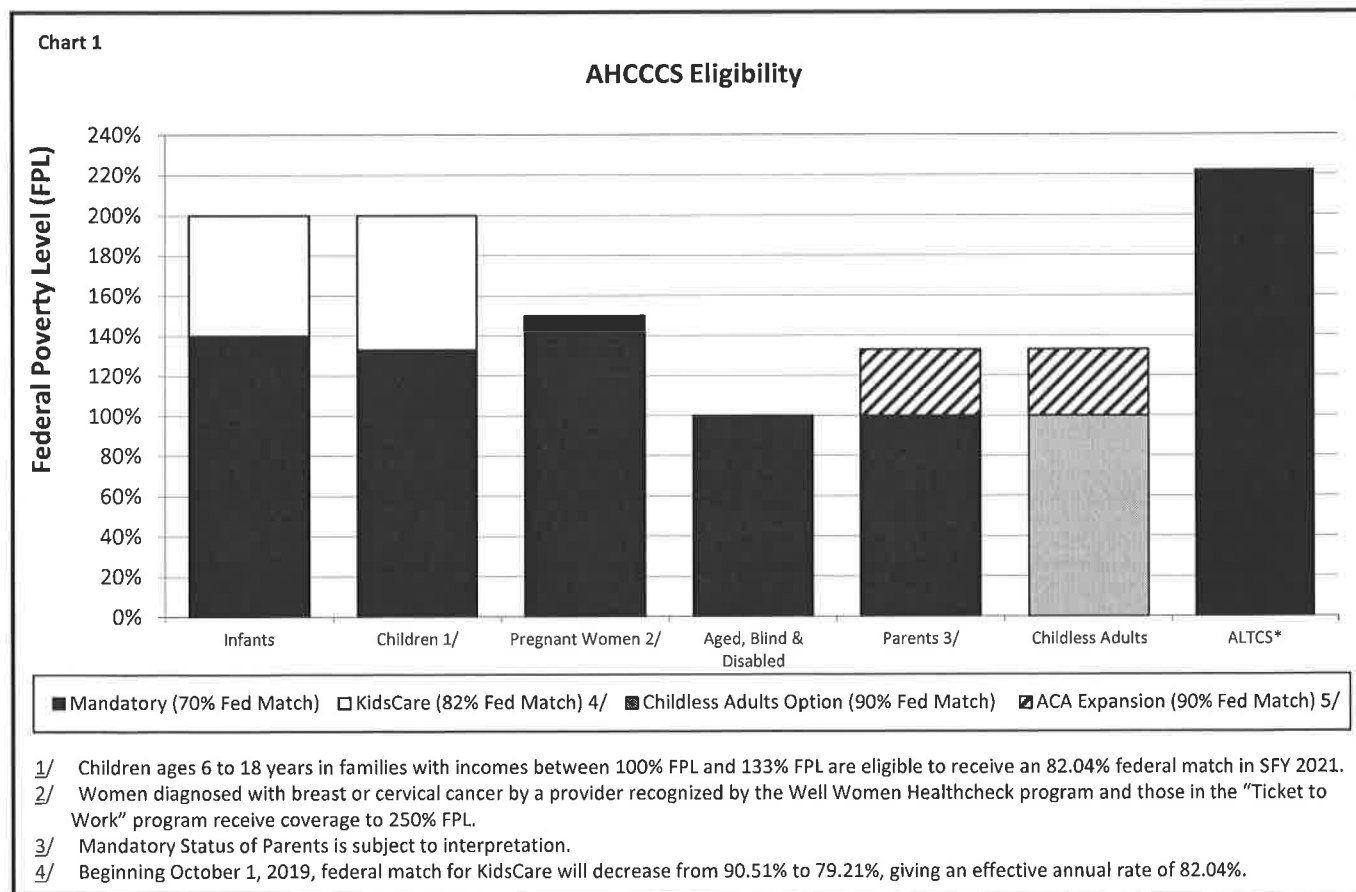
General Fund	106,995,200
County Funds	(342,700)
Political Subdivision Funds	63,520,900
TTHCF - Medically Needy Account	3,874,600
Federal Medicaid Authority	390,723,800

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- 0.5% FY 2021 enrollment growth.
- An increase in the blended federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.
- \$3,874,600 increase from the TTHCF – Medically Needy Account with a corresponding General Fund decrease.
- \$(342,700) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.

Background – Traditional Medicaid Services funds acute care and behavioral health services of the following populations:

- Children under 1, up to 140% of the federal poverty level (FPL).
- Children aged 1-18, up to 133% FPL.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.



- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

Proposition 204 Services

The Baseline includes \$4,585,376,000 in FY 2021 for Proposition 204 Services. This amount consists of:

General Fund	121,211,500
Hospital Assessment Fund	364,184,700
Political Subdivision Funds	7,394,800
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	16,216,300
TPTF - Proposition 204 Protection Account	34,797,900
Federal Medicaid Authority	3,939,570,800

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$416,965,500 in FY 2021 for formula adjustments. This amount consists of:

General Fund	26,123,000
Hospital Assessment Fund	60,701,800
Political Subdivision Funds	4,830,100
TPTF - Proposition 204 Protection Account	743,600
Federal Medicaid Authority	324,567,000

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- 0.5% FY 2021 enrollment growth.
- An increase in the federal match rate for the non-childless adult population from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- A decrease in the federal match rate for the childless adult population from 91.50% in SFY 2020 to 90.00% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.
- \$743,600 increase from the TPTF - Proposition 204 Protection Account due to higher-than-expected tobacco tax revenues and a corresponding decrease of \$(743,600) in other state costs.

Background – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population but are below 100% FPL.

Adult Expansion Services

The Baseline includes \$572,108,200 in FY 2021 for Adult Expansion Services. This amount consists of:

General Fund	7,361,600
Hospital Assessment Fund	44,035,900
Political Subdivision Funds	624,500
Federal Medicaid Authority	520,086,200

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$45,089,400 in FY 2021 for formula adjustments. This amount consists of:

General Fund	1,968,200
Hospital Assessment Fund	6,646,900
Political Subdivision Funds	444,600
Federal Medicaid Authority	36,029,700

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- Flat FY 2021 enrollment growth.
- A decrease in the federal match rate from 91.50% in SFY 2020 to 90.00% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.

Background – The Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. While the federal government previously paid 100% of the cost of this population, the federal share gradually declined to 90% by CY 2020.

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 Medical and Dental Program

The Baseline includes \$197,732,200 in FY 2021 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	59,250,900
Federal Medicaid Authority	138,481,300

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$17,002,700 in FY 2021 for formula adjustments. This amount consists of:

General Fund	4,953,300
Federal Medicaid Authority	12,049,400

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- Flat FY 2021 enrollment growth.
- An increase in the federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.

Background – This line item provides coverage to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care. The Department of Child Safety (DCS) administers the physical health services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBAs). Laws 2019, Chapter 305 authorizes the integration of physical health services and behavioral health services under a single plan administered by DCS if sufficient funding is available. *(Please see the [CMDP Integration section](#) of the Department of Child Safety narrative for additional information.)*

KidsCare Services

The Baseline includes \$92,088,200 in FY 2021 for KidsCare services. This amount consists of:

General Fund	16,214,400
Political Subdivision Funds	362,100
CHIP Fund	75,511,700

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(14,428,100) in FY 2021 for formula adjustments. This amount consists of:

General Fund	8,690,600
Political Subdivision Funds	285,800
CHIP Fund	(23,404,500)

These adjustments include:

- FY 2020 rebase due to lower-than-budgeted enrollment costs. While the FY 2020 budget originally included \$106.5 million for KidsCare, the FY 2020 cost is now estimated at \$88.5 million.
- 0.5% FY 2021 enrollment growth.
- A decrease in the federal match rate from 92.88% in SFY 2020 to 82.04% in SFY 2021.
- 2.6% capitation rate increase.

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 200% FPL, above the levels required for the regular AHCCCS program. Families of KidsCare members are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program.

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 Baseline includes \$1,966,345,300 in FY 2021 for ALTCS services. This amount consists of:

General Fund	265,435,600
County Funds	305,872,000
Political Subdivision Funds	1,150,900
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	32,989,600
Federal Medicaid Authority	1,316,896,800

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$169,431,500 in FY 2021 for formula adjustments. This amount consists of:

General Fund	31,393,300
County Funds	15,595,900
Political Subdivision Funds	1,150,900
Federal Medicaid Authority	121,291,400

These adjustments include:

- 2.64% FY 2021 enrollment growth.
- An increase in the federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$27,000 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,368 per person. In addition to state funding, AHCCCS charges assessments on nursing facilities to receive matching Federal Funds that are used to make supplemental payments to facilities for covered expenditures. Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2020, AHCCCS estimates that client contributions will pay for 4.1%, or \$58.7 million, of the cost of care.

From October 1, 2012, to September 30, 2015, Laws 2012, Chapter 213 allowed AHCCCS to set the amount of and charge a provider assessment on health items and services provided to ALTCS enrollees by nursing facilities that are not paid for by Medicare. Laws 2015, Chapter 39 continues the assessment through September 30, 2023. The assessment ranges from \$1.80 to \$15.63 per day of patient care. Pursuant to A.R.S. § 36-2999.52, AHCCCS may not increase rates to a level that generates assessment revenues more than 3.5% of facilities' net patient revenues.

Behavioral Health Services in Schools

The Baseline includes \$10,003,300 in FY 2021 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,003,300

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$13,300 from Federal Medicaid Authority due to a change in the federal match rate.

Background – This line item funds behavioral health services for at or near public school campuses for students that are Medicaid-eligible. AHCCCS plans to use

\$1,000,000 of this funding for an interagency service agreement with the Arizona Department of Education for administration of Mental Health First Aid training in public schools. The remaining \$9,003,300 will be allocated to behavior health providers contracted with AHCCCS health plans that work directly in schools.

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The Baseline includes \$77,646,900 from the General Fund in FY 2021 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2020.

Background – This line item provides funding for Non-Medicaid SMI clients. The state had been 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.)

Supported Housing

The Baseline includes \$5,324,800 from the General Fund in FY 2021 for Supported Housing. This amount is unchanged from FY 2020.

Background – This line item funds housing services that enable individuals to live in the community. These funds are distributed to the RBHAs and may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. The RBHAs report expending \$22,302,000 of their allocation from the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing Services in SFY 2018.

Crisis Services

The Baseline includes \$16,391,300 in FY 2021 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,200

These amounts are unchanged from FY 2020.

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.

Arizona's estimated federal DSH allocation in FY 2021 is \$117.4 million. As a result, a proportionate (61.4)% reduction in Arizona's DSH allotment would generate a net loss of Federal Funds of \$(72.1) million in FY 2021.

Hospital Payments

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

Disproportionate Share Hospital Payments Overview

The Disproportionate Share Hospital (DSH) program provides supplemental payments of federal and state dollars to hospitals that serve a large, or disproportionate, number of low-income patients. The total amount of eligible funding has historically been adjusted for annual changes in prices and the federal match rate.

Reduction in Federal DSH Payments

The Federal Consolidated Appropriations Act of 2020 delays nationwide DSH payment reductions until May 2020. DSH cuts of \$(8.0) billion are scheduled in FY 2021 and each year thereafter.

Relative to the FY 2021 Baseline, if the \$(72.1) million proportionate reduction occurs, the current DSH methodology would result in a \$(19) million Federal Funds reduction to eliminate the availability of the DSH Voluntary program and a \$(53.1) million reduction in the deposit of federal dollars in the General Fund for uncompensated care at Maricopa Integrated Health System (MIHS) (also called the Maricopa Medical Center).

Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the budget does not incorporate the \$(72.1) million federal funding loss in FY 2021. The budget instead assumes that Arizona's DSH allocation would be adjusted in FY 2021 according to the regular federal formula, as outlined below.

Increase in Uncompensated Care Payments

In FY 2021, the state's total DSH payments are estimated to increase by \$2,671,800 from \$167,644,000 in FY 2020 to \$170,315,800 due to federal adjustments for inflation and the FMAP. Of the \$170,315,800 of eligible DSH funding in FY 2021, \$128,054,700 is distributed according to the allocations described below and listed in *Table 3*.

The remaining \$42,261,100 of eligible funding represents existing expenditures used as part of the state match.

Eligible Funding ^{1/}	FY 2020 (June 2019) ^{2/}	FY 2020 (Jan. 2020) ^{3/}	FY 2021
MIHS - CPE	\$97,304,100	\$113,818,500	\$113,818,500
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>40,980,200</u>	<u>24,465,800</u>	<u>27,137,600</u>
Total Funding	\$167,664,000	\$167,644,000	\$170,315,800
General Fund			
Retain FF of CPE (via MIHS)	\$ 63,930,000	\$ 75,493,400	\$ 75,812,100
Retain FF of CPE (via ASH)	<u>19,938,100</u>	<u>19,938,100</u>	<u>20,017,900</u>
Subtotal - General Fund	\$ 83,868,100	\$ 95,431,500	\$ 95,830,000
Other Entities			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$88,955,200	\$100,518,600	\$100,917,100
Voluntary Match	\$ 40,980,200	\$ 24,465,800	\$ 27,137,600
Total Distributions	\$129,935,400	\$ 124,984,400	\$ 128,054,700

^{1/} Amounts include state and federal match funding.
^{2/} Assumes certifiable uncompensated care at MIHS is \$97.3 million.
^{3/} Assumes certifiable uncompensated care at MIHS is at the established funding level of \$113.8 million.

For more information regarding public hospital distributions, private hospital distributions, and DSH voluntary match distributions, please refer to the [Hospital Payments](#) program summary on the JLBC website.

Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2021 for Disproportionate Share Payments. This amount consists of:

General Fund	265,400
Federal Medicaid Authority	4,821,700

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(100) from Federal Medicaid Authority and a corresponding increase of \$100 from the General Fund in FY 2021 due to a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the budget in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals including \$265,400 from the General Fund and \$619,400 in federal expenditure authority. In FY 2018, there were 31 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

DSH Payments - Voluntary Match

The Baseline includes \$27,137,600 in FY 2021 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	8,135,900
Federal Medicaid Authority	19,001,700

FY 2021 adjustments are as follows:

Decreased Funding

The Baseline includes a decrease of \$(13,842,600) in FY 2021 due to a decrease in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	(4,150,000)
Federal Medicaid Authority	(9,692,600)

While the FY 2020 General Appropriation Act displays a \$40,980,200 appropriation for FY 2020, it presumed \$97,304,100 in uncompensated care at MIHS based on the FY 2018 level of uncompensated care, which was lower than budgeted. The limit in the FY 2020 Health

Budget Reconciliation Bill (BRB), however, remained at \$113,818,500. FY 2019 actuals have since revealed that MIHS reached the \$113,818,500 funding level in FY 2019. The Baseline, therefore, assumes the state will draw down \$113,818,500 in both FY 2020 and FY 2021, thereby reducing the FY 2021 Voluntary Match amount by \$(13,842,600) (see *Table 3*).

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue provisions from the FY 2020 Health BRB that give priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include MIHS in allocations of voluntary match DSH payments if MIHS' CPE and matching Federal Funds exceed \$113,818,500 in FY 2020.

Graduate Medical Education

The Baseline includes \$357,621,200 in FY 2021 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	6,000,000
Political Subdivision Funds	101,394,100
Federal Medicaid Authority	250,227,100

FY 2021 adjustments are as follows:

Increased Funding

The Baseline continues an FY 2020 increase of \$44,006,700 in FY 2021 for an increase in GME payments. This amount consists of:

Political Subdivision Funds	12,812,600
Federal Medicaid Authority	31,194,100

Although the FY 2020 General Appropriation Act displays a \$303,551,500 appropriation for FY 2020, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that it expects to expend \$347,558,200 in total GME payments in FY 2020, or \$44,006,700 more than appropriated in the FY 2020 budget. The FY 2020 appropriation has been adjusted to the \$347,558,200 level (see *Table 4*).

Table 4

Graduate Medical Education Expenditures

<u>Expenditure Categories</u>	<u>FY 2020</u>	<u>FY 2021</u>
Locally Funded GME	\$ 293,607,800	\$ 337,614,500
FY 2020 Rebase	<u>44,006,700</u>	<u>0</u>
<i>GME Subtotal</i>	<i>\$ 337,614,500</i>	<i>\$ 337,614,500</i>
<i>HPSA GME</i>	<i>\$ <u>9,943,700</u></i>	<i>\$ <u>20,006,700</u></i>
Total Revenues	\$ 347,558,200	\$ 357,621,200

Health Professional Shortage Areas

The Baseline includes an increase of \$10,063,000 in FY 2021 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,063,000

With this increase, \$20,006,700 Total Funds will be available for Health Professional Shortage Areas, or \$6,000,000 from the General Fund and \$14,006,700 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes would instruct AHCCCS how to allocate the \$20,006,700 total amount for this program. The Baseline allocates \$5,595,000 Total Funds of the increase for GME programs located in a county with less than 500,000 persons and the remaining \$4,468,000 to programs in counties with a population of more than 500,000 persons. The General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. AHCCCS shall prioritize funding for hospitals located in federally-designated health professional shortage areas.

The 3-year spending plan associated with the enacted FY 2020 budget assumes that the General Fund appropriation for Graduate Medical Education program will increase from \$3,000,000 in FY 2020 to \$6,000,000 in FY 2021 and \$9,000,000 in FY 2022. The \$9,000,000 in FY 2022 would include a \$5,000,000 allocation for rural GME program and \$4,000,000 for urban GME programs. The funding phase-in assumes that the recipient hospitals would increase the number of slots for incoming residents in FY 2020 and each successive class thereafter, but that the number of slots for the cohorts already enrolled in the program (i.e., that started in FY 2019 or before) would remain unchanged. As a result, the full phase-in of the larger number of slots would occur incrementally until FY 2022.

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 2019, 16 hospitals received a total of \$335,140,967 for Graduate Medical Education.

Graduate Medical Education - Community Health Centers

The Baseline includes no funding in FY 2021 for Graduate Medical Education - Community Health Centers. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2021 for one-time funding of graduate medical education in community health centers to address health care provider shortages in Northern Arizona.

Background – Monies in this line item are distributed to a nonprofit organization with a network of community health centers that includes GME programs in Northern Arizona.

Rural Hospitals

The Baseline includes \$28,612,400 in FY 2021 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,580,800
Federal Medicaid Authority	20,031,600

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$2,800 from the General Fund and a corresponding decrease of \$(2,800) from Federal Medicaid Authority in FY 2021 due to a change in the federal match rate.

Background – This line item includes \$12,158,100 for the Rural Hospital Reimbursement program, which increases inpatient reimbursement rates for qualifying rural hospitals. The remaining \$16,454,300 is for the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. Funding is distributed according to a hospital's share of the cost in serving Medicaid enrollees during the

prior year. In FY 2019, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from CAH.

Safety Net Care Pool

The Baseline includes no funding in FY 2021 for the Safety Net Care Pool (SNCP) program. This amount is unchanged from FY 2020.

Background – The SNCP program funds unreimbursed costs incurred by hospitals in caring for uninsured and AHCCCS recipients. Local governments or public universities provide the state match, and the voluntary contributions receive an approximate 2:1 match from the federal government.

In April 2012, AHCCCS received federal approval to establish the SNCP program. While this program was originally expected to end on December 31, 2013, the FY 2014 Health and Welfare BRB allowed Phoenix Children’s Hospital (PCH) to continue to participate in the SNCP program through December 31, 2017. The FY 2018 Health BRB again extended the date PCH may participate in the program to December 31, 2020. While federal funding for the program ended December 31, 2017, the Baseline continues to provide spending authority due to the program being extended midway through FY 2021.

Targeted Investments Program

The Baseline includes \$70,000,000 in FY 2021 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	21,686,700
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	48,313,300

FY 2021 adjustments are as follows:

Decreased Funding

The budget includes a decrease of \$(20,000,000) in FY 2021 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund	(6,375,700)
Federal Medicaid Authority	(13,624,300)

Background – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS’ request to create a Targeted Investments Program. AHCCCS began using the program in FY 2018 to make incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. CMS has authorized up to \$300 million in total funds for the

program from FY 2018 through FY 2022. 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 2020 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Prescription Drug Rebate Fund
- Waiver
- Affordable Care Act Litigation
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2020 Supplemental

The Baseline includes an FY 2020 supplemental appropriation of \$115,817,700 for state costs associated with lower-than-budgeted caseload growth in FY 2020. Of that amount, \$45,978,600 would come from the General Fund; \$5,109,200 would come from Other Funds; and \$64,729,900 would come from Expenditure Authority. The Baseline would continue this funding in FY 2021.

Statutory Changes

The Baseline would make the following statutory changes:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.

Counties

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the FY 2021 County Acute Care contribution at \$45,819,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2021, if the counties’ proportion of

state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.

- As session law, set the FY 2021 county Arizona Long Term Care System (ALTCS) contributions at \$304,318,200.

Hospitals

- As session law, continue to establish FY 2021 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2021.
- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.

Available Funding

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

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, AHCCCS's General Fund spending increases by \$77.9 million in FY 2022 above FY 2021 and by \$38.6 million in FY 2023 above FY 2022. These figures assume 0.5% enrollment growth for most populations, a 2.6% inflation rate, and an increasing federal match rate.

The FY 2023 General Fund impact also accounts for repeal of the Health Insurer Fee, per the Federal Consolidated Appropriations Act of 2020.

In addition to AHCCCS spending changes, the budget's 3-year spending plan assumes that AHCCCS will transfer \$16.7 million from the Prescription Drug Rebate Fund to the General Fund in FY 2022 and FY 2023.

Prescription Drug Rebate Fund

Beginning in FY 2019, AHCCCS reported a one-time cash balance of \$102.7 million in the Prescription Drug Rebate Fund (PDRF) - State due to higher-than-forecasted rebates from prior years. To spend down the balance, the Baseline included a one-time transfer of \$69.0 million from PDRF to the General Fund in FY 2020. Under the budgeted projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$7.7 million at the end of FY 2021 (see Table 5).

(Please see the Long Term Budget Impacts section for changes to the Prescription Drug Rebate Fund in FY 2022.)

Table 5

State Prescription Drug Rebate Fund Sources and Uses

	<u>FY 2020</u>	<u>FY 2021</u>
Revenues		
Beginning Balance	\$ 45,538,000	\$ 0
Rebate Collections	<u>164,020,200</u>	<u>172,844,200</u>
Total Revenues	\$209,558,200	\$172,844,200
Budgeted Disbursements		
Operating Budget and Administration	\$ 2,728,800	\$ 660,800
Traditional Services	140,158,600	140,158,600
ALTCS Services	7,578,400	7,578,400
Prop 204	<u>60,900</u>	<u>60,900</u>
AHCCCS Subtotal	\$ 150,526,700	\$148,458,700
DHS One-Time Health Research	<u>\$1,000,000</u>	<u>0</u>
Total Disbursements	\$ 151,526,700	\$148,458,700
General Fund Transfer ^{1/}	\$ 69,000,000	\$ 16,700,000
Projected Ending Balance	\$ (9,968,500)^{2/}	\$ 7,685,500

^{1/} The FY 2020 transfer was enacted by Laws 2019, Chapter 263.

^{2/} Actual FY 2020 ending balance will not be negative.

Waiver

Laws 2015, Chapter 7 requires AHCCCS to reapply by March 30 of each year to implement a lifetime limit of 5 years for enrollment of able-bodied adults and a requirement for able-bodied adults to work, actively seek work, or participate in a job training program. On January 18, 2019 the federal Centers for Medicare and Medicaid Services (CMS) partly approved AHCCCS' waiver submittal. Effective January 1, 2020, AHCCCS enrollees aged 19-49 were to be subject to a "community engagement" requirement of 80 hours per month, which may be satisfied with employment, education, job or life skills training, job search activities, or community service. Individuals failing to comply with the requirement will have their AHCCCS coverage suspended for 2 months. Coverage will be automatically reinstated following the 2-month suspension. CMS did not approve the request for a 5-year time limit on coverage.

The waiver exempts several populations from the community engagement requirement, including individuals with an SMI diagnosis, members of federally recognized tribes, and former foster youth. After accounting for the exemptions, AHCCCS estimates that 120,000 enrollees will be subject to the community engagement requirement.

In January 2019, AHCCCS opened a request for proposals (RFP) for a new information technology system called the "AHCCCS Works Portal" that AHCCCS enrollees will use to report their compliance with the community engagement requirement. The most recent pricing estimate, as of May 2019, is \$4.8 million across 5 years.

In November 2019, AHCCCS announced that implementation of AHCCCS Works is temporarily delayed while court cases involving CMS community engagement requirements are heard. The program would begin no sooner than Summer 2020.

Affordable Care Act Litigation

Current litigation revolves around the constitutionality of the ACA's individual mandate. The Tax Cuts and Jobs Act (TCJA), passed in December 2017, established a \$0 penalty for not having health insurance. On December 14, 2018, the Fifth Circuit Court ruled in *Texas v. Azar* that a \$0 Shared Responsibility Payment renders the mandate unconstitutional and that, by extension, the entirety of the ACA is unconstitutional. The case is currently on appeal. The appeal process is expected to take a considerable amount of time.

Formal repeal of the ACA would trigger the authorizations set forth in A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08, which extend eligibility to the adult expansion population. However, coverage would continue for the Proposition

204 population from 0-100% and for children ages 6-18 from 100-133%.

For more information regarding prior federal litigation, refer to the [FY 2020 Appropriations Report](#).

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 6*. 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.

More details regarding how County Contributions are calculated can be found in the corresponding program summary on the JLBC website.

Program Components

Traditional Medicaid, Proposition 204, Adult Expansion, KidsCare, ALTCS, and CMDP services include the following:

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2021, the average capitation rate is expected to be approximately \$511 per

County	FY 2020			FY 2021		
	BNCF	Acute	ALTCS	BNCF ^{1/}	Acute	ALTCS
Apache	\$128,800	\$268,800	731,300	\$133,100	\$268,800	696,200
Cochise	240,200	2,214,800	5,279,800	248,200	2,214,800	5,181,000
Coconino	236,900	742,900	2,195,300	244,900	742,900	2,090,300
Gila	97,300	1,413,200	2,454,500	100,600	1,413,200	2,519,200
Graham	69,200	536,200	1,708,600	71,500	536,200	1,745,100
Greenlee	17,800	190,700	31,800	18,400	190,700	3,900
La Paz	36,800	212,100	836,000	38,100	212,100	716,100
Maricopa	0	18,131,400	188,581,600	0	17,788,700	196,891,500
Mohave	276,500	1,237,700	9,371,400	285,800	1,237,700	9,763,200
Navajo	181,300	310,800	3,026,600	187,300	310,800	2,881,800
Pima	1,647,200	14,951,800	45,835,600	1,702,500	14,951,800	47,415,800
Pinal	322,300	2,715,600	13,957,800	333,100	2,715,600	14,431,100
Santa Cruz	76,200	482,800	2,300,800	78,700	482,800	2,402,000
Yavapai	304,500	1,427,800	8,684,000	314,700	1,427,800	9,074,300
Yuma	271,400	1,325,100	9,691,800	280,600	1,325,100	10,060,500
Subtotal	\$3,906,400	\$46,161,700	\$294,686,900	\$4,037,400	\$45,819,000	\$305,872,000
Total			\$344,755,000			\$355,728,400

^{1/} Numbers do not add to total due to rounding.

member per month (or \$6,100 annually). Of that amount, an average of \$121 is from state match and \$390 from Federal Medicaid Authority.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 3 programs: 1) federally-mandated services for Native Americans living on reservations; 2) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan, and 3) federally-mandated emergency services for unauthorized and qualified immigrants.

Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 75.0% of the estimated drug costs.

Tobacco Master Settlement Agreement

The Baseline continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2021 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General for costs associated with tobacco settlement litigation.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties.

For additional details related to [Tobacco Tax Enforcement and Litigation](#), please refer to the corresponding program summary on the JLBC website.

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$141.5 million in transfers of tobacco tax collections in FY 2021. This amount represents an increase of \$1.9 million (1.4%) from the FY 2020 budgeted amount. *Table 7* summarizes tobacco tax transfers and allocations to the agencies.

Table 8

Summary of Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund

	<u>FY 2019</u>	<u>FY 2020</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 51,900
Transfer In - Tobacco Tax and Health Care Fund	43,260,500	39,945,800
Transfer In - Tobacco Products Tax Fund	<u>23,583,500</u>	<u>25,296,800</u>
Total Funds Available	\$ 66,844,000	\$ 65,294,500
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 66,143,900	\$ 61,752,600
Total AHCCCS Allocations	<u>\$ 66,143,900</u>	<u>\$ 61,752,600</u>
<u>DHS</u>		
Folic Acid	\$ 314,800	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	225,000	300,000
Administrative Adjustments	<u>108,400</u>	<u>0</u>
Total DHS Allocations	<u>648,200</u>	<u>700,000</u>
Balance Forward	\$ 51,900	\$ 2,841,900
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	<u>36,685,400</u>	<u>36,457,400</u>
Total Funds Available	\$ 36,685,400	\$ 36,457,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 36,685,400	\$ 34,054,300
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 0	\$ 2,403,100
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	<u>17,469,200</u>	<u>17,360,600</u>
Total Funds Available	\$ 17,469,200	\$ 17,360,600
<u>Allocations</u>		
AHCCCS State Match Appropriation	17,469,200	16,216,300
Administrative Adjustments	<u>\$ 0</u>	<u>\$ 0</u>
Balance Forward ^{1/}	\$ 0	\$ 1,144,300
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 4,281,300	\$ 1,885,400
Transfer In - Tobacco Tax and Health Care Fund	14,214,200	13,125,100
Transfer In - Tobacco Products Tax Fund	<u>1,746,900</u>	<u>2,489,900</u>
Total Funds Available	\$ 20,242,400	\$ 17,500,400
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 16,141,500	\$ 12,498,400
Leading Causes of Death - Prevention and Detection	<u>2,215,500</u>	<u>3,125,400</u>
Balance Forward	\$ 1,885,400	\$ 1,876,600
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 9,155,800	\$ 5,736,800
Transfer In - Tobacco Tax and Health Care Fund	3,090,000	2,853,300
Transfer In - Tobacco Products Tax Fund	<u>4,367,300</u>	<u>4,409,100</u>
Total Funds Available	\$ 16,613,100	\$ 12,999,200
<u>Allocations</u>		
Biomedical Research Support	\$ 1,498,800	\$ 2,000,000
Alzheimer's Disease Research	3,000,000	2,000,000
Biomedical Research Commission ^{2/}	5,878,700	9,515,200
Administrative Adjustments	<u>498,800</u>	<u>0</u>
Balance Forward	\$ 5,736,800	\$ (516,000) *

^{1/} Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.

^{2/} Laws 2017, Chapter 136 repealed the Biomedical Research Commission. DHS reports that monies in the Health Research Account will continue to be spent on initiatives previously reviewed by the commission in FY 2018 and FY 2019, including research grants, research education, biospecimen locator, and public cord blood.

* Actual ending balance will not be negative.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
AHCCCS Restitution Fund (HCA2586/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Restitution monies.		
Purpose of Fund: To track the use of restitution monies received from fraud.		
Funds Expended	5,900,000	0
Year-End Fund Balance	0	0
Arizona Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)		Appropriated
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	98,938,500	102,000,000
Year-End Fund Balance	0	0
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	3,756,200	3,906,400
Year-End Fund Balance	304,600	0
Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 200% of the Federal Poverty Level (FPL), which is approximately \$51,500 for a family of 4.		
Funds Expended	77,051,800	104,650,200
Year-End Fund Balance	3,027,200	3,027,200
County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/A.R.S. § 36-2912)		Appropriated
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Costs Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars. County Funds received by AHCCCS to provide behavioral health services to persons with a serious mental illness are accounted for separately in the IGA for County Behavioral Health Services Fund.		
Funds Expended	269,364,900	336,437,800
Year-End Fund Balance	0	0
Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)		Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investment Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities. Money in the fund will only include state matching monies from IGTs and certified public expenditure for the TI Program.		
Funds Expended	20,496,000	28,062,400
Year-End Fund Balance	18,778,000	14,402,300

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	0	1,400
Year-End Fund Balance	5,900	5,000
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	61,758,800	70,038,500
Year-End Fund Balance	0	0
Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	77,956,400	99,456,600
Year-End Fund Balance	5,577,500	0
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)		Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS' administrative costs and for the provision of services to eligible Medicaid populations.		
Funds Expended	8,492,754,100	9,137,369,700
Year-End Fund Balance	(224,114,700)	0
Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)		Appropriated
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
Funds Expended	270,895,900	340,871,900
Year-End Fund Balance	76,534,600	67,004,900
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
Purpose of Fund: To expand funding for Graduate Medical Education or other payments to hospitals.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA for County Behavioral Health Services Fund (HSA4503/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from local governments and state liquor service fees.		
Purpose of Fund: To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse. This fund was transferred from DHS to AHCCCS on July 1, 2016.		
Funds Expended	67,444,400	70,373,400
Year-End Fund Balance	477,200	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
Funds Expended	10,449,200	11,400,000
Year-End Fund Balance	1,178,400	1,178,400
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)		Appropriated
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
Funds Expended	28,030,200	32,989,600
Year-End Fund Balance	3,884,100	3,884,100
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) programs.		
Funds Expended	116,667,900	127,262,800
Year-End Fund Balance	0	0
Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Beginning in FY 2013, federal monies are listed as Expenditure Authority. All other monies are appropriated.		
Funds Expended	644,237,200	609,060,300
Year-End Fund Balance	80,459,600	78,662,100
Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated.		
Funds Expended	148,213,400	150,526,700
Year-End Fund Balance	45,538,000	(9,968,500)
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	24,227,700	24,227,700
Year-End Fund Balance	6,732,200	6,732,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To fund housing projects as well as rental assistance for the seriously mentally ill. The non-appropriated portion of the fund is used for rental assistance for seriously mentally individuals, as well as the operation, construction or renovation of a facility that houses seriously mentally ill individuals. This fund was transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	2,287,100	4,100,000
Year-End Fund Balance	6,914,900	4,994,900
Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers. This fund transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	2,250,200	2,250,200
Year-End Fund Balance	365,200	365,200
Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund, any gifts or donations to the fund and interest earned on those monies.		
Purpose of Fund: To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preferences shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing.		
Funds Expended	0	0
Year-End Fund Balance	4,591,500	0
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members.		
Funds Expended	0	194,700
Year-End Fund Balance	0	0
Third Party Liability and Recovery Fund (HCA 3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. This account displays payment of the Third Party Liability contractor fee and return of the federal share of recoveries to CMS.		
Funds Expended	937,000	2,131,300
Year-End Fund Balance	3,035,700	2,984,400
Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Funds Expended	17,469,200	16,216,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)		Appropriated
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		
Funds Expended	36,685,400	34,054,300
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.		
Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election. Any monies in this fund used to pay for behavioral health services were transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	66,143,900	61,752,600
Year-End Fund Balance	0	0

Arizona Commission on the Arts

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	2,000,000	2,000,000	0
Nonprofit Theater Capital Support	0	200,000	0
AGENCY TOTAL	2,000,000	2,200,000	0
FUND SOURCES			
General Fund	0	2,200,000	0 ^{D/}
<u>Other Appropriated Funds</u>			
Budget Stabilization Fund	2,000,000	0	0
SUBTOTAL - Other Appropriated Funds	2,000,000	0	0
SUBTOTAL - Appropriated Funds	2,000,000	2,200,000	0
Other Non-Appropriated Funds	1,732,700 ^{1/}	1,423,800 ^{2/}	1,423,800
Federal Funds	830,800	841,400	841,400
TOTAL - ALL SOURCES	4,563,500	4,465,200	2,265,200

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

- D/ A. The sum of \$200,000 is appropriated from the state General Fund in FY 2020 to the Arizona Commission on the Arts to distribute to a nonprofit professional theater company in a county with a population of more than 3,000,000 persons that has been in existence for at least 99 years. Monies distributed pursuant to this subsection must be used for capital costs.
- B. The monies appropriated are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- C. Notwithstanding A.R.S. § 41-1252, the appropriation is not subject to review by the Joint Committee on Capital Review. (General Appropriation Act footnote)
- 1/ Monies appropriated from the Budget Stabilization Fund for deposit into the Arts Trust Fund pursuant to the FY 2019 General Appropriation Act are not displayed to avoid double counting of appropriations.
- 2/ Monies appropriated from the General Fund for deposit into the Arts Trust Fund pursuant to the FY 2020 General Appropriation Act are not displayed to avoid double counting of appropriations.

Arts Trust Fund Deposit

The Baseline includes no funding from the General Fund for deposit into the non-appropriated Arts Trust Fund. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2021 for the elimination of one-time funding.

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.

Nonprofit Theater Capital Support

The Baseline includes no funding from the General Fund for Nonprofit Theater Capital Support. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(200,000) from the General Fund in FY 2021 for the elimination of one-time funding.

Monies in the Nonprofit Theater Capital Support line item are distributed to a nonprofit professional theater company in a county with more than 3,000,000 persons that has been in existence for at least 99 years. Section 122 of the FY 2020 General Appropriation Act requires the monies to be used for capital costs.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Arts Trust (HUA3043/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons, 2) racial or ethnic minorities; and 3) organizations representing rural areas. Amounts transferred in from the Budget Stabilization Fund and General Fund are not displayed to avoid double counting of appropriations.		
Funds Expended	1,384,100	1,053,400
Year-End Fund Balance	103,500	172,100
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions, charges for services, and amounts transferred in from the Budget Stabilization Fund.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	348,600	370,400
Year-End Fund Balance	301,200	227,200
Budget Stabilization Fund (TRA3034/A.R.S. § 35-144)		Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Funds transferred from the interest income earned on the Budget Stabilization Fund to the Arts Trust Fund.		
Funds Expended	2,000,000	0
Year-End Fund Balance	0	0
Federal Grants (HUA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants from the National Endowment for the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	830,800	841,400
Year-End Fund Balance	0	0
State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To pay costs of the State poet laureate.		
Funds Expended	0	0
Year-End Fund Balance	2,500	2,500

Board of Athletic Training

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	65,100	63,500	63,500
Employee Related Expenditures	27,400	36,000	36,000
Professional and Outside Services	400	0	0
Travel - In State	1,200	1,200	1,200
Other Operating Expenditures	15,700	26,300	26,300
Equipment	100	0	0
AGENCY TOTAL	109,900	127,000	127,000^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	109,900	127,000	127,000
SUBTOTAL - Other Appropriated Funds	109,900	127,000	127,000
SUBTOTAL - Appropriated Funds	109,900	127,000	127,000
TOTAL - ALL SOURCES	109,900	127,000	127,000

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

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$127,000 and 1.5 FTE Positions from the Athletic Training Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	109,900	127,000
Year-End Fund Balance	216,300	232,000

Attorney General - Department of Law

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	588.7	607.7	607.7 ^{1/}
Personal Services	29,270,500	31,366,500	30,598,600
Employee Related Expenditures	11,561,400	13,240,900	12,679,200
Professional and Outside Services	253,900	254,100	254,100
Travel - In State	176,300	218,700	218,700
Travel - Out of State	108,000	140,100	140,100
Other Operating Expenditures	6,891,400	10,150,700	10,080,300
Equipment	346,800	233,200	233,200
OPERATING SUBTOTAL	48,608,300	55,604,200	54,204,200 ^{2/3/4/}
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	735,800	802,700	802,700
Case Management System Upgrade	317,400	0	0
Child and Family Advocacy Centers	100,000	500,000	100,000 ^{4/5/}
Election Litigation Expenses	164,500	0	0
Federalism Unit	717,700	1,002,200	1,002,200
First Responder Personnel Mental Health Services	0	400,000	0 ^{6/}
Government Accountability and Special Litigation	693,200	1,208,700	1,208,700
Human Trafficking Survivor Services	0	300,000	0
Internet Crimes Against Children Enforcement	548,400	1,250,000	1,250,000 ^{5/}
Military Airport Planning	79,700	85,000	85,000 ^{5/}
Multidisciplinary Young Persons Program	0	250,000	0 ^{6/}
Peace Officer Equipment Grants	0	2,500,000	0 ^{6/}
Peace Officer Memorial Fund Deposit	0	1,000,000	0 ^{6/}
Risk Management Interagency Service Agreement	8,839,900	9,590,000	9,590,000
Southern Arizona Law Enforcement	1,175,300	1,525,100	1,525,100
State Grand Jury	174,900	181,100	181,100
Tobacco Enforcement	238,000	821,600	821,600
Victims' Rights	2,469,900	3,767,700	3,767,700
Voter Fraud Unit	0	530,000	530,000
AGENCY TOTAL	64,863,000	81,318,300	75,068,300 ^{7/}
FUND SOURCES			
General Fund	25,065,800	26,082,400	24,582,400
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	111,800	148,600	148,600
Attorney General Legal Services Cost Allocation Fund	1,686,600	2,105,000	2,105,000
Collection Enforcement Revolving Fund	6,578,100	6,914,700	6,914,700
Consumer Protection - Consumer Fraud Revolving Fund	4,621,300	15,364,400	10,614,400
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund	317,400	0	0
Interagency Service Agreements Fund	14,459,400	16,445,500	16,445,500 ^{8/}
Internet Crimes Against Children Enforcement Fund	548,300	900,000	900,000
Risk Management Revolving Fund	9,004,400	9,590,000	9,590,000
Victims' Rights Fund	2,469,900	3,767,700	3,767,700
SUBTOTAL - Other Appropriated Funds	39,797,200	55,235,900	50,485,900
SUBTOTAL - Appropriated Funds	64,863,000	81,318,300	75,068,300
Other Non-Appropriated Funds	66,615,700	64,795,500	64,795,500
Federal Funds	6,161,400	7,392,800	7,392,800
TOTAL - ALL SOURCES	137,640,100	153,506,600	147,256,600

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/ Includes 22.2 GF and 129 OF FTE Positions funded from Special Line Items in FY 2021.
- D/ ~~The sum of \$1,500,000 is appropriated in FY 2020 from the state General Fund to the Attorney General for operating expenses of the Criminal Division. (FY 2018 General Appropriation Act footnote)~~
- 2/ The sum of \$950,000 in FY 2021, the sum of \$2,350,000 in FY 2022 and the sum of \$2,350,000 in FY 2023 are appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 to the Attorney General for operating expenses of the Criminal Division. (FY 2020 General Appropriation Act footnote)
- 3/ Within 10 days after receipt of a complaint alleging a violation of A.R.S. § 15-511, 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 Appropriation Act footnote)
- 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 A.R.S. § 41-191.11. (General Appropriation Act footnote)
- D/ ~~Of the amount appropriated to the Child and Family Advocacy Centers line item, \$400,000 is a one-time appropriation from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 for FY 2020. (General Appropriation Act footnote)~~
- D/ ~~The sum of \$400,000 is appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 in FY 2020 to the Attorney General for distribution to organizations that provide resources and training, including mental health training, for first responders and first responder professionals who are experiencing the effects of stress from traumatic incidents suffered in the line of duty. (General Appropriation Act footnote)~~
- 5/ The \$900,000 appropriation from the Internet Crimes Against Children Enforcement Fund established by A.R.S. § 41-199 and the \$350,000 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 A.R.S. § 35-190, relating to the lapsing of appropriations, through June 30, 2022. (General Appropriation Act footnote)
- 6/ 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 Appropriation Act.
- D/ ~~In addition to any other appropriations made in state FY 2020, the sum of \$250,000 is appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 in FY 2020 to the Attorney General for distribution to an organization that uses a multidisciplinary program to assess, nurture and sustain young people within their environments. The program must connect each participating child to at least 5 adults who teach, model and provide research-based support to the child. (General Appropriation Act footnote)~~
- D/ ~~On or before March 1, 2020, the department shall report to 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 distributions from the Peace Officer Equipment Grants line item. (General Appropriation Act footnote)~~
- D/ ~~The amount appropriated to the Peace Officer Memorial Fund Deposit line item is for deposit in the Arizona Peace Officers Memorial Fund established by A.R.S. § 41-1829.02. Before the expenditure of any monies in the line item, the Attorney General shall submit an expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)~~
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ 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 FY 2021. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$54,204,200 and 456.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$21,772,300
Antitrust Enforcement Revolving Fund	148,600

Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,105,000
Collection Enforcement Revolving Fund (CERF)	6,914,700
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	6,818,100
Interagency Service Agreements (ISA) Fund	16,445,500

FY 2021 adjustments are as follows:

Criminal Division Resources

The Baseline includes a decrease of \$(1,400,000) in FY 2021 for additional Criminal Division resources. This amount consists of:

General Fund	(1,500,000)
CPCF Revolving Fund	100,000

An FY 2020 General Appropriation Act footnote appropriates \$950,000 in FY 2021, \$2,350,000 in FY 2022, and \$2,350,000 in FY 2023 from the CPCF Revolving Fund for Criminal Division resources. This funding will not appear in the FY 2021 General Appropriation Act.

Currently, a portion of the Criminal Division within the AG's Office is funded through ARRF, which receives revenues from civil asset forfeiture and Racketeer Influenced and Corrupt Organizations (RICO) Act monies. These monies are derived from cash and assets that are seized from individuals that are believed to have engaged in a wide array of illicit activities. Due to declining and uncertain revenues from these sources, the additional funds are to support agency efforts to move FTE Positions within the Criminal Division to more stable funding.

Additionally, the FY 2019 Criminal Justice Budget Reconciliation Bill (BRB) authorized the AG to use \$1,400,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2021 to offset operating expenses that would otherwise be paid from RICO funds. The Consumer Remediation Subaccount is a statutorily non-appropriated fund which receives monies from legal settlements. The AG is typically required to submit an expenditure plan to the Joint Legislative Budget Committee for review prior to expending monies from the fund. This review requirement will not apply to the \$1,400,000 in FY 2021 operating resources.

In total, the Attorney General will have received \$1,500,000 in each of FY 2018 and FY 2019 for its Criminal Division. The agency will also receive a total of \$2,350,000 in each of FY 2020, FY 2021, FY 2022, and FY 2023 for these purposes. *(Please see Table 1 for more details.)*

Capital Postconviction Prosecution

The Baseline includes \$802,700 and 6 FTE Positions from the General Fund in FY 2021 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2020.

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

Table 1

Additional Criminal Division Resources

	<u>19 BRB GF</u>	<u>19 CJ BRB Consumer Remediation</u>	<u>20 GAA CPCF ^{1/}</u>	<u>Total</u>
FY 2018	\$1,500,000			\$1,500,000
FY 2019	1,500,000			1,500,000
FY 2020	1,500,000		\$850,000	2,350,000
FY 2021		\$1,400,000	950,000	2,350,000
FY 2022			2,350,000	2,350,000
FY 2023			2,350,000	2,350,000

^{1/} FY 2020 includes an additional \$476,000 to shift SAWCCE FTE Positions from ARRF.

Child and Family Advocacy Centers

The Baseline includes \$100,000 from the General Fund in FY 2021 for the Child and Family Advocacy Centers line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(400,000) from the CPCF Revolving Fund in FY 2021 to remove an additional one-time distribution to child and family advocacy centers.

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

Pursuant to statute, at least 90.25% of fund monies are allocated to grants to child and family advocacy centers and 4.75% to statewide child and family advocacy center organizations; no more than 5% of the fund may be retained by the AG for administrative costs. To be eligible for funds, a child and family advocacy center must certify to the AG's Office that it meets certain statutory criteria relating to its ability to provide victim services.

Federalism Unit

The Baseline includes \$1,002,200 and 7 FTE Positions from the CPCF Revolving Fund in FY 2021 for the Federalism Unit. These amounts are unchanged from FY 2020.

This line item provides funding for the Attorney General to defend the state in cases related to federal issues.

Some of these legal expenses had previously been borne by the Governor's Office.

First Responder Personnel Mental Health Services

The Baseline includes no funding in FY 2021 for the First Responder Mental Health Services line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(400,000) from the CPCF Revolving Fund in FY 2021 to remove one-time funding for mental health services for first responders and first responder professionals.

Monies in this line item are distributed to organizations that provide resources and training for first responders and first responder professionals who are experiencing the effects of stress from traumatic incidents suffered in the line of duty.

Government Accountability and Special Litigation Unit

The Baseline includes \$1,208,700 and 10 FTE Positions from the CPCF Revolving Fund in FY 2021 for the Government Accountability and Special Litigation (GASL) Unit line item. These amounts are unchanged from FY 2020.

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.

Human Trafficking Survivor Services

The Baseline includes no funding in FY 2021 for the Human Trafficking Survivor Services line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(300,000) from the CPCF Revolving Fund in FY 2021 to remove one-time funding for services for human trafficking survivors.

Monies in this line item are distributed to organizations that provide resources and services to survivors of human trafficking.

Internet Crimes Against Children Enforcement

The Baseline includes \$1,250,000 in FY 2021 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	350,000
ICAC Enforcement Fund	900,000

These amounts are unchanged from FY 2020.

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

A General Appropriation Act footnote would make the FY 2021 amount non-lapsing until the end of FY 2022.

Military Airport Planning

The Baseline includes \$85,000 and 1 FTE Position from the General Fund in FY 2021 for Military Airport Planning. These amounts are unchanged from FY 2020.

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 Appropriation Act. The legislation sought to preserve the state's military bases by appropriating monies to several state agencies and charging them with certain responsibilities. Monies in this line item pay for the department's duties under the original 2004 legislation, including review and determination of compliance with land use plans.

Multidisciplinary Young Persons Program

The Baseline includes no funding in FY 2021 for a multidisciplinary young persons program. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the CPCF Revolving Fund in FY 2021 to remove a one-time distribution to a multidisciplinary young persons program.

Monies in this line item are distributed to an organization that uses a multidisciplinary program to assist young persons within their environments. To be eligible, the program must connect each participating child to at least

5 adults who teach, model, and provide research-based support to the child.

Peace Officer Equipment Grants

The Baseline includes no funding for peace officer equipment grants in FY 2021. FY 2021 adjustments are as follows:

Remove Peace Officer Equipment Grants Funding

The Baseline includes a decrease of \$(2,500,000) from the CPCF Revolving Fund in FY 2021 to remove a one-time distribution for peace officer equipment grants.

Monies in this line item are to be used to provide grants to local and community police departments for the purchase of new equipment. An FY 2020 General Appropriation Act footnote requires the agency to report on distributions from the line item to JLBC Staff and others by March 1, 2020.

Peace Officer Memorial Fund Deposit

The Baseline includes no funding in FY 2021 for a Peace Officer Memorial Fund deposit. FY 2021 adjustments are as follows:

One-Time Peace Officer Memorial Fund Deposit

The Baseline includes a decrease of \$(1,000,000) from the CPCF Revolving Fund in FY 2021 to remove a one-time deposit into the Peace Officer Memorial Fund.

Monies in this line item are to be deposited into the Peace Officer Memorial Fund. This fund is used to maintain and update the Peace Officer Memorial in Wesley Bolin Memorial Plaza. Monies in the fund may also be used to pay education expenses for family members of fallen officers. An FY 2020 General Appropriation Act footnote requires the agency to submit an expenditure plan for review by JLBC prior to expending monies in the line item.

Risk Management Interagency Service Agreement

The Baseline includes \$9,590,000 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2021 for the Risk Management Interagency Service Agreement. These amounts are unchanged from FY 2020.

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.

Southern Arizona Law Enforcement

The Baseline includes \$1,525,100 and 16 FTE Positions in FY 2021 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,206,100
CPCF Revolving Fund	319,000

These amounts are unchanged from FY 2020.

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 Baseline includes \$181,100 and 1.6 FTE Positions from the General Fund in FY 2021 for the State Grand Jury. These amounts are unchanged from FY 2020.

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.

Tobacco Enforcement

The Baseline includes \$821,600 and 6.6 FTE Positions in FY 2021 for Tobacco Enforcement. These amounts consist of:

General Fund	85,200
CPCF Revolving Fund	736,400

These amounts are unchanged from FY 2020.

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.

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 enforcement. As a result, the Baseline includes a total of up to \$2,021,600 for the Attorney General to enforce the MSA in FY 2021.

Victims' Rights

The Baseline includes \$3,767,700 and 6 FTE Positions from the Victims' Rights Fund in FY 2021 for Victims' Rights. These amounts are unchanged from FY 2020.

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.

Voter Fraud Unit

The Baseline includes \$530,000 and 4 FTE Positions from the CPCF Revolving Fund in FY 2021 for the Voter Fraud Unit. These amounts are unchanged from FY 2020.

This line item provides funding for the development of a public complaint process for allegations of voter fraud and for the investigation of those allegations by the Attorney General's office.

Other Issues

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 Appropriation Act each year. See Table 2 for a list of agencies and their corresponding FY 2021 Attorney General Legal Services charge. These amounts are unchanged from FY 2020.

(Please see the FY 2015 Appropriations Report for a more detailed history on legal services charges, and the FY 2018 Appropriations Report for changes that occurred after FY 2015.)

Table 2

FY 2021 Attorney General Legal Services Charges

Agency	Charge
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Commission on the Arts	3,100
Automobile Theft Authority	1,400
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
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
Exposition and State Fair Board	20,900
Department of Financial Institutions	1,900
Arizona Department of Forestry and Fire Management	13,400
Department of Gaming	37,300
Department of Health Services	173,800
Arizona Historical Society	700
Department of Housing	19,300
Department of Insurance	10,500
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
Commission on Postsecondary Education	1,800
Department of Public Safety	677,400
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Total Legal Services Charges	\$ 1,798,500

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	8,353,700	6,863,800
Year-End Fund Balance	23,684,400	23,613,800
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	111,800	148,600
Year-End Fund Balance	1,977,800	2,322,400

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
<i>Source of Revenue:</i> Restricted donations and gifts from individuals and corporations.		
<i>Purpose of Fund:</i> For purposes specified by donors or grantors.		
Funds Expended	1,096,100	1,214,000
Year-End Fund Balance	1,436,500	222,500
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
<i>Source of Revenue:</i> Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
<i>Purpose of Fund:</i> To fund non-contracted Attorney General Legal Services.		
Funds Expended	1,686,600	2,105,000
Year-End Fund Balance	386,700	80,200
Child and Family Advocacy Center Fund (AGA2540/A.R.S § 41-191.11)		Non-Appropriated
<i>Source of Revenue:</i> Appropriated funds as well as other monies such as private gifts and grants.		
<i>Purpose of Fund:</i> Funds shall be distributed to child and family advocacy centers that apply for funding and meet certain eligibility requirements. The Attorney General may use up to 5% of the monies in the fund for administrative costs.		
Funds Expended	0	300,000
Year-End Fund Balance	100,000	300,000
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
<i>Source of Revenue:</i> 10.66% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
<i>Purpose of Fund:</i> To enhance prosecutorial efforts of county attorneys.		
Funds Expended	3,007,800	2,888,800
Year-End Fund Balance	911,000	900,300
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		Appropriated
<i>Source of Revenue:</i> The fund receives 35% of monies recovered by the Attorney General from debts owed to the state, except that it receives 20% of all fine surcharge debt.		
<i>Purpose of Fund:</i> For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration. Monies in the Collection Enforcement Revolving Fund up to \$1,000,000 are non-lapsing.		
Funds Expended	6,578,100	6,914,700
Year-End Fund Balance	9,311,000	6,373,800
Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)		Non-Appropriated
<i>Source of Revenue:</i> Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
<i>Purpose of Fund:</i> To pay cost of investigation and prosecution of state's claims of sovereign lands near the Colorado River.		
Funds Expended	2,300	0
Year-End Fund Balance	10,000	0
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
<i>Source of Revenue:</i> Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
<i>Purpose of Fund:</i> For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	4,621,300	15,364,400
Year-End Fund Balance	36,276,000	26,368,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. Monies in the Consumer Remediation Subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. The FY 2019 Criminal Justice Budget Reconciliation Bill allowed the AG to expend from this account \$1,489,000 on upgrading its Case Management Information Technology System. This allowance is limited to FY 2019 and FY 2020. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	317,400	0
Year-End Fund Balance	25,008,500	4,065,900
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: Monies in the Consumer Remediation Subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	2,398,300	2,500,200
Year-End Fund Balance	25,008,500	4,065,900
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws.		
Funds Expended	12,554,500	11,380,200
Year-End Fund Balance	8,989,300	4,494,700
Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan services. Arizona residents received a total of \$1.6 billion from the settlement, of which \$33.9 million was allocated to the Attorney General.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
Funds Expended	809,600	0
Year-End Fund Balance	8,709,400	7,800,900
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	67,300	155,300
Year-End Fund Balance	241,600	157,100

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Grants (AGA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	6,161,400	7,392,800
Year-End Fund Balance	1,569,600	1,506,800
Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.		
Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	8,821,300	10,936,900
Year-End Fund Balance	4,253,800	2,867,900
Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	14,459,400	16,445,500
Year-End Fund Balance	1,804,800	0
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	28,514,100	27,581,500
Year-End Fund Balance	2,029,900	100,300
Internet Crimes Against Children Enforcement Fund (AGA3217/A.R.S. § 41-199)		Appropriated
Source of Revenue: Pursuant to A.R.S. § 5-554, the fund receives \$900,000 from the proceeds of lottery games that are sold from a vending machine in age-restricted areas. If the lottery games do not produce sufficient funds for the \$900,000 allocation, then unclaimed lottery prize monies will be used to backfill the difference. A.R.S. § 5-554 also directs \$100,000 from the same lottery game revenue to the Victims' Rights Enforcement Fund administered by the Department of Public Safety. (Please see the Department of Public Safety for more detail on the Victims' Rights Enforcement Fund.)		
Purpose of Fund: For the Attorney General to enter into 1 or more intergovernmental agreements to continue the operation of the federally recognized Internet Crimes Against Children Task Force program that coordinates a national network of coordinated task forces that assist federal, state, local, and tribal law enforcement agencies in investigations, forensic examinations, and prosecutions related to technology-facilitated sexual exploitation of children and internet crimes against children.		
Funds Expended	548,300	900,000
Year-End Fund Balance	2,672,400	2,672,400
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	43,600	47,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 3.45% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	990,700	974,800
Year-End Fund Balance	85,800	66,400
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
Funds Expended	9,004,400	9,590,000
Year-End Fund Balance	1,163,200	0
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: A \$9 penalty on civil and criminal violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	2,469,900	3,767,700
Year-End Fund Balance	1,542,600	343,600

Automobile Theft Authority

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	0.0
Personal Services	326,000	333,700	0
Employee Related Expenditures	118,000	126,400	0
Professional and Outside Services	22,500	16,100	0
Travel - In State	6,500	6,200	0
Travel - Out of State	1,800	3,800	0
Other Operating Expenditures	99,100	143,200	0
Equipment	13,500	25,000	0
OPERATING SUBTOTAL	587,400	654,400	0
SPECIAL LINE ITEMS			
Arizona Vehicle Theft Task Force	3,650,000	3,650,000	0
Local Grants	942,700	957,700	0
Reimbursable Programs	0	50,000	0
AGENCY TOTAL	5,180,100	5,312,100	0

FUND SOURCES

Other Appropriated Funds

Automobile Theft Authority Fund	5,180,100	5,312,100	0
SUBTOTAL - Other Appropriated Funds	5,180,100	5,312,100	0
SUBTOTAL - Appropriated Funds	5,180,100	5,312,100	0
Other Non-Appropriated Funds	16,000	600	0
TOTAL - ALL SOURCES	5,196,100	5,312,700	0

AGENCY DESCRIPTION — The Automobile Theft Authority (ATA) 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. The ATA is primarily funded from motor vehicle insurance premium fees.

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Operating Budget

The Baseline includes no funding from the ATA Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes a decrease of \$(654,400) and (6) FTE Positions from the ATA Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI Baseline appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

Arizona Vehicle Theft Task Force

The Baseline includes no funding from the ATA Fund in FY 2021 for the Arizona Vehicle Theft Task Force. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes a decrease of \$(3,650,000) from the ATA Fund in FY 2021 to merge the Department of

Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI Baseline appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

Monies in this line item were 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.

Local Grants

The Baseline includes no funding from the ATA Fund in FY 2021 for Local Grants. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes a decrease of \$(957,700) from the ATA Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI Baseline appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

This line item provided funding for the 4 categories of local grants that the ATA administers: 1) Vertical

Prosecution; 2) Law Enforcement; 3) Professional Training; and 4) Public Awareness grants. ATA 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.

Reimbursable Programs

The Baseline includes no funding from the ATA Fund in FY 2021 for Reimbursable Programs. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes a decrease of \$(50,000) from the ATA Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI Baseline appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

This line item funded 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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds. In addition, 50% of civil penalties assessed against a scrap metal dealer who does not submit vehicle title information to the ADOT records system within 48 hours after the completion of a transaction.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	5,180,100	5,312,100
Year-End Fund Balance	4,418,900	5,895,600
Settlement Fund (ATA1991/A.R.S. § 41-3451)		Non-Appropriated
Source of Revenue: Revenues from settlements issued by the courts.		
Purpose of Fund: To provide grants to law enforcement agencies for metal management training.		
Funds Expended	16,000	600
Year-End Fund Balance	1,300	700

Board of Barbers

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	194,100	196,000	196,000
Employee Related Expenditures	93,000	93,000	93,000
Professional and Outside Services	200	1,300	1,300
Travel - In State	1,000	8,700	8,700
Travel - Out of State	2,800	3,300	3,300
Other Operating Expenditures	88,300	103,400	103,400
Equipment	800	600	600
AGENCY TOTAL	380,200	406,300	406,300^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Barbers Fund	380,200	406,300	406,300
SUBTOTAL - Other Appropriated Funds	380,200	406,300	406,300
SUBTOTAL - Appropriated Funds	380,200	406,300	406,300
TOTAL - ALL SOURCES	380,200	406,300	406,300

AGENCY DESCRIPTION — The board licenses barbers, inspects barbering establishments, and investigates violations of sanitation requirements and barbering procedures. It conducts hearings and imposes enforcement actions where appropriate.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$406,300 and 4 FTE Positions from the Board of Barbers Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Barbers Fund (BBA2007/A.R.S. § 32-305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
Funds Expended	380,200	406,300
Year-End Fund Balance	741,100	739,900

Board of Behavioral Health Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	744,700	900,000	900,000
Employee Related Expenditures	286,400	335,000	335,000
Professional and Outside Services	187,400	250,000	250,000
Travel - In State	13,700	20,000	20,000
Travel - Out of State	4,300	15,000	15,000
Other Operating Expenditures	160,800	222,000	222,000
Equipment	13,200	28,000	28,000
AGENCY TOTAL	1,410,500	1,770,000	1,770,000^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Behavioral Health Examiners Fund	1,410,500	1,770,000	1,770,000
SUBTOTAL - Other Appropriated Funds	1,410,500	1,770,000	1,770,000
SUBTOTAL - Appropriated Funds	1,410,500	1,770,000	1,770,000
TOTAL - ALL SOURCES	1,410,500	1,770,000	1,770,000

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

Operating Budget

The Baseline includes \$1,770,000 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	1,410,500	1,770,000
Year-End Fund Balance	3,197,000	3,511,900

State Board for Charter Schools

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	19.0	24.0
Personal Services	631,900	830,000	830,000
Employee Related Expenditures	237,000	340,600	340,600
Professional and Outside Services	47,800	70,500	70,500
Travel - In State	3,600	10,000	10,000
Travel - Out of State	3,900	5,500	5,500
Other Operating Expenditures	153,100	437,900	830,700 ^{1/}
Equipment	600	20,000	20,000
AGENCY TOTAL	1,077,900	1,714,500	2,107,300^{2/}
FUND SOURCES			
General Fund	1,077,900	1,714,500	2,107,300
SUBTOTAL - Appropriated Funds	1,077,900	1,714,500	2,107,300
Other Non-Appropriated Funds	84,800	85,000	85,000
TOTAL - ALL SOURCES	1,162,700	1,799,500	2,192,300

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, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees over 540 charter schools.

FOOTNOTES

- 1/ The sum of \$392,800 and 5 FTE Positions are appropriated from the state General Fund in FY 2021 to the State Board for Charter Schools for charter school accountability. (FY 2020 General Appropriation Act Footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,107,300 and 24 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Charter School Accountability

The Baseline includes an increase of \$392,800 and 5 FTE Positions from the General Fund in FY 2021 for charter school accountability. The FY 2020 General Appropriation Act appropriated these amounts. As a result, these monies will not appear in the FY 2021 General Appropriation Act.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183W)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	3,000	3,000
Year-End Fund Balance	3,000	3,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	0	0
Year-End Fund Balance	5,500	5,500
Implementation Project Fund (CHA2025/A.R.S § 15-182)		Non-Appropriated
Source of Revenue: Consists of funds from private donations and Governor's Office of Education Innovation.		
Purpose of Fund: To fund the creation of the board's Performance Framework, automation of the academic dashboard development, improvements to online modules, conferences, and training.		
Funds Expended	0	0
Year-End Fund Balance	0	0
New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of applications submitted for new charters.		
Funds Expended	81,800	82,000
Year-End Fund Balance	93,900	83,900

Department of Child Safety

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,193.1	3,193.1	3,193.1 ^{1/}
Personal Services	51,693,200	55,314,900	55,314,900
Employee Related Expenditures	23,400,600	25,040,100	25,040,100
Professional and Outside Services	5,686,400	6,084,800	6,084,800
Travel - In State	1,100,500	1,177,600	1,177,600
Travel - Out of State	105,200	112,600	112,600
Other Operating Expenditures	21,090,000	22,509,000	22,509,000
Equipment	3,218,400	3,437,700	3,437,700
OPERATING SUBTOTAL	106,294,300	113,676,700	113,676,700 ^{2/-10/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 ^{11/}
Caseworkers	92,239,300	105,428,600	105,428,600
General Counsel	155,900	156,100	156,100
Inspections Bureau	2,390,400	2,483,200	2,483,200
Litigation Expenses	3,770,000	0	0
New Case Aides	2,322,100	3,185,200	3,185,200
Office of Child Welfare Investigations	8,365,400	9,646,300	9,646,300
Overtime Pay	4,475,000	8,407,700	8,407,700
Records Retention Staff	578,700	594,300	594,300
Retention Pay	715,900	0	0
Training Resources	3,108,300	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	88,202,400	98,900,100	89,788,900
Extended Foster Care	3,595,000	4,660,000	14,437,200
Foster Home Placement	50,443,900	52,595,500	51,929,500
Foster Home Recruitment, Study and Supervision	31,566,800	32,753,600	32,753,600
Kinship Care	2,608,000	5,000,000	5,000,000 ^{12/}
Permanent Placements			
Adoption Services	260,921,700	278,258,500	278,258,500
Permanent Guardianship Subsidy	12,516,900	12,516,900	12,516,900
Support Services			
DCS Child Care Subsidy	43,988,700	55,559,400	55,559,400
In-Home Mitigation	21,705,200	28,988,100	28,988,100
Out-of-Home Support Services	139,772,300	153,910,900	153,910,900
Preventive Services	15,148,300	15,148,300	15,148,300
AGENCY TOTAL	920,407,300	1,016,542,200	1,016,542,200 ^{13/}
FUND SOURCES			
General Fund	373,682,100	384,653,400	384,653,400
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,300	1,459,300
Children and Family Services Training Program Fund	207,100	207,100	207,100
Federal Child Care and Development Fund Block Grant	34,400,000	34,400,000	34,400,000
Federal Temporary Assistance for Needy Families Block Grant	156,486,100	157,428,800	157,428,800
Risk Management Revolving Fund	3,770,000	0	0
SUBTOTAL - Other Appropriated Funds	194,863,200	193,495,200	193,495,200
SUBTOTAL - Appropriated Funds	568,545,300	578,148,600	578,148,600

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	351,862,000	438,393,600	438,393,600
SUBTOTAL - Expenditure Authority Funds	351,862,000	438,393,600	438,393,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	920,407,300	1,016,542,200	1,016,542,200
Other Non-Appropriated Funds	3,454,000	5,463,200	5,463,200
TOTAL - ALL SOURCES	923,861,300	1,022,005,400	1,022,005,400

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/ Includes 901.4 GF, 436.5 OF, and 543.3 EA FTE Positions funded from Special Line Items in FY 2021.
- 2/ For the purposes of this section, "backlog case": (1) Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least 60 days and for which services have not been authorized for at least 60 days and any case that has had an investigation, has been referred to another unit and has had no contact for at least 60 days. (2) Includes any case for which the investigation has been open without any documentation or contact for at least 60 days, any case involving in-home services for which there has been no contact or services authorized for at least 60 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 60 days. (General Appropriation Act footnote)
- 3/ For the purposes of this section, "open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 4/ On or before September 30, 2020, and on or before the last day of every calendar quarter through June 30, 2021, the Department of Child Safety shall present a report for review by the Joint Legislative Budget Committee on the progress made in meeting the caseload standard and reducing the number of backlog cases and out-of-home children. The report shall include the number of backlog cases, the number of open reports, the number of out-of-home children and the caseworker workload in comparison to the previous quarter. The 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 out-of-home children assigned to each field office. For backlog cases, the department's quarterly benchmark is 1,000 cases. For open reports, the department's benchmark is to have fewer than 8,000 open reports. For out-of-home children, the department's benchmark is 13,964 children. If the Department of Child Safety has not submitted the quarterly report within 30 days after the last day of the calendar quarter, the Director of the Joint Legislative Budget Committee shall inform the General Accounting Office of the Department of Administration, which shall withhold 2% of the Department of Child Safety's operating lump sum quarterly budget allocation until the Department of Child Safety submits the quarterly report. (General Appropriation Act footnote)
- 5/ The amount appropriated for any line item may not be transferred to another line item or the operating budget unless the transfer is reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ 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 and the Children and Family Services Training Program Fund. (General Appropriation Act footnote)
- 7/ The Department of Child Safety may transfer up to 10% 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 Appropriation Act footnote)

- 8/ 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 Appropriation Act footnote)
- 9/ The Legislature intends that the Department of Child Safety use its funding to achieve a 100% investigation rate. (General Appropriation Act footnote)
- 10/ On or before January 2, 2021, 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 2 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 Appropriation Act footnote)
- 11/ 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 Appropriation Act footnote)
- 12/ The amount appropriated for kinship care shall be used for a stipend of \$75 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 Appropriation Act footnote)
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$113,676,700 and 1,311.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$61,015,600
Federal TANF Block Grant	17,005,200
Child Safety Expenditure Authority	35,655,900

These amounts are unchanged from FY 2020.

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$25,522,800 and 276.2 FTE Positions in FY 2021 for Attorney General Legal Services. These amounts consist of:

General Fund	18,646,000
Federal TANF Block Grant	99,700
Child Safety Expenditure Authority	6,777,100

These amounts are unchanged from FY 2020.

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. *(Please see the Litigation Expenses Special Line Item for additional information.)*

Caseworkers

The Baseline includes \$105,428,600 and 1,406 FTE Positions in FY 2021 for caseworkers. These amounts consist of:

General Fund	41,090,300
Children and Family Services Training Program Fund	207,100
Federal TANF Block Grant	30,137,500
Child Safety Expenditure Authority	33,993,700

These amounts are unchanged from FY 2020.

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). *Table 1* displays DCS progress in hiring these staff. As of the latest available data from November 2019, DCS had filled 1,331 of these positions, or (75) fewer filled positions than the funded amount.

<u>Direct Line Staff Type</u>	<u>Funded Positions</u>	<u>Nov. 2019</u>	<u>Difference</u>
Case-Carrying Caseworkers	1,190	962	(228)
Caseworkers in Training	140	300	160
Hotline Staff	76	69	(7)
Total	1,406	1,331	(75)

General Counsel

The Baseline includes \$156,100 and 1 FTE Position from the General Fund in FY 2021 for General Counsel. These amounts are unchanged from FY 2020.

Unlike the Attorney General Legal Services line item which funds representation of DCS in administrative or judicial proceedings, this line item funds the DCS General Counsel, who provides legal advice to the Director.

Inspections Bureau

The Baseline includes \$2,483,200 and 31 FTE Positions in FY 2021 for the Inspections Bureau. These amounts consist of:

General Fund	1,332,000
Federal TANF Block Grant	553,100
Child Safety Expenditure Authority	598,100

These amounts are unchanged from FY 2020.

Background – Monies in this line item fund the Inspections Bureau established in A.R.S. § 8-458, which is tasked with ensuring the department policies and procedures are being followed by all staff in accordance with federal and state law. The Bureau is required to monitor specific programs and services and shall continuously improve the practices of the department, which may include formal audits, inspections, program evaluation, other quality assurance activities, suggestions

for policy changes, and evaluation of best practices and programming.

Litigation Expenses

The Baseline includes no funding in FY 2021 for Litigation Expenses. This amount is unchanged from FY 2020.

Background – DCS is currently a defendant in a federal class-action lawsuit called *B.K. v. McKay*. The case concerns the adequacy of the state's foster care services, including access to health services for foster children, the availability of family foster placements, investigations of maltreatment within foster placements, and practices to maintain family relationships. The Arizona Health Care Cost Containment System (AHCCCS) and the Department of Health Services (DHS) are also defendants in the case.

The department has used the funds in this line to retain outside counsel for its legal defense, expert witnesses, discovery costs, and other expenses. The case has not yet gone to trial. In April 2019, the federal 9th Circuit Court of Appeals certified the class-action status of the case.

New Case Aides

The Baseline includes \$3,185,200 and 34 FTE Positions in FY 2021 for New Case Aides. These amounts consist of:

General Fund	2,594,100
Child Safety Expenditure Authority	591,100

These amounts are unchanged from FY 2020.

Monies in this line item fund 34 new case aides. These positions are in addition to the 256 case aides funded from the operating budget in May 2016.

Office of Child Welfare Investigations

The Baseline includes \$9,646,300 and 127 FTE Positions in FY 2021 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,544,300
Child Safety Expenditure Authority	102,000

These amounts are unchanged from FY 2020.

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. DCS reports that in FY 2019, 6,303 of the 47,044 reports of child abuse or neglect received by the Arizona Child Abuse Hotline included an allegation of criminal conduct.

Overtime Pay

The Baseline includes \$8,407,700 in FY 2021 for Overtime Pay. This amount consists of:

General Fund	2,603,700
Federal TANF Block Grant	3,879,400
Child Safety Expenditure Authority	1,924,600

These amounts are unchanged from FY 2020.

Monies in this line fund overtime pay for DCS caseworkers.

Records Retention Staff

The Baseline includes \$594,300 and 5 FTE Positions in FY 2021 for Records Retention Staff. These amounts consist of:

General Fund	497,600
Child Safety Expenditure Authority	96,700

These amounts are unchanged from FY 2020.

This line item funds staff that process information requests about children in the state child welfare system.

Training Resources

The Baseline includes \$9,150,000 in FY 2021 for Training Resources. This amount consists of:

General Fund	150,000
Child Safety Expenditure Authority	9,000,000

These amounts are unchanged from FY 2020.

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%.

Students receive scholarships that cover their tuition, books, and university fees. Scholarship degrees include a Bachelors of Social Work (BSW) or a Masters of Social

Work (MSW). The post-graduation DCS work requirement for scholarship students is equal to the length of the academic scholarship. The 2-year MSW scholarship value is about \$38,300 (\$10,800 stipend and \$27,500 /fees). Students who withdraw from the scholarship, do not fulfill their contractual obligation, or do not meet the employment requirement of DCS at the time of hiring are required to repay DCS the scholarship amount. DCS reports that 75 ASU/NAU social work students received scholarships in FY 2019, including 29 BSW students and 46 MSW students.

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 2* shows out-of-home placements by setting each year.

	Out-of-Home Placements ^{1/}		
	June 2017	June 2018	June 2019
Kinship Care ^{2/}	6,511	5,566	5,417
Foster Home	6,545	5,875	5,660
Congregate Care	2,563	2,232	2,334
Group Home	1,880	1,669	1,723
Emergency Shelter	239	112	90
Behavioral Health Placement	444	451	521
Independent Living	476	455	475
Other ^{3/}	540	361	319
Total	16,635	14,489	14,205

^{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.

Congregate Group Care

The Baseline includes \$89,788,900 in FY 2021 for Congregate Group Care. This amount consists of:

General Fund	31,076,000
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	37,289,900

FY 2021 adjustments are as follows:

Extended Foster Care Transfer

The Baseline includes a decrease of \$(9,111,200) in FY 2021 to transfer congregate group care expenses for

individuals in foster care aged 18-21 to a relabeled line item for Extended Foster Care. This amount consists of:

General Fund	(4,952,000)
Child Safety Expenditure Authority	(4,159,200)

(Please see the Extended Foster Care line item below for additional information.)

Caseload – In FY 2019, DCS served a monthly average caseload of 2,108 in congregate care placements. At an average monthly cost of \$3,689 per placement, funding in this line is sufficient for an average monthly caseload of 2,028 placements in FY 2021. The estimated average cost is based on DCS' reported congregate care expenses following the implementation of a contracted rate increase effective April 1, 2019.

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 CMDP 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.

Children aged 18-21 in congregate care placements are funded in the Extended Foster Care line item *(please see the Extended Foster Care line item for additional information.)*

Extended Foster Care

The Baseline includes \$14,437,200 in FY 2021 for Extended Foster Care. This amount consists of:

General Fund	8,283,300
Child Safety Expenditure Authority	6,153,900

FY 2021 adjustments are as follows:

Extended Foster Care Transfer

The Baseline includes an increase of \$9,777,200 in FY 2021 to transfer placement expenses for individuals in foster care aged 18-21 to a relabeled line item for Extended Foster Care. This amount consists of:

General Fund	5,314,000
Child Safety Expenditure Authority	4,463,200

This line item was previously called the "Independent Living Maintenance" line item, as it included placement expenses for the foster care population aged 18-21 within independent living settings. The line item is renamed as "Extended Foster Care" to reflect the inclusion of all placement expenses for the foster care population aged 18-21, including group home and foster home settings.

Caseload – In FY 2019, a monthly average of 848 individuals age 18-21 remained voluntarily in DCS foster care. Based on the rate of placement in independent living settings, group homes, and foster homes, the average monthly cost per placement was approximately \$1,390. At \$1,390 per month, the funding in this line item is sufficient to fund 866 placements in FY 2021.

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.

DCS submitted a IV-E state plan amendment in September 2019 that allows the department to begin receiving Federal Funds for other out-of-home youth age 18 or older under the IV-E Extended Foster Care program. Based on a consultant's analysis, the department will receive an estimated \$6.6 million in additional Federal IV-E Funds in FY 2020 for the program, of which \$6.2 million is accounted for in this line item.

The additional \$6.6 million effectively represents a dollar-for-dollar state savings of \$(6.6) million from the General Fund for placements costs of foster youths age 18-21, as these placement costs were previously covered by either the General Fund or TANF (the latter being a General Fund offset) within the Congregate Group Care, Independent Living Maintenance, and Foster Home Placement line items. DCS intends to use the additional federal resources to increase the number of individuals and services offered to children in extended foster care.

Foster Home Placement

The Baseline includes \$51,929,500 in FY 2021 for Foster Home Placement. This amount consists of:

General Fund	22,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	22,130,900

FY 2021 adjustments are as follows:

Extended Foster Care Transfer

The Baseline includes a decrease of \$(666,000) in FY 2021 to transfer foster care expenses for individuals in foster care aged 18-21 to a relabeled line item for Extended Foster Care. This amount consists of:

General Fund	(362,000)
Child Safety Expenditure Authority	(304,000)

(Please see the Extended Foster Care line item for additional information.)

Caseload – In FY 2019, a monthly average of 5,555 clients received licensed foster home services. At an average monthly cost of \$712, the funding in this line item is sufficient for 6,078 foster home placements in FY 2021.

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.

Children in licensed foster home placements aged 18-21 are funded in the Extended Foster Care line item *(please see the Extended Foster Care line item for additional information.)*

Foster Home Recruitment, Study and Supervision

The Baseline includes \$32,753,600 in FY 2021 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,980,800
Child Safety Expenditure Authority	12,772,800

These amounts are unchanged from FY 2020.

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.

Kinship Care

The Baseline includes \$5,000,000 in FY 2021 for Kinship Care. This amount consists of:

General Fund	4,392,000
Federal TANF Block Grant	608,000

These amounts are unchanged from FY 2020.

Caseload – In FY 2019, a monthly average of 5,528 children in were placed in unlicensed kinship care. At an average monthly cost of \$71, this line item is sufficient to fund a monthly average of 5,869 kinship placements in FY 2021.

Background – This line item funds the Kinship Stipend, which provides a \$75 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.

The Baseline continues a General Appropriation Act footnote that 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.

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 3* shows the total caseload for permanent placements.

	June 2017	June 2018	June 2019
Adoption	27,070	29,500	31,382
Permanent Guardianship	2,582	2,608	2,775
Total	29,652	32,108	34,157

Adoption Services

The Baseline includes \$278,258,500 in FY 2021 for Adoption Services. This amount consists of:

General Fund	86,145,800
Federal TANF Block Grant	23,163,500
Child Safety Expenditure Authority	168,949,200

These amounts are unchanged from FY 2020.

Caseload – In FY 2019, a monthly average of 30,514 clients received adoption subsidies. At an average monthly cost of \$710, the funding in this line item is sufficient for 32,659 total placements in FY 2021.

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. The funding provides for maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. Medical expenses are covered through AHCCCS.

Permanent Guardianship Subsidy

The Baseline includes \$12,516,900 in FY 2021 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	10,573,900
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2020.

Caseload – In FY 2019, a monthly average of 2,681 clients received permanent guardianship subsidies. At an average monthly cost of \$378, the funding in this line item is sufficient to fund 2,759 total placements in FY 2021.

Background – Pursuant to A.R.S. § 8-871, the Juvenile Court may establish a permanent guardianship for children in out-of-home care: 1) who have been in the custody of the prospective permanent guardian for at least 9 months; 2) for whom reasonable efforts have been made to reunite the parent and child and further efforts would be unproductive; 3) for whom the likelihood of adoption is remote or termination of parental rights would not be in the child's best interest. A.R.S. § 8-814 requires DCS to administer a program to subsidize permanent guardianships subject to available funding from appropriations and other sources. The current base subsidy rate is \$12.95 per day (\$388.50 per month). Medical expenses for permanent guardianship placements 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. These services may include instruction to parents (parent aide), visitation between out-of-home children and their families, transportation, substance abuse treatment, and in-home programs, among others. *Table 4* displays combined

spending from FY 2019 for in-home mitigation and out-of-home support services by category.

Table 4

**Support Services
FY 2019 Actual Expenditures by Service Category ^{1/}**

<u>Services</u>	<u>Amount</u>
Child Care Subsidies	\$ 44,980,600
CMDP ^{2/}	36,210,500
Parent Aide	21,734,600
Supervised Visitation	20,525,400
Transportation	18,598,100
In-Home Services	17,476,300
Preventive Services	15,148,300
Allowances	8,975,100
Counseling and Psychological Services	7,291,700
Substance Use Disorder Treatment ^{3/}	7,006,600
Independent Living Support	5,856,000
Lab Services	4,736,000
Other	<u>3,519,000</u>
Total	\$212,058,200

- ^{1/} From "Children Support Services Expenditures Based on Payment Month" of DCS' October 2019 Child Safety Monthly Program Report, except that child care subsidy expenditures are from the DES Child Care Administration and DCS preventive services expenditures are from the FY 2021 DCS budget request.
- ^{2/} Acute care expenses for children in foster care. Excludes CMDP administrative costs, which are funded in the DCS Operating Budget.
- ^{3/} DCS spending on the Arizona Families F.I.R.S.T. (AFF) substance use disorder treatment program. Does not include substance use disorder services spending for AFF recipients who are eligible for AHCCCS.

DCS Child Care Subsidy

The Baseline includes \$55,559,400 in FY 2021 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	34,400,000
Child Safety Expenditure Authority	14,159,400

These amounts are unchanged from FY 2020.

Caseload – In FY 2019, a monthly average of 8,633 children received DCS child care. At \$477 monthly, the funding in this line item is sufficient for an average monthly caseload of 9,706 children in FY 2021.

Background – This line item funds child care for children in the DCS system. DES continues to administer the state's child care program, so this funding is passed through to DES. Children who qualify for the DCS child care subsidy are not subject to a time limit, copay, or

waiting list. DCS child care is provided for children in both licensed and unlicensed foster care. *(Please see the Child Care Subsidy line item in the DES narrative for other state child care funding.)*

In-Home Mitigation

The Baseline includes \$28,988,100 and 1 FTE Position in FY 2021 for In-Home Mitigation. These amounts consist of:

General Fund	15,794,000
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	5,911,200
Child Safety Expenditure Authority	5,823,600

These amounts are unchanged from FY 2020.

Background – This line item funds DCS’ in-home services program for families with a child 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. DCS reports that there were 4,533 new referrals to the in-home services program in FY 2019.

Out-of-Home Support Services

The Baseline includes \$153,910,900 in FY 2021 for Out-of-Home Support Services. This amount consists of:

General Fund	36,952,400
Federal TANF Block Grant	45,732,100
Child Safety Expenditure Authority	71,226,400

These amounts are unchanged from FY 2020.

Background – This line item funds services for children in out-of-home care and their families, including supervised visitation, parent aide, health care services, allowances, transportation, substance abuse treatment, and independent living services.

Preventive Services

The Baseline includes \$15,148,300 in FY 2021 for Preventive Services. This amount consists of:

General Fund	4,000,000
Child Safety Expenditure Authority	11,148,300

These amounts are unchanged from FY 2020.

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families. The programs include the Healthy Families, which is an in-home visiting program, and the Building Resilient Families program, which provides follow-up services to families that were previously the subject of a DCS report.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Selected Non-General Fund Budget Requests
- Auditor General Recommendations
- CMDP Integration
- Family First Prevention Services Act

Statutory Changes

The Baseline would, as session law, establish an audit of Extended Foster Care as part of the FY 2021 Human Services Budget Reconciliation Bill. The audit would be due on or before September 30, 2021.

Selected Non-General Fund Budget Requests

The JLBC Staff suggests the Legislature consider the following budget issues in FY 2021:

Litigation Expenses

The Department of Child Safety requested \$2,602,000 from the Risk Management Revolving Fund in FY 2021 for the costs associated with the department's legal defense in *B.K. vs. McKay*, a class action lawsuit against the department (*please see the Litigation Expenses line item for more background on the lawsuit*). The request would finance DCS' costs associated with outside legal counsel, expert witness fees, and data management expenses associated with discovery. The Legislature previously funded the department's legal expenses in the case in FY 2016, FY 2018, and FY 2019. DCS reports that, at the conclusion of FY 2019, the department had \$1,337,500 in unspent monies from its FY 2019 litigation expenses appropriation.

CHILDS Replacement

The Department of Child Safety requested \$4,992,800 from the Automation Projects Fund in FY 2021 to complete its replacement of the department's child welfare information system with a new system called "Guardian." *(Please see the Arizona Department of*

Auditor General Recommendations

Pursuant to the FY 2018 Human Services Budget Reconciliation Bill, the Auditor General reported in September 2019 on DCS' practices for recruiting, licensing, using and retaining foster parents. The Auditor General made the following findings:

- DCS' licensing standards for foster homes are generally consistent with model standards from the U.S. Department of Health and Human Services.
- The department placed children in non-relative foster homes at lower rates than the national average, but exceeded the national average for placement rates with relatives. State law establishes a preference for placement with relatives.
- DCS uses data to estimate its foster home recruitment needs, which is consistent with best practices, but still needs additional homes for specific groups, such as teenagers and large sibling groups.
- Foster parents have consistently reported that customer service and lack of information about children in their care are areas where DCS could improve
- Inadequate handling of inquiries by the department and its contractors from prospective foster parents, particularly for Spanish-speaking parents, may hinder foster home recruitment efforts.

The report recommended that DCS improve its customer service in its interactions with foster parents, provide foster parents with complete information packets, and implement procedures to ensure contractors and the department adequately handle intake in English and Spanish, among other recommendations. DCS agreed to the auditors' recommendations.

CMDP Integration

Children in foster care receive coverage for physical health and behavioral health care through the Comprehensive Medical & Dental Program (CMDP). Currently, DCS serves as the health plan for physical health, while behavioral health is covered separately covered through Regional Behavioral Health Authorities (RBHAs) contracted with AHCCCS.

Laws 2019, Chapter 305 transfers coverage of behavioral health services for foster children from the RBHAs to DCS conditional on authorization of state and federal funding by February 1, 2024. In its review of capitation funding

for the CMDP program in April 2019, the Joint Legislative Budget Committee's review included a provision stating that it is the intent of the Legislature that DCS and AHCCCS request any funding changes associated with the creation of an integrated health plan as part of each agency's FY 2021 budget submittal.

Integrating behavioral health services under DCS would likely increase DCS' CMDP administrative expenses. According to a February 2018 Mercer study, the department could incur administrative costs of up to \$21.6 million Total Funds for administration of an integrated CMDP health plan, including the addition of 198 FTE Positions, if DCS administered all managed care health plan functions (e.g. medical management, network development, claims processing, etc.). By comparison, AHCCCS reports that existing administrative spending of the RBHAs is approximately \$13.3 million, or \$(8.3) million below the estimate from the 2018 study.

The plan could also impact behavioral health utilization. DCS would gain responsibility for "clinical operations," such as prior authorization and care coordination for behavioral health, so if DCS authorizes more services than the RBHAs do under current practice, foster care behavioral health expenses could increase. The magnitude of such changes is unknown. DCS hopes to lower Mercer's cost estimate by contracting for certain administrative functions

DCS and AHCCCS are proposing to retain the monies for CMDP within AHCCCS. These monies, however, would appear as Expenditure Authority in DCS. DCS requested 33 FTE Positions. AHCCCS did not request any further funding under the assumption that the current RBHA administrative funding of \$13.3 million would be sufficient for DCS to administer the 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. This provision may expand federal IV-E funding for DCS.

- 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. This provision may reduce federal IV-E funding for DCS.
- Delays the full phase-out of income eligibility standards for children age 2 or under (previously, adoptive subsidies were only available to children demonstrating "special needs" as defined in federal law and that came from families with incomes at or below the TANF income eligibility level) in the IV-E adoption program until July 1, 2024. Prior federal legislation had originally scheduled a full phase-out by October 1, 2017. The delay in the phase-out of

income eligibility criteria may reduce federal IV-E funding for DCS.

The funding provisions related to in-home preventive services and congregate care will take effect October 1, 2021. An FY 2020 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by January 2, 2020. The department shall quantify its efforts, including any fiscal impacts, associated with the 2-week federal funding limitation on most congregate care placements, its efforts to assist current congregate care providers attain status as qualified residential treatment programs, identification of alternative placements, such as therapeutic foster care, for children who would otherwise be placed in congregate care, and implementation of in-home skill-based parenting programs and mental health and substance abuse treatment for families with DCS involvement.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	0	1,459,300
Year-End Fund Balance	2,060,400	1,400,000
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	213,200	163,200
Year-End Fund Balance	20,000	20,000
Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)		Expenditure Authority
Source of Revenue: All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
Purpose of Fund: To fund the Department of Child Safety.		
Funds Expended	351,862,000	438,393,600
Year-End Fund Balance	100	100

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
Funds Expended	207,100	207,100
Year-End Fund Balance	122,500	118,200
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	3,240,800	5,300,000
Year-End Fund Balance	1,974,300	1,674,300
Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	0	0
Year-End Fund Balance	62,800	68,800
Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
Funds Expended	34,400,000	34,400,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
Funds Expended	156,486,100	157,428,800
Year-End Fund Balance	793,200	793,200
Risk Management Revolving Fund (CHA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	3,770,000	0
Year-End Fund Balance	356,700	356,700

State Board of Chiropractic Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	183,900	221,100	221,100
Employee Related Expenditures	73,300	95,000	95,000
Professional and Outside Services	23,300	50,000	50,000
Travel - In State	0	500	500
Travel - Out of State	11,100	15,000	15,000
Other Operating Expenditures	41,100	50,000	50,000
Equipment	500	7,000	7,000
AGENCY TOTAL	333,200	438,600	438,600^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Chiropractic Examiners Fund	333,200	438,600	438,600
SUBTOTAL - Other Appropriated Funds	333,200	438,600	438,600
SUBTOTAL - Appropriated Funds	333,200	438,600	438,600
TOTAL - ALL SOURCES	333,200	438,600	438,600

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

Operating Budget

The Baseline includes \$438,600 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	333,200	438,600
Year-End Fund Balance	404,200	463,200

Citizens Clean Elections Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	8,728,800	11,468,400	11,468,400
TOTAL - ALL SOURCES	8,728,800	11,468,400	11,468,400

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

complete list of Citizens Clean Elections Fund transfers to the General Fund, please see *Table 1*.

Clean Elections Fund Transfer to the General Fund

Pursuant to a 1998 ballot proposition (A.R.S. § 16-954B), the CCEC is instructed to return excess monies to the General Fund if it determines that anticipated revenues exceed anticipated expenses. The CCEC determines this on an annual basis by projecting revenues and expenses over the next 4 years and designating monies above the amount needed to meet current and future expenses as "excess monies" to be transferred to the General Fund.

The most recent transfer was in FY 2012, when \$10 million was transferred to the General Fund. For a

Table 1
Clean Elections Fund Transfers to General Fund

<u>Fiscal Year</u>	<u>Transfer</u>
FY 2003	\$ 1,774,600
FY 2004	3,828,000
FY 2005	973,900
FY 2006	2,500,000
FY 2008	18,876,200
FY 2009	7,000,000
FY 2010	10,000,000
FY 2011	20,000,000
FY 2012	<u>10,000,000</u>
Total	\$74,952,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		Non-Appropriated
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; "qualifying contributions" on behalf of candidates who seek public campaign funding. Prior to FY 2013, the commission also generated revenues from a check-off box on state income tax forms and tax credits. Laws 2012, Chapter 257 repealed those provisions.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Elections Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
Funds Expended	8,728,800	11,468,400
Year-End Fund Balance	27,753,900	23,656,300

Arizona Commerce Authority

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
SPECIAL LINE ITEMS			
Operating Budget Deposit	10,000,000	10,000,000	10,000,000 ^{1/}
Applied Research Centers	0	2,500,000	0 ^{D/}
Arizona Competes Fund Deposit	11,500,000	5,500,000	5,500,000 ^{1/}
Israel Trade Office	0	275,000	175,000
Mexico Trade Offices	300,000	500,000	500,000
Rural Broadband Grants	0	3,000,000	0 ^{D/}
AGENCY TOTAL	21,800,000	21,775,000	16,175,000
FUND SOURCES			
General Fund	21,800,000	19,275,000	16,175,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	0	2,500,000	0
SUBTOTAL - Other Appropriated Funds	0	2,500,000	0
SUBTOTAL - Appropriated Funds	21,800,000	21,775,000	16,175,000
Other Non-Appropriated Funds	7,626,100	18,179,700	21,179,700
Federal Funds	1,514,300	1,998,800	1,998,800
TOTAL - ALL SOURCES	30,940,400	41,953,500	39,353,500

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/ Pursuant to A.R.S. § 43-409, \$15,500,000 of the state General Fund withholding tax revenues is allocated in FY 2021 to the Arizona Commerce Authority, of which \$10,000,000 is credited to the Arizona Commerce Authority Fund established by A.R.S. § 41-1506, and \$5,500,000 is credited to the Arizona Competes Fund established by A.R.S. § 41-1545.01. (General Appropriation Act footnote)
- D/ A. The sum of \$2,500,000 is appropriated from the State Web Portal Fund established by A.R.S. § 18-421 in FY 2020 to the Arizona Commerce Authority to distribute to applied research centers and institutes located in this state that specialize in blockchain or wearable technology or automated mobility, to be allocated as follows: 1) \$1,250,000 for distribution to applied research centers that specialize in blockchain technology, 2) \$750,000 for distribution to applied research centers that specialize in wearable technology, and 3) \$500,000 to the Institute for Automated Mobility.
- B. Subject to available funding, the authority shall distribute monies appropriated in subsection A of this section to any applied research center or institute in increments of up to \$250,000 within 30 days after the applied research center or institute notifies the authority in writing that the applied research center or institute has received a matching amount of at least \$250,000 from sources other than this state.
- C. An applied research center or institute that receives a distribution pursuant to this section must collaborate with universities, nonprofit business associations, health science research centers, institutes or other technology businesses that do business in this state. On or before September 15, 2022, the applied research center or institute shall return to the authority all monies received by the applied research center or institute pursuant to this section that remain unexpended and unencumbered on September 1, 2022. The authority shall deposit the returned monies in the State Web Portal Fund. The authority shall notify the President of the Senate and the Speaker of the House of Representatives on or before July 1, 2020 and July 1, 2021 if the authority has not distributed any monies pursuant to this section.
- D. An applied research center or institute that receives monies pursuant to this section shall annually submit an expenditure and performance report to the authority. The authority shall transmit the report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before February 1 of each year.

- E. For the purposes of this act, the authority is exempt from the procurement code requirements of Title 41, Chapter 23, Arizona Revised Statutes.
- F. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations, except that any amounts that remain unexpended and unencumbered on June 30, 2023 revert to the State Web Portal Fund. (General Appropriation Act Footnote)
- D/ A. The sum of \$3,000,000 in one-time funding is appropriated from the state General Fund in FY 2020 to the Arizona Commerce Authority for the purpose of providing rural broadband grants. The Arizona Commerce Authority shall report to the Joint Legislative Budget Committee on or before January 31, 2020 on its plan for distributing these grants.
- B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations. (General Appropriation Act Footnote)

Operating Budget Deposit

The Baseline includes \$10,000,000 from the General Fund in FY 2021 for the operating budget. This amount is unchanged from FY 2020.

In FY 2019, ACA expended \$9,283,400 of this General Fund deposit.

Applied Research Centers

The Baseline includes no funding from the State Web Portal Fund in FY 2021 for Applied Research Centers. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,500,000) from the State Web Portal Fund in FY 2021 for applied research centers and the Institute for Automated Mobility.

Any monies distributed to entities that is unused and unencumbered by September 1, 2022 will revert to the State Web Portal Fund.

ACA is required to report to the President of the Senate and the Speaker of the House of Representatives by July 1 of both 2020 and 2021 if it has not distributed any of the \$2,500,000.

Private and public sector research centers will apply for funding to perform research on blockchain technology, wearables, and automated mobility.

The funds will be distributed as follows:

- \$1,250,000 to applied research centers that specialize in blockchain technology.
- \$750,000 to applied research centers that specialize in wearable technology.
- \$500,000 to the Institute of Automated Mobility (IAM).

Blockchain technology is a series ("chain") of recorded digital transactions ("blocks") on a public ledger, with the integrity of the ledger verified by public consensus.

Wearable technology enhances the body's ability to function through the processing or exchange of data.

IAM performs research on automated vehicle science issues related to safety and policy. Current participants are Intel, Arizona Department of Transportation, Arizona Department of Public Safety, Arizona State University, University of Arizona, and Northern Arizona University.

Arizona Competes Fund Deposit

The Baseline includes \$5,500,000 from the General Fund in FY 2021 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2020.

In FY 2017 through FY 2019, the Arizona Competes Fund received an annual appropriation of \$11,500,000 in income tax withholding from the General Fund. The FY 2019 Revenues Budget Reconciliation Bill (BRB) reduced this deposit to \$5,500,000 starting in FY 2020. Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 4-572. In total, the fund will receive deposits of \$9,000,000 in FY 2020 and thereafter. (Please see the FY 2018 Appropriations Report for more information on the history of the Competes Fund deposit.)

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.

Microenterprises are businesses that employ 10 or fewer employees including start-ups, home-based businesses, and self-employed businesses.

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. The 25% allocation is no longer reserved for these purposes after March 31 of each fiscal year. Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona. *(Please see Other Issues section for Arizona Competes Fund Commitments and Expenditures by year.)*

Israel Trade Office

The Baseline includes \$175,000 from the General Fund in FY 2021 to operate a trade office in Israel. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2021 to remove one-time funding for establishing the Israel Trade Office.

In FY 2020, the Israel Trade Office line item received an appropriation of \$275,000 to establish a trade office in Tel Aviv with 1 worker. The office facilitates foreign direct investment opportunities in the fields of technology and innovation, research and development, and entrepreneurship.

Mexico Trade Offices

The Baseline includes \$500,000 from the General Fund in FY 2021 to operate trade offices in Mexico. This amount is unchanged from FY 2020.

In FY 2015 through FY 2019, the Mexico Trade Office line item received an annual appropriation of \$300,000 which has been used to lease a 2-story building in central Mexico City that services as the Mexico City Trade Office and hire 4 contract workers to run the office. Additional offices in Guanajuato and Chihuahua are planned to open in December 2019 and January 2020, respectively.

Rural Broadband Grants

The Baseline includes no funding from the General Fund in FY 2021 for Rural Broadband Grants. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2021 to remove one-time funding. These monies will be granted to local partnerships or ventures for rural broadband projects. A General Appropriation Act footnote requires that the Arizona Commerce Authority report to the Joint Legislative Budget Committee by January 31, 2020 on its plan for distributing these grants.

Other Issues

Arizona Competes Fund Grants and Expenditures

ACA made \$84.7 million in commitments and expended \$51.2 million from the Competes Fund from FY 2012 through FY 2019. See Table 1 for expenditures and commitments by fiscal year. *(To see names of grant recipients for FY 2018, please see the FY 2020 Baseline Book. For a full list prior to FY 2017, please see the FY 2020 Appropriations Report.)*

Currently, 3 types of grants are awarded from the fund: 1) Competes Fund grants for businesses that are expanding in or relocating to Arizona; 2) Arizona Innovation Challenge grants for early-stage start-up companies; and 3) Rural Economic Development grants for local governments to improve infrastructure and attract businesses.

Table 1
Arizona Competes Fund Commitments and Expenditures by Award Year

<u>Award Year</u>	<u>Commitments</u>	<u>Expenditures</u>
FY 2012	\$ 7,097,000	\$ 6,445,500
FY 2013	7,953,000	7,638,400
FY 2014	10,029,200	7,942,700
FY 2015	10,180,100	6,856,600
FY 2016	6,350,000	4,657,700
FY 2017	13,551,500	7,571,700
FY 2018	17,300,000	9,223,700
FY 2019	<u>12,250,000</u>	<u>866,100</u>
Total	\$84,710,900	\$51,202,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Application Fees Fund (CAA3005/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
Purpose of Fund: To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax funds.		
Funds Expended	604,400	1,270,800
Year-End Fund Balance	2,994,900	2,681,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Leftover funds and residual revenue transferred from various funds belonging to the Arizona Department of Commerce.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	236,800	1,860,000
Year-End Fund Balance	1,976,500	468,100
Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)		Non-Appropriated
Source of Revenue: An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: To fund the operating costs of the Authority.		
Funds Expended	0	0
Year-End Fund Balance	1,289,200	1,289,200
Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)		Non-Appropriated
Source of Revenue: Receives an annual deposit of \$11,500,000 in income tax withholding revenues, \$3,500,000 in lottery ticket sales revenues, gifts, grants, and other donations. The deposit made from income tax withholding revenues is reduced to \$5,500,000 in FY 2020 and thereafter. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	0	0
Year-End Fund Balance	43,335,700	43,128,500
Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Funds in the form of loans from the U.S. Department of Treasury under the State Small Business Credit Initiative Act of 2010.		
Purpose of Fund: To provide loans to small businesses and foster business expansion, capital investment, and job creation in Arizona.		
Funds Expended	29,900	530,000
Year-End Fund Balance	18,859,500	18,788,800
Arizona Job Training Fund (CAA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and interest earned on investments. The FY 2015 Revenue Budget Reconciliation Bill repealed the job training tax that had been previously deposited in the fund effective December 31, 2015. Laws 2017, Chapter 307 allows ACA to continue to make grants from the fund until December 31, 2020, and grantees must expend all funds by June 20, 2022, when the fund expires. Any monies in the fund as of the repeal date shall be transferred to the General Fund.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private post-secondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for rural and small businesses.		
Funds Expended	3,735,400	13,086,100
Year-End Fund Balance	26,676,800	13,962,000
Donations Fund (CAA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	90,000	57,500
Year-End Fund Balance	43,600	28,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Funds (CAA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants for community development, job training, and home programs.		
<i>Purpose of Fund:</i> To be expended as stipulated by federal statutes authorizing federal grants.		
Funds Expended	1,484,400	1,468,800
Year-End Fund Balance	(733,200)	(687,100)
Israel Trade Office Fund (CAA1021/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> General Fund as well as donations from public and private entities.		
<i>Purpose of Fund:</i> The office will assist the state's international trade and foreign direct investment opportunities.		
Funds Expended	5,400	10,800
Year-End Fund Balance	(5,400)	258,800
Mexico Trade Office Fund (CAA9972/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> General Fund, the City of Phoenix, the City of Tucson, Maricopa Association of Governments, and other public and private entities.		
<i>Purpose of Fund:</i> The office will assist Arizona companies in entering the Mexican market. It will also expand the state's international trade and foreign direct investment opportunities.		
Funds Expended	331,200	100
Year-End Fund Balance	124,700	624,600
RevAZ Fund (CAA9971/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
<i>Purpose of Fund:</i> To assist in manufacturing sector business development and management.		
Funds Expended	418,900	688,800
Year-End Fund Balance	290,600	201,800
Rural Broadband Grants Fund (CAA1006/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To expand Internet access to rural households, schools, and libraries.		
Funds Expended	0	0
Year-End Fund Balance	0	3,000,000
State Web Portal Fund (CAA2531/A.R.S. § 18-421)		Appropriated
<i>Source of Revenue:</i> Legislative appropriations, web portal usage fees, private grants or donations, or federal government funding.		
<i>Purpose of Fund:</i> To distribute to applied research centers and the Institute of Automated Mobility who specialize in blockchain, wearable technology or automated mobility research.		
Funds Expended	0	2,500,000
Year-End Fund Balance	0	0
State Workforce Programs (CAA1025/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> Intrastate agreements between the ACA and the Governor's Office. Funding also comes from a portion of the state's allocation from the federal Workforce Innovation and Opportunity Act.		
<i>Purpose of Fund:</i> To carry out workforce-related projects on behalf of the Governor's Office.		
Funds Expended	2,204,000	1,205,600
Year-End Fund Balance	5,400	13,200

Arizona Community Colleges

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	4,677,300	4,623,500	4,690,700
Coconino	1,749,200	1,703,400	1,698,400
Gila	324,900	293,700	296,300
Graham	2,357,900	2,389,600	2,338,800
Mohave	1,152,700	1,175,300	1,138,900
Navajo	1,576,500	1,567,700	1,554,800
Pinal	1,507,800	1,452,000	1,128,300
Santa Cruz	84,100	0	0
Yavapai	589,900	601,400	585,800
Yuma/La Paz	2,613,500	2,399,500	2,384,800
<i>Subtotal - Operating State Aid</i>	16,633,800	16,206,100	15,816,800
STEM and Workforce Programs State Aid			
Cochise	1,010,800	996,200	1,014,500
Coconino	415,600	399,200	397,400
Gila	146,200	135,000	136,000
Graham	634,400	645,800	627,600
Maricopa	0	1,600,000	1,600,000 ^{1/}
Mohave	446,900	455,000	441,900
Navajo	342,600	339,500	334,800
Pima	0	400,000	400,000 ^{1/}
Pinal	96,500	96,500	96,500
Santa Cruz	62,400	26,900	23,700
Yavapai	699,000	703,100	697,500
Yuma/La Paz	843,100	1,030,200	1,024,900
<i>Subtotal - STEM and Workforce Programs State Aid</i>	4,697,500	6,827,400	6,794,800
Equalization Aid			
Cochise	5,848,200	6,389,500	7,227,100
Graham	15,717,800	16,506,200	17,469,100
Navajo	7,107,100	7,751,900	8,444,300
Yuma/La Paz	0	0	155,200
<i>Subtotal - Equalization Aid</i>	28,673,100	30,647,600	33,295,700
Rural Community College Aid ^{2/}			
Cochise	0	3,140,100	0
Coconino	0	1,003,100	0
Gila	0	343,200	0
Graham	0	1,568,100	0
Mohave	0	1,152,100	0
Navajo	0	889,200	0
Pinal	0	1,795,400	0
Santa Cruz	0	64,200	0
Yavapai	0	1,761,300	0
Yuma/La Paz	0	2,483,300	0
<i>Subtotal - Rural Community College Aid</i>	0	14,200,000	0
Rural County Allocation	2,902,300	3,420,800	3,420,800 ^{2/}
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 ^{3/}
Tribal Community Colleges	2,856,100	2,856,100	2,856,100 ^{4/}
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Diné College Remedial Education	0	1,000,000	1,000,000 ^{5/}
Maricopa Health Care Specialty Expansion	0	5,800,000	0
Pima Aviation Center Expansion	0	15,000,000	0
AGENCY TOTAL	57,236,600	97,431,800	64,658,000^{6/}

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
General Fund	57,236,600	97,431,800	64,658,000
SUBTOTAL - Appropriated Funds	57,236,600	97,431,800	64,658,000
Other Non-Appropriated Funds	21,759,100	20,121,600	20,121,600
TOTAL - ALL SOURCES	78,995,700	117,553,400	84,779,600

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 Associate’s degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

FOOTNOTES

- 1/ The following amounts are appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the following Arizona community college districts for STEM and workforce development:
 1. Maricopa \$1,600,000
 2. Pima \$400,000 (FY 2020 General Appropriation Act footnote)
- 2/ 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 2021, that amount is estimated to be \$3,420,800. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ Of the \$1,273,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County receives \$699,300 and Greenlee County receives \$574,500. (General Appropriation Act footnote)
- 4/ 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 Appropriation Act.
- 5/ On or before October 15, 2021, 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 2020-2021 academic year. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Operating State Aid

The Baseline includes \$15,816,800 from the General Fund in FY 2021 for Operating State Aid. FY 2021 adjustments are as follows:

Enrollment Changes

The Baseline includes a decrease of \$(389,300) from the General Fund in FY 2021 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (691), or (2.4)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (691) net FTSE decrease consists of a (665) FTSE decrease in non-dual enrollment students and a (26) FTSE decrease 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.

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 2021, the last actual FTSE data was from FY 2019.)

As permanent law, the FY 2016 Higher Education Budget Reconciliation Bill (BRB) eliminated Operating State Aid for Maricopa and Pima. The FY 2018 Higher Education BRB subsequently restored Maricopa and Pima County’s

Table 1
Community College Enrollment

	FY 2018	FY 2019	Percentage
	FTSE	FTSE	Change
Rural Districts			
Cochise	6,258	6,376	1.9%
Coconino	1,999	1,986	(0.7)%
Gila	684	683	(0.1)%
Graham	3,125	3,033	(2.9)%
Mohave	2,296	2,228	(3.0)%
Navajo	1,772	1,742	(1.7)%
Pinal	3,578	3,033	(15.2)%
Santa Cruz	128	113	(11.7)%
Yavapai	3,510	3,472	(1.1)%
Yuma/La Paz	<u>4,949</u>	<u>4,942</u>	<u>(0.1)%</u>
Subtotal	28,299	27,608	(2.4)%
Urban Districts			
Maricopa	70,344	67,498	(4.0)%
Pima	<u>14,783</u>	<u>14,058</u>	<u>(4.9)%</u>
Total	113,426	109,164	(3.8)%

eligibility for FY 2019 Operating State Aid in permanent law. Since then, however, a session law provision has suspended the formula. As a result, Maricopa and Pima County continued to receive no Operating State Aid. The Baseline assumes that the Higher Education BRB for FY 2021 will continue to suspend Maricopa and Pima Operating State Aid funding in FY 2021.

The full formula funding for Maricopa and Pima County cannot be calculated for FY 2021. 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 Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The Baseline includes \$6,794,800 from the General Fund in FY 2021 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. FY 2021 adjustments are as follows:

Enrollment Changes

The Baseline includes a decrease of \$(32,600) from the General Fund in FY 2021 to fund decreased formula costs for STEM and Workforce Programs State Aid. This reduction is the result of a net decline in rural district enrollment.

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 statutory formula provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

The FY 2020 budget suspended this formula and funded districts as specified in the General Appropriation Act. The FY 2021 Baseline continues these adjustments:

- 1) All rural districts except Pinal receive the same amount as the full formula.
- 2) Pinal receives \$96,500. Full funding for Pinal would cost an additional \$536,900.
- 3) Maricopa and Pima were appropriated \$1,600,000 and \$400,000, respectively, for FY 2020, FY 2021 and FY 2022 in the FY 2020 General Appropriation Act. Because this funding was advance appropriated, it will not appear in the FY 2021 General Appropriation Act. To fully fund Maricopa and Pima according to the formula, it would cost an additional \$8,773,300 for Maricopa and \$1,819,800 for Pima.

Equalization Aid

The Baseline includes \$33,295,700 from the General Fund in FY 2021 for Equalization Aid. FY 2021 adjustments are as follows:

Property Value Changes

The Baseline includes an increase of \$2,648,100 from the General Fund in FY 2021 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in Table 2.

Table 2
FY 2021 Equalization Funding Changes

District	FY 2019	Year-over- Year Change	FY 2020
Cochise	\$ 6,389,500	\$ 837,600	\$ 7,227,100
Graham	16,506,200	962,900	17,469,100
Navajo	7,751,900	692,400	8,444,300
Yuma/La Paz	<u>0</u>	<u>155,200</u>	<u>155,200</u>
Total	\$30,647,600	\$2,648,100	\$33,295,700

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 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. For the FY 2021 Equalization Aid formula calculation, the minimum assessed valuation increased 5.3% to approximately \$1.5 billion. (See Table 3 for the calculation of the growth rate.)

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.

<u>District</u>	<u>TY 2018 Primary AV</u>	<u>TY 2019 Primary AV</u>	<u>TY 2018- 2019 % Growth</u>
Cochise*	\$ 928,290,400	\$ 941,485,600	1.4 %
Graham*	189,842,100	193,896,000	2.1 %
Navajo*	828,848,100	852,640,200	2.9 %
Yuma/LaPaz*	1,401,182,900	1,457,683,800	4.0 %
Coconino	1,726,579,800	1,831,089,300	6.1 %
Mohave	1,811,189,500	1,908,201,500	5.4 %
Pinal	2,355,433,500	2,521,252,100	7.0 %
Yavapai	<u>2,599,537,800</u>	<u>2,765,677,100</u>	<u>6.4 %</u>
Total	\$11,840,904,100	\$12,471,925,600	5.3 %
Minimum AV	\$1,394,677,700	\$1,469,014,000	5.3 %

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2021.

As noted in Table 3, the average rural district assessed value increased by 5.3% in TY 2019. In comparison, Cochise increased by 1.4%, Graham increased by 2.1%, and Navajo increased by 2.9%. Because their primary assessed value increased by less than the average rural district, Cochise, Graham, and Navajo qualify for more aid. Additionally, the Yuma/La Paz assessed value increased by 4.0% in TY 2019, but has dropped below the minimum assessed value making it eligible for equalization aid in FY 2021. The last time Yuma/La Paz received equalization aid was FY 2012.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.47 billion in FY 2021), 2) whether the district's change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

Rural Community College Aid

The Baseline includes no funding from the General Fund in FY 2021 for Rural Community College Aid. FY 2021 adjustments are as follows:

Remove One-Time Rural Funding

The Baseline includes a decrease of \$(14,200,000) from the General Fund in FY 2021 to remove one-time aid to the 10 rural community college districts.

Rural Community College Aid was distributed proportionally according to enrollment of the 10 rural community college districts. The use of this funding was not restricted and could be used for operating and/or capital expenses.

Rural County Allocation

The Baseline includes \$3,420,800 from the General Fund in FY 2021 for Rural County Allocation. This amount is unchanged from FY 2020.

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. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost; therefore, there is no net General Fund impact. 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 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 2019, the JLBC Staff reported the amount to be \$3,420,800 for FY 2020.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The Baseline includes \$1,273,800 from the General Fund in FY 2021 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2020.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties. The Baseline allocates \$699,300 to Apache and \$574,500 to Greenlee.

Tribal Community Colleges

The Baseline includes \$2,856,100 from the General Fund in FY 2021 for Tribal Community Colleges. This amount is unchanged from FY 2020.

The Baseline assumes a distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Diné College, and \$875,000 for Navajo Technical College. For the Navajo Nation, the Baseline assumes the maximum amounts allowed under statute since a net of 15% of their current TPT revenues would exceed the statutory distribution limits as described below. The Baseline assumes \$231,100 for the Tohono O'Odham Community College in FY 2021 based on a projection of 10% of the collected TPT revenues from the reservation. These amounts continue the assumed funding levels in FY 2020.

The FY 2021 Baseline adjusts the FY 2020 Tribal Community Colleges line item to reflect increased distributions during FY 2019. The FY 2020 estimate from the enacted budget was increased by \$31,100 to match the actual FY 2019 TPT distribution. The actual amounts distributed for FY 2020 will depend on TPT collections during the fiscal year.

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 2021 will depend on FY 2021 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act. (Please see the FY 2020 Appropriations Report for more information.)

Additional Gila Workforce Development Aid

The Baseline includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2021. This amount is unchanged from FY 2020.

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).

Diné College Remedial Education

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for Diné College Remedial Education. This amount is unchanged from FY 2020.

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.

Maricopa Health Care Specialty Expansion

The Baseline includes no funding in FY 2021 for Maricopa Health Care Specialty Expansion. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,800,000) from the General Fund in FY 2021 to remove costs associated with the expansion of the health care specialty program in the Maricopa County Community College District.

The FY 2020 funding was expected to double the enrollment capacity at the Paradise Valley Community College's Integrated Health Science Center. The expansion would focus on 6 specialty areas: operating room, emergency care, telemetry, oncology, intensive care unit, and home care.

Pima Aviation Center Expansion

The Baseline includes no funding in FY 2021 for Pima Aviation Center Expansion. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2021 to remove costs related to the expansion of the Pima Community College District Aviation Center.

The FY 2020 appropriation funds the construction of a new hangar, 5 classrooms, additional lab space, and offices. This expansion is expected to double the program's student capacity.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to suspend the Operating State Aid funding formula in FY 2021 for Maricopa and Pima Counties.
- As session law, continue to suspend Maricopa, Pima, and Pinal's Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2021. The Pinal funding would be specified in the General Appropriation Act, which would again equal \$96,500. Since the FY 2020 budget already appropriates \$1,600,000 for Maricopa County and \$400,000 for Pima County STEM and Workforce Funding for each of FY 2020, FY 2021, and FY 2022, these 2 districts would not have their FY 2021 funding specified in the General Appropriation Act.

Long-Term Budget Impacts

Beyond FY 2021 Baseline changes, the JLBC Staff estimates that Community College statutory caseload changes will require an additional \$2,434,200 in FY 2022 above FY 2021 and \$543,500 in FY 2023 above FY 2022.

These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2022 and FY 2023).
- A reduction of \$(2,000,000) in FY 2023 below FY 2022 to remove Maricopa and Pima STEM and Workforce Programs funding appropriated in the FY 2020 budget for each of FY 2020, FY 2021, and FY 2022.
- An increase of \$2,434,200 for Equalization Aid in FY 2022 and \$2,543,500 in FY 2023. These estimates assume total Net Assessed Value (NAV) growth of 4.5% in FY 2022 and FY 2023 based on the statewide average. The counties receiving aid would see an average of 2.3% NAV increase. This would cause NAV in those districts to grow farther from the statewide NAV average for rural counties in both years, entitling them to more Equalization Aid.

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 2.6% of their revenues (excluding bond proceeds) from state aid.

For FY 2020, base operating revenues from all sources are estimated to be \$1,777,910,200, which would be an

Table 4

Total Estimated Community College Revenues – FY 2020

District	State Aid ^{1/}	Tuition/Fees	Property Taxes	Grants	Other ^{2/}	FY 2020 Total ^{3/}	FY 2019 Total ^{4/}	% Change from FY 2019
Cochise	\$11,013,000	\$9,907,400	23,081,500	10,125,200	\$1,214,400	\$55,341,500	\$53,235,800	4.0%
Coconino	1,703,400	7,894,000	8,408,400	5,811,000	1,006,300	24,823,100	26,738,300	-7.2%
Gila ^{5/}	293,700	0	4,979,700	510,000	0	5,783,400	5,699,200	1.5%
Graham	18,895,800	8,507,200	6,486,000	10,926,000	10,405,000	55,220,000	47,999,700	15.0%
Maricopa	0	219,414,300	573,821,900	197,678,400	56,719,900	1,047,634,500	1,015,240,900	3.2%
Mohave	1,175,300	8,150,000	25,293,200	8,855,700	1,100,000	44,574,200	45,981,800	-3.1%
Navajo	9,319,600	4,860,000	15,487,400	6,000,000	2,602,100	38,269,100	38,793,300	-1.4%
Pima	0	50,190,000	120,106,900	50,139,000	28,142,100	248,578,000	216,262,500	14.9%
Pinal	1,452,000	11,535,000	51,073,100	21,395,000	1,655,000	87,110,100	80,229,200	8.6%
Santa Cruz ^{5/}	0	12,500	1,668,700	45,000	12,700	1,738,900	1,817,300	-4.3%
Yavapai	601,400	11,341,000	50,686,500	13,799,000	4,560,900	80,988,800	82,065,800	-1.3%
Yuma/La Paz	<u>2,399,500</u>	<u>13,178,100</u>	<u>37,478,500</u>	<u>25,407,700</u>	<u>9,384,800</u>	<u>87,848,600</u>	<u>76,974,700</u>	<u>14.1%</u>
Total	\$46,853,700	\$344,989,500	\$918,571,800	\$350,692,000	\$116,803,200	\$1,777,910,200	\$1,691,038,500	5.1%

^{1/} State Aid revenue includes Operating State Aid and Equalization Aid.

^{2/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{3/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,008,620,300 for FY 2020.

^{4/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,775,594,100 for FY 2019.

^{5/} 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.

increase of 5.1% from FY 2019. (See Table 4 for a summary of FY 2020 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 49.9% 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 FY 2020 property tax rates.)

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from TY 2018
Cochise	\$2.45	\$0.00	\$2.45	2.1%
Coconino	0.46	0.00	0.46	-22.9%
Gila	0.96	0.00	0.96	0.0%
Graham	3.35	0.00	3.35	0.5%
Maricopa	1.16	0.17	1.33	-3.4%
Mohave	1.33	0.00	1.33	-1.2%
Navajo	1.82	0.00	1.82	0.0%
Pima	1.38	0.00	1.38	-1.6%
Pinal	2.08	0.13	2.21	-6.3%
Santa Cruz	0.48	0.00	0.48	-1.5%
Yavapai	1.69	0.15	1.84	-5.5%
Yuma/La Paz	2.23	0.34	2.57	0.1%

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 21.0% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2020 weighted average tuition (weighted for each district’s proportion of the statewide FTSE count) is \$2,555 if a full-time student attends for 30 hours a year. The FY 2020 amount represents an increase of 0.2% from FY 2019. (See Table 6 for FY 2020 resident tuition and fee rates.)

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 26.3% of community college revenues.

**Table 6
Community College Resident Tuition and Fees – FY 2020**

District	Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2019
Cochise	\$88	\$2,640	3.5%
Coconino	111	3,330	1.8%
Gila	80	2,400	0.0%
Graham	90	2,700	0.0%
Maricopa	85	2,550	0.0%
Mohave	81	2,430	0.0%
Navajo	77	2,310	1.8%
Pima	85	2,535	2.4%
Pinal	86	2,580	0.0%
Santa Cruz	85	2,535	2.4%
Yavapai	73	2,184	-16.3%
Yuma/La Paz	86	2,580	2.4%
Weighted Average	\$85	\$2,555	0.2%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

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 2020 community college expenditures. In FY 2020, total budgeted expenditures are \$2,008,620,300. As mentioned previously, base operating revenues for FY 2020 are \$1,777,910,200; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,008,620,300. Of the total \$2,008,620,300 in budgeted expenditures, \$1,597,551,000, or 79.5%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes about \$487,849,800, or 24%, for instruction and \$332,329,400, or 16.6%, for institutional support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$86,618,700, or 4.3% of the total. Plant Fund expenditures, which generally include capital costs, are \$210,436,700, or 10.5% of the total. The remaining \$114,013,900 is for debt service.

Community College Expenditure Limitation - Laws 2016, Chapter 58 modified the method for calculating community college expenditure limits, excludes certain types of expenditures from counting against the limit, and allows for an adjustment to the base expenditure limit. (See FY 2018 Appropriations Report for more information.)

Table 7

Community Colleges - FY 2020 Budgeted Expenditures

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$487,849,800	24.3%
Public Service	\$26,479,900	1.3%
Academic Support	\$136,611,100	6.8%
Student Services	\$173,527,100	8.6%
Institutional Support	\$332,329,400	16.6%
Operation & Maintenance	\$116,340,300	5.8%
Scholarships/Grants	\$278,862,300	13.9%
Contingency	<u>\$45,551,100</u>	<u>2.3%</u>
Subtotal	\$1,597,551,000	79.5%
Auxiliary Enterprises Fund	\$86,618,700	4.3%
Plant Fund	\$210,436,700	10.5%
Debt Service	<u>\$114,013,900</u>	<u>5.7%</u>
Total	\$2,008,620,300	100%

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	975,700	772,700
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts.		
Funds Expended	20,783,400	19,348,900
Year-End Fund Balance	0	0

Constable Ethics Standards and Training Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	387,600	520,300	520,300
TOTAL - ALL SOURCES	387,600	520,300	520,300

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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-138)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	387,600	520,300
Year-End Fund Balance	590,500	463,200

Registrar of Contractors

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	4,960,400	5,670,600	5,670,600
Employee Related Expenditures	1,984,100	2,450,900	2,450,900
Professional and Outside Services	182,500	405,300	405,300
Travel - In State	244,300	301,000	301,000
Travel - Out of State	4,600	11,800	11,800
Other Operating Expenditures	1,789,500	2,511,600	2,511,600
OPERATING SUBTOTAL	9,165,400	11,351,200	11,351,200
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	363,700	1,017,600	1,017,600
AGENCY TOTAL	9,529,100	12,368,800	12,368,800 ^{1/}

FUND SOURCES

Other Appropriated Funds

Registrar of Contractors Fund	9,529,100	12,368,800	12,368,800
SUBTOTAL - Other Appropriated Funds	9,529,100	12,368,800	12,368,800
SUBTOTAL - Appropriated Funds	9,529,100	12,368,800	12,368,800
Other Non-Appropriated Funds	6,182,600	4,666,800	4,666,800
TOTAL - ALL SOURCES	15,711,700	17,035,600	17,035,600

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$11,351,200 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Office of Administrative Hearings Costs

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2021 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2020.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	9,529,100	12,368,800
Year-End Fund Balance	7,389,800	2,934,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Up to 14% of prior fiscal year revenue may be used to administer the fund.		
Funds Expended	6,182,600	4,666,800
Year-End Fund Balance	15,237,200	15,284,500

Corporation Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	300.9	300.9	300.9 ^{1/}
Personal Services	15,354,900	16,057,600	16,057,600
Employee Related Expenditures	5,903,100	6,288,900	6,288,900
Professional and Outside Services	1,000,500	582,100	582,100
Travel - In State	189,500	183,400	183,400
Travel - Out of State	114,500	116,000	116,000
Other Operating Expenditures	3,421,100	3,583,700	3,583,700
Equipment	203,000	175,100	175,100
OPERATING SUBTOTAL	26,186,600	26,986,800	26,986,800
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	0	402,000	402,000 ^{2/}
Railroad Safety Inspectors	196,600	0	0
Utilities Audits, Studies, Investigations & Hearings	2,200	380,000	380,000 ^{3/}
AGENCY TOTAL	26,385,400	27,768,800	27,768,800 ^{4/}
FUND SOURCES			
General Fund	814,200	620,800	620,800
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	50,700	50,700	50,700
Investment Management Regulatory and Enforcement Fund	714,700	718,000	718,000
Public Access Fund	6,096,300	6,771,800	6,771,800
Securities Regulatory and Enforcement Fund	4,703,100	5,115,800	5,115,800
Utility Regulation Revolving Fund	14,006,400	14,491,700	14,491,700
SUBTOTAL - Other Appropriated Funds	25,571,200	27,148,000	27,148,000
SUBTOTAL - Appropriated Funds	26,385,400	27,768,800	27,768,800
Other Non-Appropriated Funds	18,400	17,900	17,900
Federal Funds	588,500	1,889,100	1,889,100
TOTAL - ALL SOURCES	26,992,300	29,675,800	29,675,800

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/ Includes 2 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The \$402,000 appropriated from the Public Access Fund for the Corporation Filings, Same-Day Service line item reverts to the Public Access Fund established by A.R.S. § 10-122.01 at the end of FY 2021 if the commission has not established a same-day service pursuant to A.R.S. § 10-122. (General Appropriation Act footnote)
- 3/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act Footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$26,986,800 and 298.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$620,800
Arizona Arts Trust Fund	50,700
Investment Management Regulatory and Enforcement Fund	718,000
Public Access Fund	6,369,800
Securities Regulatory and Enforcement Fund	5,115,800
Utility Regulation Revolving Fund	14,111,700

These amounts are unchanged from FY 2020.

Corporation Filings, Same-Day Service

The Baseline includes \$402,000 and 2 FTE Positions from the Public Access Fund in FY 2021 for Corporation Filings,

Same-Day Service. These amounts are unchanged from FY 2020.

A footnote in the General Appropriation Act specifies that monies in this line item revert to the Public Access Fund if the commission has not established a same-day service pursuant to A.R.S. § 10-122. The fee for same-day and next-day services must be determined by a supermajority vote of the Commissioners. To date, such a fee has not been set and same-day and next-day services have not been implemented.

Utilities Audits, Studies, Investigations & Hearings

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2021 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2020.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)		Appropriated
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations.		
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	50,700	50,700
Year-End Fund Balance	199,900	194,900
Federal Funds (CCA2000/A.R.S. § 40-441)		Non-Appropriated
Source of Revenue: U.S. Department of Transportation grants.		
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	588,500	1,889,100
Year-End Fund Balance	5,111,200	4,757,100
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	1,000	2,000
Year-End Fund Balance	6,600	5,600
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	714,700	718,000
Year-End Fund Balance	1,825,600	1,812,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, online access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	6,096,300	6,771,800
Year-End Fund Balance	1,731,500	1,314,600
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	4,703,100	5,115,800
Year-End Fund Balance	7,819,500	7,712,800
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
Funds Expended	14,006,400	14,491,700
Year-End Fund Balance	17,371,100	22,780,500
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
Funds Expended	17,400	15,900
Year-End Fund Balance	400	500

State Department of Corrections

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,556.0	9,566.0	9,566.0 ^{1/}
Correctional Officer Personal Services	281,502,800	338,795,100	338,795,100
Health Care Personal Services	2,947,800	3,542,300	3,542,300
All Other Personal Services	64,128,900	66,575,700	66,575,700
Personal Services Subtotal	348,579,500	408,913,100	408,913,100
Employee Related Expenditures	209,069,600	247,206,900	247,206,900
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	67,100,000	15,540,500	15,540,500
Other Operating Expenditures			
Professional and Outside Services	6,992,000	9,188,000	9,188,000
Travel - In State	524,900	329,500	329,500
Travel - Out of State	104,600	104,000	104,000
Food	37,851,600	40,914,600	40,914,600
Other Operating Expenditures	107,792,900	109,161,700	109,161,700
Equipment	6,555,400	2,081,200	2,081,200
Other Operating Expenditures Subtotal	159,821,400	161,779,000	161,779,000
OPERATING SUBTOTAL	784,570,500	833,439,500	833,439,500 ^{2/}
SPECIAL LINE ITEMS			
Community Corrections	19,551,500	20,747,400	20,747,400
Private Prison Per Diem	158,236,400	171,493,300	171,493,300 ^{3/D/}
Inmate Health Care Contracted Services	166,761,800	194,711,700	194,711,700 ^{4/}
Named Claimants	76,600	0	0
AGENCY TOTAL	1,129,196,800	1,220,391,900	1,220,391,900 ^{5/-12/D/}
FUND SOURCES			
General Fund	1,088,900,300	1,167,111,300	1,167,111,300
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	443,700	555,500	555,500
Corrections Fund	22,233,900	30,312,300	30,312,300
Inmate Store Proceeds Fund	282,400	1,341,300	1,341,300
Penitentiary Land Fund	2,361,700	2,780,300	2,780,300 ^{13/}
Prison Construction and Operations Fund	10,000,000	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,046,300	2,661,800	2,661,800 ^{14/}
State Education Fund for Correctional Education	726,100	729,300	729,300 ^{15/}
Transition Program Fund	1,202,400	2,400,100	2,400,100
SUBTOTAL - Other Appropriated Funds	40,296,500	53,280,600	53,280,600
SUBTOTAL - Appropriated Funds	1,129,196,800	1,220,391,900	1,220,391,900
Other Non-Appropriated Funds	67,548,400	73,564,000	61,837,300
Federal Funds	8,649,100	9,147,600	8,618,900
TOTAL - ALL SOURCES	1,205,394,300	1,303,103,500	1,290,848,100

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/ Includes 184 GF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Of the amount appropriated in the operating lump sum, \$408,913,100 is designated for Personal Services and \$247,206,900 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 other than for Personal Services or Employee Related Expenditures. (General Appropriation Act footnote)
- 3/ Of the amount appropriated for the Private Prison Per Diem line item, \$17,468,300 shall be used to make a debt service payment on the financing agreement authorized by Laws 2016, Chapter 119, Section 24. (General Appropriation Act footnote)
- D/ ~~The Private Prison Per Diem line item includes an increase of \$5,083,500 from the state General Fund in FY 2020 for a 10% salary increase for private prison correctional officers effective July 1, 2019. (General Appropriation Act footnote)~~
- 4/ Before implementing any changes in contracted rates for Inmate Health Care Contracted Services, the State Department of Corrections shall submit its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ On or before August 1, 2020 and February 1, 2021, the State Department of Corrections shall submit a report to the Joint Legislative Budget Committee on the status of the performance measures tracked by the department as required by the *Parson v. Ryan* stipulation agreement, a copy of any court-ordered compliance reports filed by the department or a contracted provider during the reporting period and a copy of any report produced by a court-appointed monitor regarding the delivery of health services during each reporting period. The report shall include the number of performance measures in total and by facility with which the department is not in substantial compliance, an explanation for why the department is not in substantial compliance and the department's plans to comply with the measures. The report shall also list the measures the department is no longer required to track as a result of compliance with the stipulation. (General Appropriation Act footnote)
- 6/ Before placing any inmates in out-of-state provisional beds, the department 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 Appropriation Act footnote)
- 7/ 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 30th 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 Appropriation Act footnote)
- 8/ On or before August 1, 2020, the State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review. 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, 2019 and June 30, 2020 and the projected capacity for June 30, 2021, 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. If the department develops a plan after its August 1 report to open or close state-operated prison rated beds or cancel or not renew contracts for privately operated prison beds, the department shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee before implementing these changes. (General Appropriation Act footnote)
- 9/ On or before August 1, 2020, the State Department of Corrections shall transfer to the Public Safety Personnel Retirement System via the Arizona Department of Administration its estimated required annual contribution to the Corrections Officer Retirement Plan for FY 2021. (General Appropriation Act footnote)
- 10/ On or before August 31, 2020, and on or before the last day of November, February and May in FY 2021, the State Department of Corrections shall present a report for review by the Joint Legislative Budget Committee on the progress made in meeting the staffing needs for correctional officers. The report due on August 31, 2020 shall include the department's recommended benchmarks through June 30, 2021 and how the department plans to reach those benchmarks. Each quarterly 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 during the quarter. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)

- 11/ Any monies used for the replacement of the Adult Inmate Management System are subject to review by the Arizona Strategic Enterprise Technology Office and the Information Technology Authorization Committee pursuant to A.R.S. § 18-121. (General Appropriation Act footnote)
- D/ Before spending any monies for the replacement of the Adult Inmate Management System, the Arizona Strategic Enterprise Technology office shall submit, on behalf of the State Department of Corrections, an expenditure plan to the Joint Legislative Budget Committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriations from the Automation Projects Fund pursuant to A.R.S. § 41-714. (General Appropriation Act footnote)
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 13/ 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 for the support of state penal institutions. (General Appropriation Act footnote)
- 14/ 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 Appropriation Act footnote)
- 15/ Before spending any State Education Fund for Correctional Education monies in excess of \$729,300, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)

Summary

The Baseline includes no change to the Arizona Department of Corrections (ADC)'s General Fund spending in FY 2021.

Operating Budget

The Baseline includes \$833,439,500 and 9,382 FTE Positions in FY 2021 for the operating budget. This amount consists of:

	<u>FY 2021</u>
General Fund	\$823,738,500
Alcohol Abuse Treatment Fund	250,000
Corrections Fund	3,000,800
Inmate Store Proceeds Fund	1,341,300
Penitentiary Land Fund	717,800
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,161,800
State Education Fund for Correctional Education	729,300

These amounts are unchanged from FY 2020.

A General Appropriation Act footnote would continue to state that of the amount appropriated in the operating lump sum, \$408,913,100 is designated for Personal Services and \$247,206,900 is designated for Employee Related Expenditures. The department is required to submit an expenditure plan to the Joint Legislative Budget Committee for review before spending these monies other than for Personal Services or Employee Related Expenditures.

Community Corrections

The Baseline includes \$20,747,400 and 184 FTE Positions in FY 2021 for Community Corrections. This amount consists of:

General Fund	18,041,800
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,100

These amounts are unchanged from FY 2020.

Background – Monies in this line item are used to monitor offenders on community supervision or parole, operate 2 reentry centers, pay for the Transition Program, coordinate with other state parole offices, and provide electronic monitoring for certain offenders. In addition to the \$20,747,400 in FY 2021 appropriated funds, ADC projects that they will utilize an additional \$7,938,200 in non-appropriated funds for these activities in FY 2021.

As of January 2, 2020, ADC has responsibility for 5,207 offenders overseen by community correctional officers. 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 pay for:

- ADC Staffing: The majority of the line item funds the staffing costs for correctional officers that oversee offenders on community supervision and staffing for the Reentry Centers. The department also uses the

appropriated monies for contracted drug testing, behavioral needs testing, and other programming. ADC utilizes additional non-appropriated monies for these costs as well.

- 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. Participants reside in homes or half-way houses across the state and receive substance abuse counseling and case management services. This program is funded by the Transition Program Fund, which receives revenue from a share of inmate wages and a required \$17 transfer from other ADC funds based on the number of bed days served by participants in a quarter. The funding included in the Community Corrections line item is dedicated to this programming. *(Please see the Transition Program section in Other Issues for more information.)*
- 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 to immediate return to custody, ADC operates the Maricopa Reentry Center (MRC) and the Pima Reentry Center (PRC), 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. ADC reported FY 2019 expenditures of \$2.3 million for the Maricopa Reentry Center and \$3.1 million for the Pima Reentry Center.

Table 1

FY 2019 Community Corrections Program Expenditures

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$12,447,100	\$5,967,400	\$18,414,500
Transition	1,384,400	0	1,384,400
Pima Reentry	3,092,500	0	3,092,500
Maricopa Reentry	1,816,600	444,500	2,261,100
Other/Overhead	<u>810,900</u>	<u>0</u>	<u>810,900</u>
Total	\$19,551,500	\$6,411,900	\$25,963,400

Private Prison Per Diem

The Baseline includes \$171,493,300 in FY 2021 for Private Prison Per Diem. This amount consists of:

General Fund	142,119,300
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

These amounts are unchanged from FY 2020.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 8,562 beds. 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. Two private prison contracts (Marana and Kingman) are solely for management services. The state owns the Marana facility outright. The Kingman facility is being lease-purchased by the state. In order to more accurately display the level of spending related to private prison facilities, the \$17,468,300 FY 2021 debt service amount paid by the state is shown in the Private Prison Per Diem line item rather than in the department’s operating budget.

Inmate Health Care Contracted Services

The Baseline includes \$194,711,700 in FY 2021 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	183,211,700
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

These amounts are unchanged from FY 2020.

Background – ADC previously provided health care to inmates in state facilities based on a variable per diem rate. As of July 1, 2019, the contract is based on a fixed inmate population of 33,777 and guarantees the vendor approximately \$205 million per year. In addition to the appropriated funds, ADC also receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2019, the department received \$9.8 million in Medicaid reimbursement. The Baseline assumes ADC will receive \$10.0 million in Medicaid reimbursement in FY 2021. The line item funds the costs of the contract; ADC expenditures for monitoring the contracted services are included within the department’s operating budget. A General Appropriation Act footnote continues to require review of any changes to the per diem. The current contract can be amended for changes to scope, and the vendor may request adjustments for inflation.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall
- Correctional Officer Staffing
- Capital Issues

Statutory Changes

The Baseline would, as session law, continue to require the department to report actual FY 2020, estimated FY 2021, and requested FY 2022 expenditures as delineated in the prior year when the department submits its FY 2022 budget request pursuant to A.R.S. § 35-113.

Transition Program

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 be transferred to the Transition Program Fund to pay for the vendor costs of the program. Statute does not specify from which fund. ADC has transferred money from the State DOC Revolving Fund to meet this requirement. In FY 2019, the program saved a total of 117,053 bed days.

In FY 2019, the Transition Program Fund received revenue of about \$3.1 million. Of this amount, about \$1.1 million came from the inmate wage allocation, and \$2.0 million came from the \$17 transfer. According to AOC, the vendor costs to run the program in FY 2019 were on average \$12 per inmate per day. This cost to ADC has decreased compared to FY 2018 due to a contract amendment with the vendor which requires them to first seek Medicaid/AHCCCS coverage prior to billing ADC.

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.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2019, the total inmate population was 42,312. This is an increase of 199 inmates since the June 30, 2018 population of 42,113. *Table 2* shows the year-end populations from FY 2015 to FY 2019 and the ADC population as of January 2, 2020.

Table 2
Year-End Population, FY 2015 - FY 2020

<u>Year</u>	<u>Population</u>
FY 2015	42,611
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020 (as of January 2, 2020)	42,427

Based on recent history, the Baseline assumes comparable population estimates through FY 2021.

Bed Capacity

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 38,872 public and private beds on June 30, 2019, an increase of 217 from the 38,655 on June 30, 2018.
- 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. During FY 2019, the department increased its total operating capacity by 1,053 beds, from 44,038 to 45,091. In December 2019, ADC reopened the Papago Unit in the Douglas Prison to add 340 minimum security beds for female inmates. This change increased the FY 2020 total operating capacity to 45,431.

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 1,837 as of June 30, 2019, 17 more beds than on June 30, 2018.

(Please see the [September](#) and [December 2019 JLBC meeting agenda](#) for more information on ADC's bed capacity.)

Bed Surplus/Shortfall

At the end of FY 2019, the department had a total rated bed shortfall of (3,440). After adjusting for the 6,219 temporary beds in the overall ADC system, the rated bed shortfall became a 2,779-bed surplus. Male beds make up 2,705 or 97% of the surplus as shown in *Table 3*.

Custody	FY 2019
Minimum	1,107
Medium	237
Close	1,091
Maximum	164
Reception	<u>106</u>
Total	2,705

Beyond reopening the Papago Unit, the department does not plan to make any further bed capacity changes during FY 2020. Assuming flat population growth, the rated bed shortfall is projected to be (3,190) and the operating capacity surplus is projected to be 3,119 in FY 2020 as shown in *Table 4*.

The department may be able to use temporary beds or reallocate beds to meet unanticipated growth.

Correctional Officer Staffing

The FY 2020 budget included an increase to ADC of \$35.5 million for staff salary increases. Of that amount, about \$33.5 million was for correctional officers (COs). In addition to that amount, ADC planned to utilize \$13.0 million in existing vacancy savings for a total of \$46.5 million in salary increases for COs. This amount was estimated to provide a 10% salary increase for all COs, including vacant positions, and increase the average base salary from \$39,300 to \$43,200 per year, excluding overtime.

The FY 2020 budget required ADC to set a benchmark for hiring CO positions. By June 2020, ADC is seeking to hire 812 new CO positions above their June 2019 staff level. As of October 28, 2019, ADC has lost a net of (40) COs relative to June 2019.

In order to maintain staffing levels in prisons, ADC utilizes overtime for existing officers. In May 2019, ADC raised the overtime cap from 24 hours to 32 hours per week to allow for additional overtime. ADC reported that the change resulted in a roughly 30% increase in average overtime worked per employee. On average, COs earned \$7,200 in overtime in FY 2019. ADC projects average overtime earnings in FY 2020 will be \$9,700 per CO.

In their FY 2021 budget request, ADC requested funding for additional CO salary increases without specifying a percent increase or funding amount. The JLBC Staff estimates that it would cost about \$5.1 million for every 1% increase to ADC CO salaries.

Capital Issues

Capital funding needs are typically requested annually through the Capital Improvement Plan (CIP) process. ADC annually submits a CIP to the Arizona Department of Administration (ADOA) in the summer for the following fiscal year. ADOA evaluates the requests and modifies them as necessary. ADOA submits their consolidated proposal to the Governor's Office by October 15.

ADC's FY 2021 CIP includes a total of \$380 million for the 10 state prisons and the Correctional Officer Training Academy (COTA) in Tucson.

As part of their FY 2021 CIP, ADC proposed a 10-year funding plan that would fund between \$30.6 million and \$45.9 million annually from FY 2020 to FY 2029 to fund the entire \$380 million request. ADC's FY 2021 CIP includes:

- \$35.2 million for additional locking projects (non-Lewis and Yuma)
- \$115.6 million for evaporative cooling upgrades
- \$203.0 million for all other projects

ADC's FY 2021 request included \$26.2 million to complete the Lewis and Yuma lock/HVAC/fire system project. ADC has since reported the cost to complete the project has increased to \$31.7 million, of which \$4.3 million would be funded with non-appropriated monies in FY 2020, leaving \$27.4 million unfunded.

Table 4

Fiscal Year-End Operating Capacity

State	FY 2019 Actual			FY 2020 Estimate			FY 2021 Estimate		
	Rated	Temporary	Operating	Rated	Temporary	Operating	Rated	Temporary	Operating
			Capacity			Capacity			Capacity
Douglas	1,805	343	2,148	2,055	433	2,488	2,055	433	2,488
Eyman	3,984	1,793	5,777	3,984	1,793	5,777	3,984	1,793	5,777
Florence	3,284	697	3,981	3,284	697	3,981	3,284	697	3,981
Perryville	4,214	141	4,355	4,214	141	4,355	4,214	141	4,355
Phoenix	552	168	720	552	168	720	552	168	720
Lewis	5,104	870	5,974	5,104	870	5,974	5,104	870	5,974
Safford	1,453	416	1,869	1,453	416	1,869	1,453	416	1,869
Tucson	4,600	493	5,093	4,600	493	5,093	4,600	493	5,093
Winslow	1,626	216	1,842	1,626	216	1,842	1,626	216	1,842
Yuma	4,350	420	4,770	4,350	420	4,770	4,350	420	4,770
Subtotal	30,972	5,557	36,529	31,222	5,647	36,869	31,222	5,647	36,869
Private (Per Diem)									
Kingman (\$41.78)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$51.00)	400	100	500	400	100	500	400	100	500
Marana (\$49.10)	500	-	500	500	-	500	500	-	500
Florence West (\$46.55 - 57.74)	600	150	750	600	150	750	600	150	750
Florence II (\$69.57)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$68.20)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
Subtotal 1/	7,900	662	8,562	7,900	662	8,562	7,900	662	8,562
Total - All Beds 2/	38,872	6,219	45,091	39,122	6,309	45,431	39,122	6,309	45,431
State Prison Population									
Female	4,326		4,326	4,326		4,326	4,326		4,326
Male	29,687		29,687	29,687		29,687	29,687		29,687
Subtotal	34,013		34,013	34,013		34,013	34,013		34,013
Private Prison Population									
Male	8,299		8,299	8,299		8,299	8,299		8,299
Total Population 3/	42,312		42,312	42,312		42,312	42,312		42,312
Bed Surplus/(Shortfall)									
Male	(3,440)		2,779	(3,190)		3,119	(3,190)		3,119
Female	(3,373)		2,705	(3,373)		2,705	(3,373)		2,705
Female	(67)		74	183		414	183		414
Bed Surplus/(Shortfall) (% of Beds)	-9%		6%	-8%		7%	-8%		7%

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. Marana and Kingman are management only contracts.

2/ Excludes special use beds totaling 1,837 as of June 30, 2019.

3/ The chart excludes prisoners awaiting transfer from county jail.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)		Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.		
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
Funds Expended	443,700	555,500
Year-End Fund Balance	1,167,300	998,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. A.R.S. § 41-1624 authorizes an annual \$1,000,000 transfer into the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	47,731,800	46,003,400
Year-End Fund Balance	10,601,500	9,704,700
Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)		Non-Appropriated
Source of Revenue: A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount. Beginning in FY 2013, revenues also include a monthly drug testing fee pursuant to Laws 2012, Chapter 208. The department has not yet implemented the fee.		
Purpose of Fund: To pay for costs related to community corrections.		
Funds Expended	576,700	422,500
Year-End Fund Balance	354,100	310,300
Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Private grants and monies received from the disposal of donated properties.		
Purpose of Fund: To be used as specified by the particular donation.		
Funds Expended	0	0
Year-End Fund Balance	5,900	5,900
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products. The fund receives 20% of the monies collected from spirituous liquor and 50% of the monies collected from vinous and malt liquors are deposited in the Corrections Fund. A.R.S. § 42-3104 designates that the fund receive 50% of all general tax rate collections from the tax on tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. A.R.S. § 41-1641 authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	22,233,900	30,312,300
Year-End Fund Balance	15,808,400	8,142,400
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		Appropriated
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), Arizona Correctional Industries Revolving Fund (\$1,000,000), and Corrections Fund (\$2,500,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits. Expenditures from this fund are reported in the Capital section.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
Funds Expended	0	0
Year-End Fund Balance	2,988,100	249,200
Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	8,649,100	9,147,600
Year-End Fund Balance	(110,600)	103,500

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	392,700	2,272,500
Year-End Fund Balance	2,970,800	1,307,400
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: To fund inmate education. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	282,400	1,341,300
Year-End Fund Balance	5,098,000	5,379,500
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. A.R.S. § 41-1604.02 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	7,577,600	5,574,800
Year-End Fund Balance	5,098,000	5,379,500
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	56,100	66,400
Year-End Fund Balance	3,894,500	200
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Funds Expended	2,361,700	2,780,300
Year-End Fund Balance	3,064,200	2,887,800
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	10,000,000	12,500,000
Year-End Fund Balance	3,287,300	1,187,300

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and to pay the costs of implementing, operating and maintaining technologies and programs for inmate use. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. A.R.S. § 41-1604.03 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund; this transfer is reported as an expenditure. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	7,623,900	14,213,100
Year-End Fund Balance	9,900,000	5,126,900
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Funds Expended	3,046,300	2,661,800
Year-End Fund Balance	2,347,400	2,215,000
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
Funds Expended	3,536,600	4,889,200
Year-End Fund Balance	2,045,900	1,024,400
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	726,100	729,300
Year-End Fund Balance	806,600	606,300
Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	53,000	122,100
Year-End Fund Balance	44,500	22,400
Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		Appropriated
Source of Revenue: Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S. § 31-285. The source of revenue for the cost savings is the State DOC Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
Purpose of Fund: To pay for costs related to the administration of the Transition Program and for transition program services.		
Funds Expended	1,202,400	2,400,100
Year-End Fund Balance	3,787,100	3,681,900

Board of Cosmetology

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	746,200	823,100	823,100
Employee Related Expenditures	377,600	420,600	420,600
Professional and Outside Services	196,900	147,000	147,000
Travel - In State	29,400	30,000	30,000
Travel - Out of State	4,400	5,500	5,500
Other Operating Expenditures	428,200	480,700	410,700
Equipment	2,100	8,000	8,000
OPERATING SUBTOTAL	1,784,800	1,914,900	1,844,900
SPECIAL LINE ITEMS			
Annual Leave Payout	0 ^{1/}	34,200 ^{2/}	0
AGENCY TOTAL	1,784,800	1,949,100	1,844,900 ^{3/}

FUND SOURCES

Other Appropriated Funds

Board of Cosmetology Fund	1,784,800	1,949,100	1,844,900
SUBTOTAL - Other Appropriated Funds	1,784,800	1,949,100	1,844,900
SUBTOTAL - Appropriated Funds	1,784,800	1,949,100	1,844,900
TOTAL - ALL SOURCES	1,784,800	1,949,100	1,844,900

AGENCY DESCRIPTION - The board administers licensing examinations and licenses; inspects salons and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

FOOTNOTES

- 1/ Notwithstanding Laws 2018, Chapter 276, Section 23, the \$34,200 appropriated to the Board of Cosmetology by Laws 2018, Chapter 276, Section 23 from the Board of Cosmetology Fund for the Annual Leave Payout line item is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations, until June 30, 2023. (FY 2019 General Appropriation Act footnote, as amended by FY 2020 General Appropriation Act)
- 2/ The amount appropriated for the Annual Leave Payout line item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, until June 30, 2023. (FY 2020 General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,844,900 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(70,000) from the Board of Cosmetology Fund in FY 2021 for the elimination of one-time funding for file digitization.

The FY 2020 budget provided a one-time increase of \$70,000 for the second portion of Phase 2 of a licensing files digitization project, which consisted of document

scanning, paper file destruction and document management system development. Phase 2 completes the overall \$195,900 project.

Annual Leave Payout

The Baseline includes no funding in FY 2021 for the Annual Leave Payout. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(34,200) from the Board of Cosmetology Fund in FY 2021 for the elimination of one-time funding for an annual leave payout.

In FY 2018 and FY 2019, the Board of Cosmetology anticipated payment of accrued annual leave balances to 7 retirement-eligible employees. In these years, 5 of the employees retired, while the remaining 2 employees may not retire until FY 2023. The General Appropriation Act provided non-lapsing status to the board's FY 2019 and

FY 2020 Annual Leave Payout appropriations until the end of FY 2023 to account for the uncertainty of when these retirements will occur. The line item will be removed from the budget in FY 2021, as the non-lapsing appropriations provide sufficient funds for the payouts.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
Funds Expended	1,784,800	1,949,100
Year-End Fund Balance	11,142,300	12,507,700

County Funding

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
SPECIAL LINE ITEMS			
County Sheriff Reentry Planning	500,000	500,000	500,000
Department of Juvenile Corrections Offset	11,260,000	0	0
Elected Officials Retirement Plan Offset	1,655,500	3,000,000	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	21,066,200	11,150,700	11,150,700
FUND SOURCES			
General Fund	20,566,200	10,650,700	10,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	500,000	500,000 ^{1/2/}
SUBTOTAL - Other Appropriated Funds	500,000	500,000	500,000
SUBTOTAL - Appropriated Funds	21,066,200	11,150,700	11,150,700
TOTAL - ALL SOURCES	21,066,200	11,150,700	11,150,700

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of county services and to offset local cost sharing and Elected Officials Retirement Plan liabilities. This section also includes monies for County Sheriff Reentry Planning Services.

FOOTNOTES

- 1/ Laws 2018, Chapter 342 appropriated \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2019, FY 2020, and FY 2021 for County Sheriff Reentry Planning Services.
- 2/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

County Sheriff Reentry Planning

The Baseline includes \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2021 for County Sheriff Reentry Planning. This amount is unchanged from FY 2020.

Laws 2018, Chapter 342 appropriates \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund for County Sheriff Reentry Planning Services in FY 2019, FY 2020, and FY 2021. As a result, monies in this line item are not included in the General Appropriation Act. These appropriations are non-lapsing.

This line item provides funding for the administration of release coordination reentry planning services for persons in custody of a county sheriff. This funding is appropriated to the county sheriff of a county with a population of more than 205,000 but less than 300,000 (Yavapai).

Elected Officials Retirement Plan Offset

The Baseline includes \$3,000,000 from the General Fund in FY 2021 for the Elected Officials Retirement Plan Offset. This amount is unchanged from FY 2020.

This amount is allocated equally among counties with a population of less than 300,000. Each of the 12 smallest counties receives \$250,000.

FY 2019 was the first year of funding for this item. In FY 2019, the EORP employer contribution rate increased from 23.5% to 61.5%.

Small County Assistance

The Baseline includes \$7,650,650 from the General Fund in FY 2021 for assistance to small counties. This amount is unchanged from FY 2020.

This line item provides funding for counties with populations less than 900,000 according to the 2010

Decennial Census. With one exception, each county receives \$550,050 (see Table 1). Graham County receives \$1,050,050.

County	Ongoing Distribution	2010 Census Population
Apache	\$ 550,050	71,518
Cochise	550,050	131,346
Coconino	550,050	134,421
Gila	550,050	53,597
Graham	1,050,050	37,220
Greenlee	550,050	8,437
La Paz	550,050	20,489
Maricopa	-	3,817,117
Mohave	550,050	200,186
Navajo	550,050	107,449
Pima	-	980,263
Pinal	550,050	375,770
Santa Cruz	550,050	47,420
Yavapai	550,050	211,033
Yuma	550,050	195,751
Total	\$ 7,650,650	6,392,017

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow counties with a population of less than 250,000 according to the 2010 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2021, up to \$1,250,000 of county revenue for each county. 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, 2020. (Please see below for prior use of this provision.)

County Flexible Revenue Report

The FY 2020 Revenue Budget Reconciliation Bill (BRB) permits counties with a population of less than 250,000 according to the 2010 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 2020. Counties using the authority under the FY 2020 Revenue BRB were required to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2019.

Of the 12 eligible counties, 4 reported using the flexibility in FY 2020:

- Apache County: \$1.25 million from the Community College District, Library District, Flood District, and Public Health District to the General Fund and Jail District for law enforcement and Jail District operations.
- Coconino County: \$1.25 million 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.
- La Paz County: \$1.25 million from the Vehicle License Tax to the General Fund to pay down PSPRS debt and pay for general operating expenses.
- Navajo County: \$1.0 million from the Flood Control District and Library District to the General Fund for operating expenses.

The following 6 counties indicated that they are not utilizing this provision: Gila, Graham, Greenlee, Mohave, Santa Cruz, and Yavapai. The following 2 counties did not respond: Cochise and Yuma.

Table 2 shows the utilization of the county flexibility language since FY 2014.

Table 2

County Flexibility Language Utilization FY 2014 - FY 2020*

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Total</u>
Apache	\$ 500,000	\$ 500,000	\$ 400,000	\$1,200,000	\$1,250,000	\$1,250,000	\$1,250,000	\$ 6,350,000
Cochise		36,700	23,000				NR	59,700
Coconino			10,634,800	493,700	1,250,000		1,250,000	13,628,500
Gila								-
Graham								-
Greenlee								-
La Paz		5,012,500	992,500	596,500			1,250,000	7,851,500
Maricopa								-
Mohave					500,000			500,000
Navajo	580,300	1,430,300	1,200,000	1,200,000		1,250,000	1,040,000	6,700,600
Pima								-
Pinal			1,000,000					1,000,000
Santa Cruz								-
Yavapai								-
Yuma	56,000	29,700	10,200	51,000	27,100		NR	174,000
Total	\$1,136,300	\$7,009,200	\$14,260,500	\$3,541,200	\$3,027,100	\$2,500,000	\$4,790,000	\$36,264,300

*Reporting to JLBC began in FY 2009.

NR = County did not respond to the request for information.

Arizona Criminal Justice Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	11.0	11.0
Personal Services	509,400	446,300	446,300
Employee Related Expenditures	165,600	162,100	162,100
Professional and Outside Services	168,900	402,000	402,000
Travel - In State	7,600	7,000	7,000
Travel - Out of State	19,800	19,000	19,000
Other Operating Expenditures	355,400	228,300	228,300
Equipment	8,000	4,000	4,000
OPERATING SUBTOTAL	1,234,700	1,268,700	1,268,700
SPECIAL LINE ITEMS			
Criminal History Repository Upgrade	11,400	600,000	600,000 ^{1/}
Felony Pretrial Intervention Programs	0	750,000	0
State Aid to County Attorneys	799,100	973,700	973,700
Victim Compensation and Assistance	4,026,600	4,223,000	4,223,000
AGENCY TOTAL	6,071,800	7,815,400	7,065,400 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	442,400	655,500	655,500
Drug and Gang Prevention Resource Center Fund	792,300	613,200	613,200
Fingerprint Clearance Card Fund	11,400	600,000	600,000
State Aid to County Attorneys Fund	799,100	973,700	973,700 ^{3/}
Transition Program Fund	0	750,000	0
Victim Compensation and Assistance Fund	4,026,600	4,223,000	4,223,000 ^{4/}
SUBTOTAL - Other Appropriated Funds	6,071,800	7,815,400	7,065,400
SUBTOTAL - Appropriated Funds	6,071,800	7,815,400	7,065,400
Other Non-Appropriated Funds	4,365,100	5,548,300	5,548,300
Federal Funds	7,760,900	9,924,400	9,924,400
TOTAL - ALL SOURCES	18,197,800	23,288,100	22,538,100

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 1.79% of Criminal Justice Enhancement Fund (CJEF) monies.

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/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 3/ All monies received by the Arizona Criminal Justice Commission in excess of \$973,700 in FY 2021 from the State Aid to County Attorneys Fund established by A.R.S. § 11-539 are appropriated to the State Aid to County Attorneys Program. Before spending any State Aid to County Attorneys Fund monies in excess of \$973,700 in FY 2021, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ All Victim Compensation and Assistance monies received by the Arizona Criminal Justice Commission in excess of \$4,223,000 in FY 2021 are appropriated to the Crime Victims Program. Before spending any Victim Compensation and Assistance Fund monies in excess of \$4,223,000 in FY 2021, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$1,268,700 and 11 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
CJEF	\$655,500
Drug and Gang Prevention Resource Center Fund	613,200

These amounts are unchanged from FY 2020.

Criminal History Repository Upgrade

The Baseline includes \$600,000 from the Fingerprint Clearance Card Fund in FY 2021 for a Criminal History Repository Upgrade. This amount is unchanged from FY 2020.

This appropriation is non-lapsing. The FY 2019 General Appropriation Act appropriates \$600,000 from the Fingerprint Clearance Card Fund for this purpose in FY 2019, FY 2020, and FY 2021.

This line item provides funding for the Arizona Computerized Criminal History Repository Upgrade in which ACJC coordinates with the Department of Public Safety, law enforcement agencies, county attorneys, and courts to develop and implement a data exchange system to allow for the electronic transfer and submission of criminal history record information to the Arizona Computerized Criminal History Repository within 24 hours. Priority is given to entities based on deficiencies in dispositions and volume of cases.

Felony Pretrial Intervention Programs

The Baseline includes no funding in FY 2021 for Felony Pretrial Intervention Programs. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the Transition Program Fund in FY 2021 to remove a one-time distribution to the Yavapai County Sheriff's Office to administer felony pretrial intervention programs, probation surveillance, and case management.

Felony pretrial intervention programs may provide substance abuse treatment including medically assisted treatment with mandatory drug testing, cognitive behavioral therapy, and case management services for non-dangerous, non-repeat offenders.

State Aid to County Attorneys

The Baseline includes \$973,700 from the State Aid to County Attorneys Fund in FY 2021 for State Aid to County Attorneys. This amount is unchanged from FY 2020.

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.

Victim Compensation and Assistance

The Baseline includes \$4,223,000 from the Victim Compensation and Assistance Fund in FY 2021 for Victim Compensation and Assistance. This amount is unchanged from FY 2020.

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

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. Laws 2018, Chapter 237 reduced the CJEF surcharge from 47.0% to 42.0% in A.R.S. § 41-2401 and removed the Victims' Rights Fund and Victim Compensation and Assistance Fund as recipients of the surcharge. Instead, these 2 funds receive

revenues from a new \$9 penalty on criminal and civil violations.

CJEF monies are distributed on a percentage basis to various state entities. *Table 1* shows the current distribution percentages and the appropriation status of the funds and programs receiving CJEF monies. (See individual agency pages for detailed information on each recipient.)

Funds Transferred ^{1/}	% of CJEF	Approp.
<u>Attorney General</u>		
AZ Prosecuting Attorneys Advisory Council (4)	3.45	no
County Attorneys (7)	10.66	no
<u>Arizona Criminal Justice Commission</u>		
Operation Costs (10)	1.79	yes
<u>Department of Public Safety</u>		
Crime Lab Assessment Fund (11)	2.62	yes
Crime Lab Operations Fund (1)	10.26	yes
DNA Identification System (1)	1.46	yes
Fingerprinting Identification System (1)	7.37	yes
Peace Officers' Training Fund (3)	18.97	no
State/Local Grants (6)	8.29	^{2/}
<u>Department of Juvenile Corrections (2)</u>		
	1.84	yes
<u>State Treasurer</u>		
County Sheriffs (9)	13.34	no
<u>Supreme Court</u>		
Case Processing (8)	6.86	yes
Juvenile Crime (5)	10.66	yes
Community Punishment Program (12)	2.43	yes
^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.		
^{2/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.		

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Appropriated
Source of Revenue: A 1.79% allocation of the Criminal Justice Enhancement Fund (CJEF) for operating costs. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operating costs of ACJC.		
Funds Expended	442,400	655,500
Year-End Fund Balance	1,038,500	766,300
Drug and Gang Enforcement Fund (JCA2516/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%). The fund may also be used to fund the Statistical Analysis Center but not the Arizona Youth Survey.		
Funds Expended	4,365,100	5,548,300
Year-End Fund Balance	2,761,700	2,549,400
Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Statistical Analysis Center and Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.		
Funds Expended	792,300	613,200
Year-End Fund Balance	992,700	1,080,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Grants (JCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	7,760,900	9,924,400
Year-End Fund Balance	8,111,900	8,163,900
Fingerprint Clearance Card Fund (JCA2433/A.R.S. § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
Funds Expended	11,400	600,000
Year-End Fund Balance	588,600	0
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, 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 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.		
Funds Expended	799,100	973,700
Year-End Fund Balance	69,400	69,400
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, 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 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders for the processing of criminal cases. These monies are no longer used for this purpose.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transition Program Fund (JCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		Appropriated
Source of Revenue: Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S § 31-285. The source of revenue for the cost savings is the State Department of Corrections Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
Purpose of Fund: To fund felony pretrial intervention programs.		
Funds Expended	0	750,000
Year-End Fund Balance	0	0
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
Source of Revenue: The fund consists of 2 subaccounts. The Victim Compensation subaccount receives revenue from a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance subaccount receives revenue derived from community supervision fees and interstate compact fees.		
Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.		
Funds Expended	4,026,600	4,223,000
Year-End Fund Balance	3,115,900	1,992,800

Arizona State Schools for the Deaf and the Blind

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
PROGRAM BUDGET			
Administration/Statewide	6,602,500	6,494,800	6,534,600
Phoenix Day School for the Deaf	9,238,400	10,751,800	10,751,800
Preschool/Outreach Programs	5,347,600	5,250,600	5,250,600
Regional Cooperatives	4,600	0	0
Tucson Campus	12,326,700	13,638,900	13,638,900
AGENCY TOTAL	33,519,800	36,136,100	36,175,900
OPERATING BUDGET			
Full Time Equivalent Positions	562.2	562.2	562.2
Personal Services	18,584,500	19,096,200	19,096,200
Employee Related Expenditures	7,916,100	8,722,900	8,722,900
Professional and Outside Services	1,855,200	2,328,300	2,328,300
Travel - In State	129,100	117,700	117,700
Travel - Out of State	25,300	59,700	59,700
Food	79,600	155,100	155,100
Other Operating Expenditures	3,689,400	3,855,600	3,895,400
Equipment	1,222,600	1,431,600	1,431,600
OPERATING SUBTOTAL	33,501,800	35,767,100	35,806,900^{1/}
SPECIAL LINE ITEMS			
School Bus/Agency Vehicle Replacement	18,000	369,000	369,000
AGENCY TOTAL	33,519,800	36,136,100	36,175,900
FUND SOURCES			
General Fund	21,457,000	23,214,400	23,214,400
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	10,605,500	12,921,700	12,961,500 ^{2/}
Telecommunication Fund for the Deaf	1,457,300	0	0
SUBTOTAL - Other Appropriated Funds	12,062,800	12,921,700	12,961,500
SUBTOTAL - Appropriated Funds	33,519,800	36,136,100	36,175,900
Other Non-Appropriated Funds	17,801,000	19,712,300	19,712,300
Federal Funds	2,032,400	1,443,000	1,443,000
TOTAL - ALL SOURCES	53,353,200	57,291,400	57,331,200

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. ASDB also serves infants and toddlers throughout the state. As of October 2019, ASDB served approximately 2,009 children: 377 students in the K-12 programs (120 in Tucson and 257 in Phoenix), 119 children in preschools, 442 infant/toddlers in regional areas, and 1,071 children through the 5 existing regional cooperatives.

FOOTNOTES

- ^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- ^{2/} Before spending any Schools for the Deaf and the Blind Fund monies in excess of \$12,961,500 in FY 2021, 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 Appropriation Act footnote)

Operating Budget

The Baseline includes \$35,806,900 and 562.2 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$22,845,400
Schools for the Deaf and the Blind Fund	12,961,500

FY 2021 adjustments are as follows:

Enrollment Change

The Baseline includes no change in funding from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2021 due to flat enrollment. ASDB's FY 2020 appropriation assumed an enrollment of 496 students. Based on Fall 2019 monthly data, the FY 2021 student enrollment preliminarily is projected to be 496 students (the same as the budgeted count). The Baseline therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2021. These estimates are based on enrollment trends shown in *Table 1. (Please see Other Issues for additional enrollment information.)*

ASDB receives funding from the Arizona Department of Education (ADE), as its students qualify for K-12 formula funding. These monies are deposited into the ASDB Fund and the non-appropriated Regional Cooperatives 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.

Base Level Increase

The Baseline includes an increase of \$39,800 from the ASDB Fund in FY 2021 for a base level increase reflecting anticipated growth in revenues.

In FY 2020, revenues of \$12,921,700 were appropriated into the ASDB Fund from special education vouchers and state land trust endowment earnings. However, ASDB estimates that actual revenues into the ASDB Fund in FY 2020 will be \$12,492,400, or \$(429,300) less than the appropriated amount.

Revenues into the ASDB Fund are forecasted to increase by \$469,100 in FY 2021 due to inflation, teacher pay raises, and state land trust endowment earnings.

- 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 Baseline increases the BSA base level by 1.77% for inflation in FY 2021, which will increase special education voucher funding into the ASDB Fund by an estimated \$209,600 in FY 2021.

- The Baseline also includes funding for a 5% teacher pay raise, under the third and final year of the plan to provide a cumulative 20% increase in average teacher salaries by FY 2021. This adjustment will increase voucher funding into the ASDB Fund by an estimated \$232,100 in FY 2021.
- In addition to the increases related to inflation and teacher pay raises, interest associated with state land trust endowment revenues will generate an estimated \$27,400 in FY 2021.

The inflation (\$209,600), teacher pay (\$232,100), and land trust endowment earnings (\$27,400) adjustments total to \$469,100. When added to the FY 2020 base of \$12,492,400, total revenues into the ASDB Fund are forecasted to reach \$12,961,500 in FY 2021. This amount exceeds the FY 2020 appropriation of \$12,921,700 by \$39,800. As a result, the Baseline increases the ASDB Fund appropriation in FY 2021 by \$39,800 to match forecasted revenues.

The Baseline also continues a footnote that permits ASDB to spend monies in excess of the appropriated amount in FY 2021 after reporting to the JLBC the intended use of the monies.

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from ADE for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula.

Assistive Technology Devices

The Baseline includes no change in funding from the General Fund in FY 2021 for assistive technology devices. The Baseline includes a total of \$253,100 from the General Fund in FY 2021 for this equipment, which may include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for Blind Children

The Baseline maintains funding in FY 2021 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

School Bus/Agency Vehicle Replacement

The Baseline includes \$369,000 from the General Fund in FY 2021 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2020.

Monies in this line item are used for the purchase of new school buses. According to the School Facilities Board rules for ASDB, a gasoline-powered bus should be replaced after 10 years or 150,000 miles.

In September 2017, the Arizona Attorney General and the Volkswagen Group of America reached a settlement in a lawsuit filed by the Attorney General's Office against Volkswagen that relates to the marketing, advertising, selling and leasing of certain 'clean diesel' Volkswagen vehicles for model years 2009-2016. As part of the settlement, the state of Arizona will receive approximately \$57 million over 10 years to fund eligible mitigation activities. ASDB was included as one of the state beneficiaries and received \$900,000 from the Volkswagen settlement. Of that amount, ASDB received \$700,000 in FY 2019 and will receive the remaining \$200,000 in FY 2020.

Because the agency was able to use monies from the Volkswagen settlement for school bus replacements in FY 2019, it shifted \$369,000 from the School Bus Replacement line item to its operating budget for FY 2019 to purchase 15 new general-fleet vehicles in FY 2019. In FY 2020, the agency plans to use the FY 2020 Volkswagen settlement monies to purchase 2 new school

buses and again shift \$369,000 from the School Bus Replacement line item to its operating budget to purchase an additional 15 new general-fleet vehicles. This line item was previously titled "School Bus Replacement." To allow ASDB to purchase new general-fleet vehicles with these monies, the name of the line item has been changed.

Other Issues

Enrollment Projections

Table 1 shows average annual enrollment data for ASDB's Tucson, Phoenix, and Preschool campuses since FY 2017. FY 2020 estimates are based on preliminary enrollment data for FY 2020. The Baseline assumes that FY 2021 enrollment levels for ASDB will be unchanged from FY 2020.

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Tucson	129	130	134	120
Phoenix	283	270	259	257
Preschool	<u>99</u>	<u>89</u>	<u>103</u>	<u>119</u>
Total	511	489	496	496 ^{1/}

^{1/} Enrollment as of October 2019.

SUMMARY OF FUNDS

FY 2019 Actual FY 2020 Estimate

ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)

Non-Appropriated

Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.

Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).

Funds Expended 1,540,500 1,656,200
Year-End Fund Balance 1,330,500 2,343,900

Enterprise Fund (SDA4222/A.R.S. § 15-1323)

Non-Appropriated

Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.

Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).

Funds Expended 46,000 66,900
Year-End Fund Balance 560,800 586,300

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Grants (SDA2000/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Federal Grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	2,032,400	1,443,000
Year-End Fund Balance	987,600	1,624,500
IGA and ISA Fund (SDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGAs) and Intergovernmental Service Agreements (ISAs).		
Funds Expended	46,000	0
Year-End Fund Balance	0	0
Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	1,800	1,800
Regional Cooperatives Fund (SDA4221/Laws 1987, Chapter 363)		Non-Appropriated
Source of Revenue: Monies in the fund come from special education voucher funds as well as tuition and fees that school districts pay to ASDB in order to reimburse it for costs of providing services to their students.		
Purpose of Fund: The Regional Cooperative Fund is used to support ASDB's Regional Cooperatives program, which provides educational services to sensory impaired pupils who attend school at their local school districts rather than at an ASDB campus.		
Funds Expended	15,003,400	16,865,000
Year-End Fund Balance	1,588,200	1,578,600
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	10,605,500	12,921,700
Year-End Fund Balance	3,542,600	2,131,100
State Grants (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	1,050,800	995,900
Year-End Fund Balance	258,700	85,300
Telecommunication Fund for the Deaf (SDA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To supplement funding to ASDB's Early Childhood and Family Education Program.		
Funds Expended	1,457,300	0
Year-End Fund Balance	612,700	581,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Trust Fund (SDA3148/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	114,300	128,300
Year-End Fund Balance	38,100	43,400

Commission for the Deaf and the Hard of Hearing

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	17.0	17.0
Personal Services	1,014,500	1,114,100	1,114,100
Employee Related Expenditures	366,900	393,600	393,600
Professional and Outside Services	493,000	500,000	500,000
Travel - In State	7,400	12,000	12,000
Travel - Out of State	8,700	19,000	19,000
Other Operating Expenditures	1,059,500	2,036,700	2,036,700
Equipment	119,000	357,500	357,500
OPERATING SUBTOTAL	3,069,000	4,432,900	4,432,900
SPECIAL LINE ITEMS			
Support Services for the Deaf-Blind	800	192,000	192,000
AGENCY TOTAL	3,069,800	4,624,900	4,624,900 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,069,800	4,624,900	4,624,900
SUBTOTAL - Other Appropriated Funds	3,069,800	4,624,900	4,624,900
SUBTOTAL - Appropriated Funds	3,069,800	4,624,900	4,624,900
TOTAL - ALL SOURCES	3,069,800	4,624,900	4,624,900

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

Operating Budget

The Baseline includes \$4,432,900 and 17 FTE Positions from the Telecommunication Fund for the Deaf in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Deafblindness 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.

Support Services for the Deaf-Blind

The Baseline includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2021 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2020.

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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Private Grants (DFA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue received from grants and donations from non-governmental agencies such as foundation and private donors.		
Purpose of Fund: Monies used to pay for conferences, program, or other activities that are sponsored by donor organizations.		
Funds Expended	0	0
Year-End Fund Balance	23,200	23,200
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System; support community outreach and education, purchase; repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired; and operating costs of the commission.		
Funds Expended	3,069,800	4,624,900
Year-End Fund Balance	8,713,200	5,263,600

State Board of Dental Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	467,700	547,300	547,300
Employee Related Expenditures	204,600	200,700	200,700
Professional and Outside Services	140,600	211,400	211,400
Travel - In State	1,700	3,200	3,200
Travel - Out of State	3,800	5,500	5,500
Other Operating Expenditures	168,300	238,000	238,000
Equipment	20,600	23,700	23,700
AGENCY TOTAL	1,007,300	1,229,800	1,229,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,007,300	1,229,800	1,229,800
SUBTOTAL - Other Appropriated Funds	1,007,300	1,229,800	1,229,800
SUBTOTAL - Appropriated Funds	1,007,300	1,229,800	1,229,800
TOTAL - ALL SOURCES	1,007,300	1,229,800	1,229,800

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

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

Operating Budget

The Baseline includes \$1,229,800 and 11 FTE Positions from the Dental Board Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,007,300	1,229,800
Year-End Fund Balance	5,195,900	4,781,000

Arizona Early Childhood Development and Health Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	137,464,300	158,951,700	158,406,400
Federal Funds	7,997,800	1,820,500	1,381,300
TOTAL - ALL SOURCES	145,462,100	160,772,200	159,787,700

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 2019, ECDHB’s largest expenditure was **Child Care Scholarships** at \$68.8 million, as displayed in *Table 1*, serving an average of 6,088 children monthly, up from 5,924 in FY 2018. ECDHB has increased the number of child care facilities it rates as 3 to 5 stars, which results in a higher reimbursement rate for these facilities.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB. (For more information, please see the *Child Care Program Summary* on the JLBC website.)

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 123 filled FTE Positions. **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 2019 ECDHB Fund Expenditures by Category ^{1/}
(\$ in Millions)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent</u>
Child Care Scholarships	\$68.8	47%
Family Support	30.5	21%
Health	15.3	11%
Administration	10.3	7%
Professional Development	5.4	4%
Community Awareness	2.7	2%
Research & Evaluation	3.0	2%
System Coordination	0.9	1%
Other Funds (Grants, Gifts, etc.)	<u>0.6</u>	<u>0%</u>
Total	\$137.5	100%

^{1/} Does not include federal grant expenditures.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative (Proposition 203) in the 2006 election.		
Funds Available		
Balance Forward	370,934,500	358,160,800
Revenue:		
Administrative Costs Account	12,425,100	12,300,000
Program Account	111,826,200	110,700,000
Other (Donations/Grants)	<u>439,300</u>	<u>279,300</u>
Total Funds Available	495,625,100	481,440,100
Expenditures:		
Administrative Expenditures	13,769,900	15,293,700
Programmatic Expenditures	<u>123,694,400</u>	<u>143,658,000</u>
Total Funds Expended	137,464,300	158,951,700
Year-End Fund Balance	358,160,800	322,488,400
Federal Grants (CDA2000/A.R.S. § 8-1182)		Non-Appropriated
Source of Revenue: Federal Funds.		
Purpose of Fund: To fund early comprehensive childhood systems.		
Funds Expended	7,997,800	1,820,500
Year-End Fund Balance	1,685,000	0

Office of Economic Opportunity

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	292,100	312,900	312,900
Employee Related Expenditures	102,300	107,400	107,400
Professional and Outside Services	6,400	4,000	4,000
Travel - In State	200	2,000	2,000
Travel - Out of State	1,600	5,000	5,000
Other Operating Expenditures	41,300	33,000	33,000
Equipment	300	4,000	4,000
OPERATING SUBTOTAL	444,200	468,300	468,300
SPECIAL LINE ITEMS			
Small Drinking Water Systems Fund Deposit	0	500,000 ^{1/}	0
AGENCY TOTAL	444,200	968,300	468,300 ^{2/}
FUND SOURCES			
General Fund	444,200	968,300	468,300
SUBTOTAL - Appropriated Funds	444,200	968,300	468,300
Other Non-Appropriated Funds	95,828,900	87,975,400	87,975,400
Federal Funds	16,700,100	23,927,100	23,927,100
TOTAL - ALL SOURCES	112,973,200	112,870,800	112,370,800

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. Also established within OEO is the Arizona Finance Authority, which oversees the Water Infrastructure Finance Authority (WIFA) and 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/} The Water Infrastructure Finance Authority of Arizona shall report to the Joint Legislative Budget Committee on or before December 31, 2019, December 31, 2020, and December 31, 2021 on the annual amount of expenditures from the Small Drinking Water Systems Fund established by A.R.S § 49-355 for grants to interim operators, interim managers, or owners of small drinking water systems during the prior fiscal year. (FY 2020 General Appropriation Act Footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$468,300 and 5 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Small Drinking Water Systems Fund Deposit

The Baseline includes no funding in FY 2021 for the Small Drinking Water Systems Fund. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2021 to remove one-time funding for the Small Drinking Water Systems Fund. Monies deposited into the fund are non-lapsing.

Monies in the fund are for grants to interim operators, interim managers, or owners of small drinking water systems to repair, replace, or upgrade water infrastructure. Monies deposited into the fund are non-lapsing.

The budget requires that the Water Infrastructure Finance Authority, which is housed in the Office of Economic Opportunity, report on annual expenditures from the fund to the Joint Legislative Budget Committee by December 31 in 2019, 2020, and 2021.

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, the administering agency for the Workforce Arizona Council, and oversees the Workforce Data Task Force.

AFA

AFA houses the functions of the Water Infrastructure Finance Authority (WIFA), the Greater Arizona Development Authority (GADA), and administers the state's Private Activity Bond (PAB) authorization. AFA is expected to oversee \$101,828,100 in expenditures in FY 2021.

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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Finance Authority Operations Fund (FAA5352/A.R.S. § 41-5352)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, unrestricted and available monies of WIFA and GADA, proceeds from the bond issuances of AIDA, donations, loans, or gifts to the Authority.		
<i>Purpose of Fund:</i> To fund the operations of AFA. Oversees the state's private activity bond authorization and the operations of WIFA and GADA.		
Funds Expended	150,900	151,600
Year-End Fund Balance	351,300	351,300
Arizona Industrial Development Authority Fund (FAA9973/A.R.S. § 41-5356)		Non-Appropriated
<i>Source of Revenue:</i> Filing and application fees related to the issuance of private activity bonds and investment income.		
<i>Purpose of Fund:</i> To pay for the operations of the Arizona Industrial Development Authority, including the review and approval of certain corporate bond financing projects. Revenues remaining in the fund at the end of the fiscal year are transferred to the Office of Economic Opportunity's Economic Development Fund and the Department of Housing's Housing Trust Fund. This fund is not held in a state account, so its expenditures and fund balances are not displayed.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Clean Water Annual Debt Service Interest Fund (FAA4313/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Interest from issued loans.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	8,182,500	6,286,800
Year-End Fund Balance	1,798,800	847,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Clean Water Annual Debt Services Principal Fund (FAA4312/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Repayment on the principal of issued loans.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	46,472,700	28,534,000
Year-End Fund Balance	41,252,400	41,338,800
Clean Water Debt Service Reserve - Clean Water Fund (FAA4315/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Upfront payment from loan recipients with lower credit scores.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	3,735,200	3,735,200
Clean Water Federal Loan Fund (FAA4310/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Federal monies.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	4,793,900	6,776,700
Year-End Fund Balance	0	0
Clean Water Fee Program Income Fund (FAA4309/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Administrative fee from the issuance of a loan.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	6,500	178,100
Year-End Fund Balance	9,325,900	9,325,900
Clean Water Fees Non Program Income Fund (FAA4317/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	3,611,000	4,589,900
Year-End Fund Balance	19,981,900	19,981,900
Clean Water Financial Assistance Fund (FAA4319/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<i>Purpose of Fund:</i> To generate the state match required by the Clean Water Act, provide financial assistance to political subdivisions, Indian tribes and eligible drinking water facilities for constructing, acquiring or improving wastewater treatment facilities, and drinking water facilities.		
Funds Expended	65,000	85,000
Year-End Fund Balance	82,323,500	82,323,500
Clean Water State Loan Fund (FAA4311/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Revenue generated from bond sales.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Drinking Water Annual Debt Service Interest Fund (FAA4333/A.R.S. § 49-1261)		Non-Appropriated
<i>Source of Revenue:</i> Interest from issued loans.		
<i>Purpose of Fund:</i> To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	2,097,700	5,848,000
Year-End Fund Balance	10,669,200	8,734,000
Drinking Water Annual Debt Services Principal Fund (FAA4332/A.R.S. § 49-1261)		Non-Appropriated
<i>Source of Revenue:</i> Repayment on the principal of issued loans.		
<i>Purpose of Fund:</i> To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	24,141,300	25,276,000
Year-End Fund Balance	3,522,500	2,508,000
Drinking Water Debt Service Reserve Fund (FAA4320/A.R.S. § 49-1261)		Non-Appropriated
<i>Source of Revenue:</i> Upfront payment from loan recipients with lower credit scores.		
<i>Purpose of Fund:</i> To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	2,728,200	2,728,200
Drinking Water Federal Loan Fund (FAA4335/A.R.S. § 49-1261)		Non-Appropriated
<i>Source of Revenue:</i> Federal monies.		
<i>Purpose of Fund:</i> To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	10,001,300	14,394,800
Year-End Fund Balance	0	0
Drinking Water Fees Non Program Fund (FAA4322/A.R.S. § 49-1261)		Non-Appropriated
<i>Source of Revenue:</i> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<i>Purpose of Fund:</i> To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	5,154,500	6,668,800
Year-End Fund Balance	2,966,700	2,966,700
Drinking Water Fees Program Income Fund (FAA4336/A.R.S. § 49-1261)		Non-Appropriated
<i>Source of Revenue:</i> Administrative fee from the issuance of a loan.		
<i>Purpose of Fund:</i> To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	0	290,400
Year-End Fund Balance	8,780,500	8,780,500
Drinking Water Financial Assistance Fund (FAA4324/A.R.S. § 49-1261)		Non-Appropriated
<i>Source of Revenue:</i> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<i>Purpose of Fund:</i> To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	2,143,200	2,800,000
Year-End Fund Balance	86,345,600	86,345,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Drinking Water State Loan Fund (FAA4331/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Revenue generated from bond sales.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Economic Development Fund (EOA3337/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Any unencumbered monies retained by the Arizona Finance Authority at the end of the fiscal year that are in excess of the Authority's operating expenses.		
Purpose of Fund: To fund projects as determined by the director of OEO.		
Funds Expended	0	4,000,000
Year-End Fund Balance	1,261,100	754,600
Federal Grants (EOA2000/A.R.S. § 49-1203)		Non-Appropriated
Source of Revenue: Federal grants related to water supply management, employment and population statistical analysis, Workforce Innovation and Opportunity Act (WIOA) monies, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	1,904,900	2,755,600
Year-End Fund Balance	236,000	300
Greater Arizona Development Authority Revolving Fund (FAA2311/A.R.S. § 41-2254)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities.		
Funds Expended	26,700	33,000
Year-End Fund Balance	12,284,300	12,251,300
IGA and ISA Fund (EOA2500/A.R.S. § 41-5303)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	556,500	320,000
Year-End Fund Balance	10,500	0
IGA and ISA Fund (FAA2500/A.R.S. § 41-5303)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	25,000	0
Year-End Fund Balance	0	0
Office of Economic Opportunity Operations Fund (EOA9903/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Filing fees paid by security issuers and registration fees paid by security dealers to the Corporation Commission. Prior to the creation of this fund, these monies had been deposited into the Arizona Competes Fund.		
Purpose of Fund: To fund the operational costs of the office.		
Funds Expended	3,195,400	2,913,800
Year-End Fund Balance	2,071,100	1,245,400

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Small Drinking Water Systems Fund (FAA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest. The FY 2020 budget included a one-time deposit of \$500,000 from the General Fund. These expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair. Laws 2017, Chapter 213 changed the name of the fund to be the Small Drinking Water Systems Fund, expanded the eligible pool of grant recipients, and expanded the use of the funds to non emergency-grants.		
Funds Expended	0	0
Year-End Fund Balance	25,600	350,600

Department of Economic Security

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,323.8	4,377.8	4,377.8 ^{1/}
Personal Services	74,215,100	72,022,400	72,022,400
Employee Related Expenditures	33,016,900	31,526,900	31,526,900
Professional and Outside Services	14,775,900	27,147,100	27,147,100
Travel - In State	778,700	572,100	572,100
Travel - Out of State	90,900	82,600	82,600
Other Operating Expenditures	21,966,900	25,602,700	25,602,700
Equipment	3,624,500	2,205,400	2,205,400
OPERATING SUBTOTAL	148,468,900	159,159,200	159,159,200 ^{2/3/4/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	9,885,800	11,057,700	11,057,700
SNAP Benefit Match	400,000	0	0
Aging and Adult Services			
Adult Services	9,902,900	8,731,900	8,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,232,000	14,003,700	14,003,700 ^{5/6/}
Family Caregiver Grant Fund Deposit	0	1,000,000	0 ^{7/}
Benefits and Medical Eligibility			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Coordinated Hunger Services	1,754,600	1,754,600	1,754,600
One-Time Food Bank Funding	1,000,000	0	0
One-Time Food Bank Storage and Distribution Costs	950,000	0	0 ^{8/}
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	4,679,900	8,740,200	8,740,200
Developmental Disabilities ^{11-12/13/}			
DDD Administration	37,370,400	104,821,000	103,453,100
DDD Premium Tax Payment	32,282,500	35,598,700	43,472,900
Case Management - Medicaid	65,252,300	75,964,500	84,736,500
Home and Community Based Services - Medicaid	1,147,526,200	1,369,790,300	1,527,565,500
Institutional Services - Medicaid	39,296,600	50,002,800	45,255,700
Children's Rehabilitative Services - Medicaid	62,416,700	0	0
Medical Services - Medicaid	216,814,700	0	0
Physical and Behavioral Health Services - Medicaid	0	360,359,100	392,821,600
Medicare Clawback Payments	4,185,100	4,517,800	4,388,900
Targeted Case Management - Medicaid	8,159,600	10,708,200	11,151,100
Case Management - State-Only	5,913,400	6,194,600	6,194,600
Home and Community Based Services - State-Only	13,709,000	13,589,000	13,589,000
Cost Effectiveness Study Client Services	1,100,000	1,220,000	1,220,000
Arizona Early Intervention Program	8,219,000	6,319,000	6,319,000
State-Funded Long Term Care Services	32,825,200	35,151,600	35,409,400
Employment and Rehabilitative Services			
Child Care Subsidy	90,395,500	146,796,600	146,796,600 ^{9/13/}
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	10,394,700	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Investment Act Services	54,048,700	53,654,600	53,654,600 ^{14/}
AGENCY TOTAL	2,061,385,500	2,532,342,500	2,732,683,200 ^{15/-18/}

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
General Fund	662,286,900	749,708,200	808,448,100
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	10,163,700	17,094,700	17,094,700
Domestic Violence Services Fund	2,228,300	4,000,000	4,000,000
Federal CCDF Block Grant	104,317,500	158,952,900	158,952,900
Federal TANF Block Grant	65,324,900	65,395,900	65,395,900
Health Services Lottery Monies Fund	1,000,000	0	0
Long Term Care System Fund (Non-Federal Matched)	24,425,200	26,559,600	26,559,600
Public Assistance Collections Fund	0	423,400	423,400
Special Administration Fund	5,066,400	4,511,200	4,511,200
Spinal and Head Injuries Trust Fund	4,249,700	2,326,800	2,326,800
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	56,438,700	56,044,500	56,044,500
SUBTOTAL - Other Appropriated Funds	273,214,400	336,309,000	336,309,000
SUBTOTAL - Appropriated Funds	935,501,300	1,086,017,200	1,144,757,100
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	33,410,300	42,299,500	42,299,500
Long Term Care System Fund (Federal Match)	1,092,473,900	1,404,025,800	1,545,626,600
SUBTOTAL - Expenditure Authority Funds	1,125,884,200	1,446,325,300	1,587,926,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	2,061,385,500	2,532,342,500	2,732,683,200
Other Non-Appropriated Funds	228,079,200	215,221,700	215,221,700
Federal Funds	1,659,529,100	1,656,784,100	1,656,784,100
TOTAL - ALL SOURCES	3,948,993,800	4,404,348,300	4,604,689,000

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Community Services; and Employment and Rehabilitation Services.

FOOTNOTES

- 1/ Includes 705.5 GF, 235.6 OF, and 1,562.3 EA FTE Positions funded from Special Line Items in FY 2021.
- 2/ 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 Appropriation Act footnote)
- 3/ All state shares of retained earnings, fees and federal incentives in excess of \$17,094,700 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New FTE Positions may be 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 Appropriation Act footnote)
- 4/ Before the department may spend any monies to replace the child support information technology system, the Arizona Strategic Enterprise Technology Office shall submit, on behalf of the Department of Economic Security, an expenditure plan to the Joint Legislative Budget Committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriation from the Automation Projects Fund to A.R.S. § 41-714. (General Appropriation Act Footnote)
- 5/ All Domestic Violence Services Fund monies in excess of \$4,000,000 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 \$4,000,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ 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 funding on or before December 15, 2021. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- D/ A. ~~The sum of \$1,000,000 is appropriated one-time from the state General Fund in FY 2020 to the Department of Economic Security for deposit in the Family Caregiver Grant Program Fund established by A.R.S. § 46-343.~~

- B. ~~The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriations Act footnote)~~
- D/ A. ~~In addition to any other appropriations made in FY 2019, the sum of \$950,000 is appropriated from the state General Fund in FY 2019 to the Department of Economic Security for food bank storage and distribution of food.~~
- B. ~~The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)~~
- 7/ The department 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 2%. 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 Appropriation Act footnote)
- 8/ 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 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 Appropriation Act footnote)
- 9/ On or before September 1, 2021, 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 FY 2021 and the reason 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, 2021, 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 FY 2021. (General Appropriation Act footnote)
- 10/ The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review of any new Division of Developmental Disabilities salary adjustments not previously reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 11/ The department shall report to the Joint Legislative Budget Committee on or before August 1, 2020 the number of filled positions for case managers and non-case managers in the Division of Developmental Disabilities as of June 30, 2020. The department shall submit an expenditure plan of its staffing levels for review by the Joint Legislative Budget Committee if the department plans on hiring staff for non-case manager, non-case aide, non-case unit supervisor and non-case section manager positions above the staffing level indicated in the August 1, 2020 report. (General Appropriation Act footnote)
- D/ ~~Before implementing provider rate increases, the department shall engage community stakeholders regarding the department's plans to increase provider rates. The department shall submit a report to the Joint Legislative Budget Committee on or before August 1, 2019 describing its efforts to engage stakeholders and the department's plans to implement provider rate increases for state FY 2020. (General Appropriation Act footnote)~~
- 12/ Before transferring any monies in or out of the Case Management - Medicaid, Case Management - State-Only and DDD Administration line items, the department shall submit a report for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- D/ A. ~~In addition to any other appropriations made in FY 2019, the sum of \$500,000 from expenditure authority is appropriated in FY 2019 to the Department of Economic Security for assistance to developmental disabilities services providers. The total includes the following changes by fund: 1) \$150,000 from voluntary payments made by political subdivisions, 2) \$350,000 from Developmental Disabilities Medicaid Expenditure Authority.~~
- B. ~~The department may spend \$2 of the Developmental Disabilities Medicaid Expenditure Authority monies appropriated in subsection A of this section for each \$1 that the city of Flagstaff provides as voluntary payments for this purpose. The department shall distribute the monies to developmental disabilities services providers that experience the highest mandated labor cost increases for services provided in the city of Flagstaff.~~
- C. ~~The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)~~

- D/ A. In addition to any other appropriations made in FY 2019, the sum of \$7,400,000 is appropriated from the Federal Child Care and Development Fund Block Grant to the Department of Child Safety for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.
- B. In addition to any other appropriations made in FY 2019, the sum of \$48,400,000 is appropriated from the Federal Child Care and Development Fund Block Grant to the Department of Economic Security for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.
- C. The appropriations made in subsections A and B of this section are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2020. (General Appropriation Act footnote)
- 13/ The Legislature intends that the combined number of children in child care assistance authorized pursuant to A.R.S. § 46-803D and F be maintained throughout the year at a minimum of 8,500 children. The Department of Economic Security shall prioritize child care assistance for families that qualify for assistance pursuant to A.R.S. § 46-803F, on the waiting lists established pursuant to A.R.S. § 46-803I. (General Appropriation Act footnote)
- 14/ All Workforce Investment Act Grant monies that are received by this state in excess of \$56,044,500 are appropriated to the Workforce Investment Act Services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$56,044,500 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 15/ On or after April 1, 2021, the Department of Economic Security may use up to \$25,000,000 from the Budget Stabilization Fund established by A.R.S. § 35-144 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. Notwithstanding any other law, this appropriation must be fully reimbursed on or before September 1, 2021 and must be reimbursed in full as part of the closing process for FY 2021. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 16/ The above appropriations are in addition to monies granted to the 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 A.R.S. § 42-5029. (General Appropriation Act footnote)
- 17/ 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 30th of the following month. The report shall 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 Appropriation Act footnote)
- 18/ General Appropriation Act fund are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2021 General Fund spending increases by \$58,739,900, or 7.8% above the FY 2020 appropriation. This amount includes:

- \$59,739,900 for DDD formula adjustments.
- \$(1,000,000) to remove a one-time deposit in the Family Caregiver Grant Fund.

Operating Budget

The Baseline includes \$159,159,200 and 1,874.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$79,166,000
Child Support Enforcement Administration Fund	13,514,000
Child Support Enforcement Administration Fund (EA)	27,542,200
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,464,000
Federal Child Care and Development Fund (CCDF) Block Grant	12,138,600
Public Assistance Collections Fund	332,300
Special Administration Fund	2,075,300
Spinal and Head Injuries Trust Fund	546,900
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,379,900

These amounts are unchanged from FY 2020.

Administration

Attorney General Legal Services

The Baseline includes \$11,057,700 and 156.9 FTE Positions in FY 2021 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,227,700
Child Support Enforcement Administration Fund	2,501,600
Child Support Enforcement Administration Fund (EA)	7,096,200
Federal TANF Block Grant	106,600
Federal CCDF Block Grant	17,700
Public Assistance Collections Fund	91,100
Special Administration Fund	5,000
Spinal and Head Injuries Trust Fund	1,800
Workforce Investment Act Grant	10,000

These amounts are unchanged from FY 2021.

Aging and Adult Services

Adult Services

The Baseline includes \$8,731,900 from the General Fund in FY 2021 for Adult Services. This amount is unchanged from FY 2020.

This line item provides an array of independent living support to elderly persons, as shown in *Table 1*.

Table 1	
Independent Living Support	
Services	FY 2021
Adult Protective Contracted Services	\$ 322,700
Supplemental Payments	94,800
Home Care	4,181,500
Older Americans Act	1,905,700
Assessments and Case Management	1,721,800
Respite Care	<u>505,300</u>
Total	\$8,731,900^{1/}

^{1/} Numbers do not add due to rounding.

Community and Emergency Services

The Baseline includes \$3,724,000 from the Federal TANF Block Grant in FY 2021 for Community and Emergency Services. This amount is unchanged from FY 2020.

Monies in this line item provide funding to 15 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2019, this line item provided short-term crisis services to 1,148 households and energy assistance to 32,094 households.

Coordinated Homeless Services

The Baseline includes \$2,522,600 in FY 2021 for Coordinated Homeless Services programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2020.

In FY 2019, this line item provided emergency shelter services to 10,434 individuals, rapid re-housing services to 1,736 individuals, and homeless prevention services to 68 individuals.

Domestic Violence Prevention

The Baseline includes \$14,003,700 in FY 2021 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Services Fund	4,000,000
Special Administration Fund	100,000

These amounts are unchanged from FY 2020.

In FY 2019, this line item, along with non-appropriated funds, served approximately 5,012 women and children in emergency shelters, 1,515 adults and children in transitional housing, and 12,734 victims with legal and lay legal advocacy.

Family Caregiver Grant Fund Deposit

The Baseline includes no funding from the General Fund in FY 2021 for deposit into the Family Caregiver Grant Fund. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove a one-time deposit into the Family Caregiver Grant Fund.

Beginning January 1, 2020, monies in this line item provide grants of up to \$1,000 for expenses that relate

directly to caring for or supporting a family member requiring assistance with activities of daily living.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes \$22,736,400 from the Federal TANF Block Grant in FY 2021 for TANF Cash Benefits. This amount is unchanged from FY 2020.

As of October 2019, the latest month for which data is available, DES served a regular TANF Cash Benefits caseload of 13,254 individual recipients. Caseloads have declined (9.2)% compared to October 2018. The average cost per person is projected to be \$96. In addition, 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 October 2019 Diversion caseload was 624 a 1.0 % increase from October 2018. The average diversion payment per person is projected to be \$755.

Currently, the JLBC Staff projects that TANF Cash Benefits caseloads will decrease to 11,356 and TANF Diversion caseloads will decrease to 570 by June 2021 and remain steady through FY 2023. This caseload decline could lead to FY 2021 spending levels \$(3.3) million below the FY 2021 Baseline. The Baseline amount would be able to fund an average of 14,500 individuals at \$99 per month and 600 Diversion clients at \$755 per month.

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. To qualify for the second year of eligibility, a recipient must have received no penalties for violating the work and school attendance requirements. In addition, a recipient can accumulate only 2 penalties before being removed from the program.

The Baseline would continue a provision allowing 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 further details on TANF expenditures and a table of expenditure detail by agency.)*

Coordinated Hunger Services

The Baseline includes \$1,754,600 in FY 2021 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2020.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2019, this funding assisted in the distribution of 166,588 pounds of food.

Tribal Pass-Through Funding

The Baseline includes \$4,680,300 from the General Fund in FY 2021 for Tribal Pass-Through Funding. This amount is unchanged from FY 2020.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. When originally implemented, program funding was designed to be roughly equivalent to what the state was spending on the population when the state still had responsibility for the cash assistance program for any particular tribe.

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.

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. *Table 2* details the sources and uses of the CSEA Fund.

Table 2

CSEA Fund Sources and Uses

<u>Sources</u>	<u>FY 2021</u>
State Share of Retained Earnings	\$ 2,336,000
Federal Incentive Payments	5,589,700
Fees	2,585,700
Excess Appropriation Authority ^{1/}	6,583,300
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,210,300
<u>Uses</u>	
DCSE Administration (DES Operating)	\$13,514,000
Attorney General Legal Services	2,501,600
County Participation	1,079,100
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,210,300

^{1/} This line is the difference between appropriation authority and expected revenues.

County Participation

The Baseline includes \$8,740,200 in FY 2021 for County Participation. This amount consists of:

CSEA Fund	1,079,100
CSEA Fund (EA)	7,661,100

These amounts are unchanged from FY 2020.

The division currently contracts with Gila and La Paz Counties to have the counties operate their own child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

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 222% of the FPL, 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 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 of the resources available to

the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of November 2019, the Division of Developmental Disabilities served 42,998 clients, which includes 34,411 clients in the LTC program, 4,794 in Targeted Case Management, and 3,793 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 3*.

Table 3

Primary Disability of Clients Served

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	16,155	37.6%
At Risk	9,300	21.6%
Autism	12,213	28.4%
Cerebral Palsy	3,508	8.2%
Epilepsy	<u>1,822</u>	4.2%
Total	42,998	

Overall DDD Formula Adjustments

The Baseline includes an increase of \$59,739,900 from the General Fund in FY 2021 for DDD formula changes. Changes are described in further detail below. *(Please see [Long-Term Budget Impacts in Other Issues for further details on FY 2022 and FY 2023 formula changes.](#))*

Caseload Growth

The Baseline includes an increase of \$30,247,700 from the General Fund in FY 2021 for DD caseload changes. Compared to June 2020, LTC caseloads are expected to grow by 5.0% to 37,695 members by June 2021 (this amount excludes state-only clients). The 5.0% caseload growth is based on recent growth within the DDD.

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2019, and the estimated growth in FY 2020 and FY 2021. Approximately 86.1% of clients are currently at home, and 13.5% receive services in a community-based residential setting, such as a group home or developmental home. The remaining 0.4% of clients receive services in an institution, including an intermediate care facility or a skilled nursing facility.

Table 4

DDD June Caseloads and Placement Settings

<u>Placement</u>	<u>FY 19</u>	<u>FY 20 Est</u>	<u>FY 21 est</u>
Home	29,428	30,920	32,493
Group Home	3,085	3,241	3,393
Developmental Home	1,508	1,585	1,696
Institution	<u>147</u>	<u>154</u>	<u>113</u>
Total	34,168	35,900	37,695

Capitation Rate Adjustments

The Baseline includes an increase of \$30,536,800 from the General Fund in FY 2021 for a 2.0% net capitation rate increase beginning October 1, 2020. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. The 2.0% capitation rate is based on the historic growth in the DDD capitation rate. Table 5 shows how the capitation adjustment is allocated by service category.

	FY 2020 Capitation Rate ^{1/}	Assumed Growth Rate	FY 2021 Capitation Rate
Administration	230.38	2.0%	234.99
Premium Tax	96.81	2.0%	98.75
Case Management	188.70	2.0%	192.47
HCBS ^{2/}	3,401.74	2.0%	3,469.77
Institutional Care ^{3/}	100.78	2.0%	102.80
Acute Care ^{4/}	877.25	2.0%	894.80
Total	4,895.66	2.0%	4,993.58

^{1/} Revised rate effective January 1, 2020.
^{2/} HCBS line includes PMPM rates for HCBS and Risk Contingency.
^{3/} Institutional Care rate is net of client's share of cost.
^{4/} Acute care rate includes \$55.35 for reinsurance. Does not include behavioral health expenses.

The capitation adjustment does not include a dedicated provider rate adjustment. (Please see Other Issues for additional information.)

FMAP Adjustments

The Baseline includes a decrease of \$(915,700) from the General Fund in FY 2021 for an increase in the Federal Medical Assistance Percentage (FMAP). The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2021, the blended Medicaid FMAP is projected to increase to 70.01% (0.04% increase).

Medicare Clawback

The Baseline includes a decrease of \$(128,900) from the General Fund in FY 2021 for adjustments associated with Medicare Clawback Payments.

DDD Administration

The Baseline includes \$103,453,100 and 294.3 FTE Positions in FY 2021 for DDD Administration. These amounts consist of:

General Fund	31,018,200
Long Term Care System Fund	72,434,900

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(1,367,900) in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	(458,900)
Long Term Care System Fund	(909,000)

The decrease from FY 2020 reflects a rebase of an overallocation to the DD Administration line.

Background – This line item includes funding for direct and indirect DDD administrative costs, as well as administrative funding for DES' subcontracted health plans for DD clients.

DDD Premium Tax Payment

The Baseline includes \$43,472,900 in FY 2021 for the DDD Premium Tax Payment. This amount consists of:

General Fund	13,034,400
Long Term Care System Fund	30,438,500

FY 2021 adjustments are as follows:

Premium Tax Growth

The Baseline includes an increase of \$7,874,200 in FY 2021 for growth in the premium tax. This amount consists of:

General Fund	2,344,400
Long Term Care System Fund	5,529,800

Background – DES pays a 2% premium tax to the Department of Insurance on capitation payments received from AHCCCS.

Case Management - Medicaid

The Baseline includes \$84,736,500 and 1,237 FTE Positions in FY 2021 for Case Management - Medicaid. These amounts consist of:

General Fund	25,406,400
Long Term Care System Fund	59,330,100

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$8,772,000 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	2,594,700
Long Term Care System Fund	6,177,300

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. The ALTCS program requires DES to have at least 1 case manager for every 35 DD clients for each ALTCS client added since 2006.

Home and Community Based Services - Medicaid

The Baseline includes \$1,527,565,500 and 94.5 FTE Positions in FY 2021 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	458,007,200
Long Term Care System Fund	1,069,558,300

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$157,775,200 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	46,674,200
Long Term Care System Fund	111,101,000

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. *Table 6* shows the distribution of home and community-based services by service category for the top 10 most used services in FY 2018. This line item also funds staff in state-operated group homes.

Institutional Services - Medicaid

The Baseline includes \$45,255,700 and 457.7 FTE Positions in FY 2021 for Medicaid Institutional Services. These amounts consist of:

Table 6	
FY 2019 Proposed Developmental Disabilities Home and Community-Based Services Expenditures for Top 10 Most Used Services	
Service	Expenditures (\$ In M)
Group Homes	\$318.6
Attendant Care	132.9
Day Programs	127.8
Habilitation- Support - Hourly	115.4
Respite	109.9
Adult Development Homes	47.0
Nurses (In-Home)	43.4
Speech Therapy	31.0
Group Supported Employment	26.0
Habilitation Services - Individual Designed Living	25.7

General Fund	13,568,900
Long Term Care System Fund	31,686,800

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(4,747,100) in FY 2021 for formula adjustments. The formula adjustments include a decrease in budgeted Arizona Training Program at Coolidge (ATP-C) populations, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	(1,446,600)
Long Term Care System Fund	(3,300,500)

Background – Monies in this line item fund Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-C. DES reports that ATP-C had November 2019 enrollment of 73, a decrease of 3 from December 2018.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. In November 2019, DES reported to JLBC that it plans to close the 5 state-operated group homes (SOGHs) on the ATP-C campus by May 2020, which would require the relocation of 16 residents at the facility. The department reports all 16 residents have opted to stay at the ATP-C facility. The Baseline continues this footnote in FY 2021.

At its December 2019 meeting, JLBC favorably reviewed DES' Coolidge plan in which all 16 current residents move to the ICF-IID facilities on the ATP-C campus. *(Please see the December 2019 JLBC Agenda Book for more information about DES' plants for ATP-C.)*

Physical and Behavioral Health Services - Medicaid

The Baseline includes \$392,821,600 and 35.4 FTE Positions in FY 2020 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	118,446,000
Long Term Care System Fund	274,375,600

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$31,509,900 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	8,861,100
Long Term Care System Fund	22,648,800

Health Insurer Fee

The Baseline includes an increase of \$952,600 from the General Fund in FY 2021 for the Health Insurer Fee. The Health Insurer Fee is a federal tax on the acute behavioral health component of the DES capitation rate to cover Medicaid Expansion that was previously suspended in FY 2020.

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, CRS, and behavioral health services for DD clients in the ALTCS program.

Medicare Clawback Payments

The Baseline includes \$4,388,900 from the General Fund in FY 2021 for Medicare Clawback Payments. FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(128,900) from the General Fund in FY 2021 for 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.

Medicare Clawback payment is based on the population of individual dually enrolled in DDD and AHCCCS

programs. The decrease in the formula adjustment is due to a lack of growth in dual enrolled individuals.

Targeted Case Management - Medicaid

The Baseline includes \$11,151,100 and 76.8 FTE Positions in FY 2021 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,348,700
Long Term Care System Fund	7,802,400

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$442,900 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	89,500
Long Term Care System Fund	353,400

Background – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not yet meet the functional disability requirements to qualify for ALTCS. The program is funded via capitation from AHCCCS. A monthly average of 4,956 clients received TCM services in FY 2019.

Case Management - State-Only

The Baseline includes \$6,194,600 and 55.8 FTE Positions from the General Fund in FY 2021 for Case Management - State-Only. These amounts are unchanged from FY 2020.

Background – This line item funds case management services to clients in the state-only DD program who are not eligible for the Targeted Case Management program. A monthly average of 3,864 DD state-only clients received case management state-only services in FY 2018.

Home and Community Based Services - State-Only

The Baseline includes \$13,589,000 from the General Fund in FY 2021 for State-Only Home and Community Based Services. This amount is unchanged from FY 2020.

Background – This line item funds residential programs, day programs, and support services for DD clients that do not qualify for ALTCS.

Cost-Effectiveness Study Client Services

The Baseline includes \$1,220,000 from the Special Administration Fund in FY 2021 for Cost-Effectiveness Study (CES) Client Services. This amount is unchanged from FY 2020.

The CES rate represents DES' estimate of the cost of an ALTCS DD client's care if the client were placed in an appropriate institutional setting. The federal waiver for the DD 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 HCBS services are cost-neutral to the federal government. The current annual CES rate ranges from \$216,100 to \$469,400 depending on what the appropriate institutional placement would be for the client in the absence of home and community-based services. This program funds the cost above this CES rate, thereby allowing clients to remain in a home and community based setting. *(For more information, please see the FY 2020 Appropriations Report.)*

Arizona Early Intervention Program

The Baseline includes \$6,319,000 from the General Fund in FY 2021 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2020.

Background – AzEIP provides screening and intervention services for children age 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 \$9,376,600 for AzEIP services in FY 2020. As a result, the total AzEIP funding available in this line is \$16,289,600 in FY 2020. DES reports that there were 17,184 new referrals to AzEIP in FY 2018 and 5,578 referred children were determined eligible.

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 DD diagnosis. AzEIP children with a DD diagnosis continue to be funded within the HCBS State-Only line item. There were 3,502 DD-eligible children enrolled in the AzEIP program as of June 30, 2019.

State-Funded Long Term Care Services

The Baseline includes \$35,409,400 and 2 FTE Positions in FY 2020 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	8,849,800
Long Term Care System Fund	26,559,600

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$257,800 from the General Fund in FY 2020 for caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

Background – This line item primarily funds room and board expenses (e.g., rent and food) for DD 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 Baseline includes \$146,796,600 from the Federal CCDF Block Grant in FY 2021 for child care subsidies. This amount is unchanged from FY 2020.

In 2019, the Legislature approved \$55.8 million as a supplemental for FY 2019 and \$55.8 million for FY 2020. Of this amount, \$7.4 million was appropriated to DCS and \$48.4 million was appropriated to DES. The FY 2019 appropriations were made nonlapsing, leaving DES with \$96.8 million and DCS with \$14.8 million in additional funds at the start of FY 2020.

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. *(For more information on state funded child care, please refer to the [Child Care Program Summary on the JLBC website.](#))*

Subsidy Rates – Effective June 1, 2019, DES increased maximum provider rates for child care subsidies from the 75th percentile of the 2000 market survey rates to the 25th percentile of the 2018 market survey rates. DES estimates this will increase the average monthly reimbursement rate from \$360 to \$444, a 23.3% increase.

Caseloads – According to the department, the estimated number of children receiving child care services in June 2020 is projected to be 31,800 (see Table 7) excluding ECDHB- and DCS-related child care. (Please see *Other Issues* for further discussion on Child Care subsidies in FY 2021.)

<u>Category</u>	<u>2019</u>	<u>2020 est</u> ^{1/}	<u>FY 21 est</u> ^{1/}
TANF	1,900	2,300	2,300
Low-Income Working	17,300	25,300	25,300
Transitional Child Care	4,700	4,200	5,000
Total Served	23,900	31,800	32,600

^{1/} FY 2020 and FY 2021 numbers are DES estimates.

Independent Living Rehabilitation Services

The Baseline includes \$1,289,400 in FY 2021 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 2020.

Background – The 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.

The Independent Living Rehabilitation Services program is expected to serve up to 766 clients in FY 2019 at an average Total Funds cost per client of \$2,603. In addition to these clients, the division is also expected to serve 150 Independent Living clients at an average annual cost of \$3,087 per client using federal Social Services Block Grant monies.

JOBS

The Baseline includes \$11,005,600 and 93 FTE Positions in FY 2021 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2020.

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. Table 8 highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 6,705,600
Job Training	2,185,000
FLSA Supplement	30,000
Work-Related Transportation	1,785,000
Job Search Stipends	300,000
Total	\$11,005,600

Rehabilitation Services

The Baseline includes \$7,249,100 in FY 2020 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 2020.

DES categorizes Vocational Rehabilitation (VR) clients into 3 priority categories. Priority 1 clients have a severe physical or mental impairment that limits 3 or more functional capacities, Priority 2 clients have a severe physical or mental impairment that limits 1 or more functional capacities, and Priority 3 clients have an impairment that does not seriously limit functional capacities. Currently DES provides VR services to all Priority 1 and 2 clients.

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. The program is expected to serve up to 9,100 clients in FY 2019 at an average Total Funds cost of \$13,233 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match. These partnerships include the Transition School to Work program, Behavioral Health Services operated out of AHCCCS, and DES' Blind Enterprise Program.

Workforce Investment Act Services

The Baseline includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2021 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2020.

Background – These monies are the state’s allotment of the federal WIA 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. The projected allocation of the WIA Grant for workforce-related programs in FY 2020 is shown in *Table 9*.

Category	Amount
WIA Line Item	\$53,654,600
Operating Budget	2,379,900
AG Legal Services	10,000
Total	\$56,044,500

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Federal TANF Block Grant
- Selected Non-General Fund Budget Requests

Statutory Changes

The Baseline would:

- As session law, continue 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.
- As permanent law, continue to allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits. This provision has previously been in session law.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are

projected to increase by \$46.8 million in FY 2022 above FY 2021 and \$48.0 million in FY 2023 above FY 2022.

Federal TANF Block Grant

The Baseline appropriates \$222.8 million of the state’s Federal TANF Block Grant allocation in FY 2021. *Table 10* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

In October 2019, the Congressional Research Service reported Arizona had \$49.4 million in unspent and unobligated TANF funds at the end of FFY 2018. DES reports this is an overstatement as it represents a point in time estimate of 2 open TANF grant years and that the current amount of unobligated TANF balance is less than \$10 million.

Selected Non-General Fund Budget Requests

The JLBC Staff has concerns with the following budget issue that may require additional analysis before implementing in FY 2021:

Child Care Funding

DES requested an additional \$25.1 million from the federal Child Care and Development Fund (CCDF) for child care expenses in FY 2021. The department reports this funding would be used to increase provider rate reimbursement, expand access to quality settings, and continue to suspend the Child Care waiting list.

Under its existing appropriation, DES planned to increase the number of Low-Income Working children served in Arizona by 5,000 over the course of FY 2020. DES reports the number of unduplicated children served in this category increased from 17,330 in the June 2019 service month to 19,531 in the September 2019 service month, an increase of 2,201. The FY 2020 General Appropriation Act included \$48.4 million in FY 2019 and \$48.4 million in FY 2020 from CCDF to DES for child care subsidies. The Department of Child Safety was appropriated an additional \$7.4 million in FY 2019 and FY 2020 for child care subsidies. The FY 2019 supplemental appropriations were made nonlapsing through FY 2020. Under the current appropriations, DES anticipates having \$77 million of federal funding available at the end of FY 2020 for child care assistance. This balance, however, includes one-time monies and the \$77 million is not available on an ongoing basis.

The JLBC Staff estimates that the federal government increased its child care funding by another \$13 million in the recently enacted Federal Fiscal Year 2020 budget. With this additional funding, the JLBC Staff is currently

analyzing the level of ongoing funding that would be available in the state's 3-year budget period.

	Actual FY 2019	Estimate FY 2020	Estimate FY 2021
Revenues			
Beginning Balance	\$ 5,375,200	\$ 7,594,400	\$ 7,184,200
TANF Base Revenues	224,030,200	222,414,500	222,414,500
Total TANF Available	\$ 229,405,400	\$ 230,008,900	\$ 229,598,700
Expenditures			
Department of Child Safety	\$ 156,486,100	\$ 157,428,800	\$ 157,428,800
Department of Economic Security			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	42,588,500	42,659,500	42,659,500
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 65,324,900	\$ 65,395,900	\$ 65,395,900
TOTAL - STATEWIDE	\$ 221,811,000	\$ 222,824,700	\$ 222,824,700
Ending Balance	\$ 7,594,400	\$ 7,184,200	\$ 6,774,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Expenditure Authority
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees. In addition, this fund includes Title IV-D funds received from the U.S. Department of Health and Human Services.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	33,410,300	42,299,500
Year-End Fund Balance	0	0
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	10,163,700	17,094,700
Year-End Fund Balance	13,720,500	16,250,300
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	981,500	981,500

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	13,500	15,400
Year-End Fund Balance	1,561,400	1,591,900
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	5,300	5,300
Year-End Fund Balance	64,300	60,800
Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offenses. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,228,300	4,000,000
Year-End Fund Balance	2,799,400	1,459,900
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	18,500	2,500
Year-End Fund Balance	115,800	122,100
Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	0
Year-End Fund Balance	436,300	489,300
Employee Recognition Fund (DEA2449/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	1,600	0
Year-End Fund Balance	1,600	1,600
Family Caregiver Grant Program Fund (DEA2347/A.R.S. § 46-343)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: Grants provided to individuals who are caring for and supporting a qualifying family member.		
Funds Expended	0	0
Year-End Fund Balance	0	1,000,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. The Department of Child Safety has a separate allocation of CCDF funding.		
Funds Expended	104,317,500	158,952,900
Year-End Fund Balance	93,392,300	77,503,300
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant, DCYF Expenditure Authority, and Medicaid.		
Funds Expended	1,659,529,100	1,656,784,100
Year-End Fund Balance	18,808,500	5,258,800
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	65,324,900	65,395,900
Year-End Fund Balance	6,801,200	6,391,000
Health Services Lottery Monies Fund (DEA4250/A.R.S. § 36-108.01)		Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program.		
Funds Expended	1,000,000	0
Year-End Fund Balance	0	0
IGA and ISA Fund (DEA2500/§ 41-1954)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	1,092,473,900	1,404,025,800
Year-End Fund Balance	0	0
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	24,425,200	26,559,600
Year-End Fund Balance	173,959,200	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	34,100	40,000
Year-End Fund Balance	52,400	62,100
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	0	423,400
Year-End Fund Balance	394,800	21,400
Revenue From State or Local Agency Fund (DEA3193/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Dollars received through the collection efforts of the Department's Office of Accounts Receivable and Collections and dollars without sufficient identifying documentation may be temporarily deposited in this fund.		
Purpose of Fund: When the benefiting program is identified, funds are transferred out of the fund into the benefiting program's fund. Funds are utilized by the benefiting DES programs per state and federal requirements.		
Funds Expended	1,593,000	1,550,100
Year-End Fund Balance	2,557,600	2,531,500
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	5,066,400	4,511,200
Year-End Fund Balance	1,267,800	262,800
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	95,200	108,400
Year-End Fund Balance	68,100	68,100
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	4,249,700	2,326,800
Year-End Fund Balance	702,300	416,100

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)		Appropriated
<i>Source of Revenue:</i> Federal reimbursement.		
<i>Purpose of Fund:</i> General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
<i>Source of Revenue:</i> Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
<i>Purpose of Fund:</i> To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	226,318,000	213,500,000
Year-End Fund Balance	1,095,181,000	1,286,800,000
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
<i>Source of Revenue:</i> Federal formula grant.		
<i>Purpose of Fund:</i> To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	56,438,700	56,044,500
Year-End Fund Balance	52,128,400	71,182,500

State Board of Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	348,700	473,500	473,500
Employee Related Expenditures	116,300	143,400	143,400
Professional and Outside Services	168,300	206,800	206,800
Travel - In State	9,500	25,500	25,500
Travel - Out of State	8,700	15,000	15,000
Other Operating Expenditures	228,000	279,700	279,700
Equipment	26,700	15,000	15,000
AGENCY TOTAL	906,200	1,158,900	1,158,900^{1/}
FUND SOURCES			
General Fund	906,200	1,158,900	1,158,900
SUBTOTAL - Appropriated Funds	906,200	1,158,900	1,158,900
TOTAL - ALL SOURCES	906,200	1,158,900	1,158,900

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

Operating Budget

The Baseline includes \$1,158,900 and 6 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Department of Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	195.9	195.9	195.9 ^{1/}
Personal Services	4,768,200	5,333,700	5,333,700
Employee Related Expenditures	1,694,700	1,976,200	1,976,200
Professional and Outside Services	1,135,600	1,091,700	1,091,700
Travel - In State	15,600	19,800	19,800
Travel - Out of State	29,400	37,400	37,400
Other Operating Expenditures	4,227,400	6,110,300	6,110,300
Equipment	124,300	11,200	11,200
OPERATING SUBTOTAL	11,995,200	14,580,300	14,580,300 ^{2/3/4/5/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	4,442,069,800	4,895,454,900	5,200,352,600 ^{6/-12/}
State Aid Supplement	50,000,000	50,000,000	75,000,000 ^{13/14/}
Results-Based Funding	38,600,000	68,600,000	68,600,000
Special Education Fund	25,529,200	36,029,200	36,029,200
Other State Aid to Districts	288,400	983,900	983,900
Classroom Site Fund	586,160,900	602,511,600	602,511,600 ^{15/}
Instructional Improvement Fund	47,917,000	48,765,400	48,765,400 ^{16/}
Property Tax Relief			
Additional State Aid	413,665,500	426,944,900	442,803,200
Non-Formula Programs			
Accountability and Achievement Testing	16,422,400	16,422,500	16,422,500 ^{17/18/}
Adult Education	4,502,000	4,634,400	4,634,400
Alternative Teacher Development Program	500,000	500,000	500,000
American Civics Education Pilot Program	0	500,000	0 ^{9/}
Arizona Structured English Immersion Fund	4,960,400	4,960,400	4,960,400
Code Writers Initiative Pilot Program	500,000	0	0
College Credit by Examination Incentive Program	5,575,500	5,000,000	5,000,000
Computer Science Pilot Program	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{19/-21/}
CTED Industry Credential Incentive Program	0	0	5,000,000
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{22/}
Early Literacy	12,000,000	12,000,000	12,000,000
Education Learning and Accountability System	5,127,300	5,300,200	5,300,200
English Learner Administration	6,509,500	6,509,600	6,509,600 ^{23/}
Geographic Literacy	100,000	100,000	100,000 ^{24/}
Gifted Education	806,900	1,000,000	0
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{25/}
Mingus Unification Assistance	0	50,000	0 ^{26/}
School Safety Program	11,054,000	31,947,000	31,947,000 ^{27/}
State Block Grant for Vocational Education	11,454,800	11,576,300	11,576,300
Teacher Certification	1,937,900	2,387,000	2,387,000
Teacher Professional Development Pilot	0	400,000	400,000 ^{28/}
Tribal College Dual Enrollment Program Fund	225,900	250,000	250,000
Yuma Elementary School Construction	0	800,000	0 ^{29/}
AGENCY TOTAL	5,700,002,600	6,251,307,600	6,599,713,600 ^{30/-35/}
FUND SOURCES			
General Fund	4,675,275,400	5,200,184,900	5,538,467,400

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	1,246,100	1,283,400	1,283,400
Department of Education Professional Development Revolving Fund	67,900	2,700,000	2,700,000
Permanent State School Fund	277,115,300	290,489,100	300,612,600
Proposition 301 Fund	7,000,000	7,000,000	7,000,000
State School Trust Revenue Bond Debt Service Fund	6,833,400	0	0
State Web Portal Fund	500,000	0	0
Teacher Certification Fund	1,880,200	2,342,700	2,342,700
Tribal College Dual Enrollment Program Fund	225,900	250,000	250,000
SUBTOTAL - Other Appropriated Funds	294,868,800	304,065,200	314,188,700
SUBTOTAL - Appropriated Funds	4,970,144,200	5,504,250,100	5,852,656,100
Expenditure Authority Funds			
Instructional Improvement Fund	47,917,000	48,765,400	48,765,400
Proposition 301	555,882,400	579,683,600	579,683,600
Proposition 301/Classroom Site Fund – Carryforward	26,715,900	15,058,400	15,058,400
Proposition 301/Classroom Site Fund – Land Trust	99,343,100	103,550,100	103,550,100
SUBTOTAL - Expenditure Authority Funds	729,858,400	747,057,500	747,057,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	5,700,002,600	6,251,307,600	6,599,713,600
Other Non-Appropriated Funds	16,925,600	16,852,400	16,852,400
Federal Funds	1,140,687,200	1,207,623,100	1,207,623,100
TOTAL - ALL SOURCES	6,857,615,400	7,475,783,100	7,824,189,100

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 236 school districts, accommodation districts and Career Technological Education Districts and 432 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

- 1/ Includes 86.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The operating lump sum appropriation includes \$683,900 and 8.5 FTE Positions for average daily membership auditing and \$200,000 and 2 FTE Positions for information technology security services. (General Appropriation Act footnote)
- 3/ The amount appropriated for the department’s operating budget includes \$500,000 for technical assistance and state-level administration of the K-3 Reading program established pursuant to A.R.S. § 15-211. (General Appropriation Act footnote)
- 4/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 8, for the Failing Schools Tutoring Fund established by A.R.S. § 15-241, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 8. (General Appropriation Act footnote)
- 5/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 6, for character education matching grants pursuant to A.R.S. § 15-154.01, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2019, Chapter 263.
- 7/ The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973 and includes an estimated \$300,612,600 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2021. (General Appropriation Act footnote)
- 8/ 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 Appropriation Act footnote)
- 9/ Except as required by A.R.S. § 37-521, 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 A.R.S. § 15-237 and 15-531, 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 Appropriation Act footnote)

- 10/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 5, for the increased cost of Basic State Aid due to added school days in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 5. (General Appropriation Act footnote)
- 11/ The Basic State Aid appropriation for FY 2021 includes a state General Fund increase of \$174,500,000, which the Legislature and Governor intend to be used for teacher salary increases that are in addition to teacher salary increases provided for FY 2021. (General Appropriation Act footnote)
- 12/ Laws 2018, Chapter 276 appropriated \$289,200,000 in FY 2021 from the General Fund for Basic State Aid. The Legislature and the Governor intend that the appropriated amount be used for teacher salary increases.
- 13/ Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.
- 14/ The Department of Education shall allocate the appropriated amount 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 A.R.S. § 15-943, paragraph 2, subdivision (a) and increase the budget limits pursuant to A.R.S. § 15-947 accordingly. For the purposes of this subsection, 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. (Laws 2015, 1st Special Session, Chapter 1, Section 6 footnote)
- 15/ Any monies available to the Department of Education for the Classroom Site Fund pursuant to A.R.S. § 37-521B, paragraph 4 and A.R.S. § 42-5029E, paragraph 10, in excess of expenditure authority amounts are allocated for the purposes of A.R.S. § 37-521B, paragraph 4 and A.R.S. § 42-5029E, paragraph 10. (General Appropriation Act footnote)
- 16/ Any monies available to the Department of Education from the Instructional Improvement Fund established by A.R.S. § 15-979, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 15-979. (General Appropriation Act footnote)
- 17/ 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 Appropriation Act footnote)
- 18/ Any monies available to the Department of Education for accountability purposes pursuant to A.R.S. § 42-5029E, paragraph 7, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 7. (General Appropriation Act footnote)
- ~~D/ Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund for the American Civics Education Pilot Program.~~
- 19/ Monies appropriated for career technical education district completion grants are intended to help fund program completion for students who complete at least 50% 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 Department of Education shall develop application procedures for the career technical education district completion grant program. The procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriation Act footnote)
- 20/ If the appropriated amount 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 Appropriation Act footnote)
- 21/ The appropriated amount is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations through FY 2021. (General Appropriation Act footnote)
- 22/ The Department of Education shall distribute the appropriated amount to career technical education districts with fewer than 2,000 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 Appropriation Act footnote)
- 23/ The Department of Education shall use the appropriated amount to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 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 A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, 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 Appropriation Act footnote)
- 24/ The Department of Education shall use the appropriated amount to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriation Act footnote)

- 25/ The Department of Education shall use the appropriated amount to issue a grant to a nonprofit organization for a Jobs for Arizona Graduates program. (General Appropriation Act footnote)
- 26/ The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations, until July 1, 2022. (General Appropriation Act footnote)
- 27/ Any monies available to the Department of Education for school safety pursuant to A.R.S. § 42-5029E, paragraph 6, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)
- 28/ A. The sum of \$400,000 is appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the Superintendent of Public Instruction to provide scholarships or grants, or both, to qualified applicants to complete high-quality teacher professional development at a qualifying postsecondary institution. The Department of Education shall use \$100,000 of each fiscal year appropriation to provide scholarships or grants, or both, to qualified applicants in counties with a population of less than 375,000 persons.
- B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (FY 2020 General Appropriation Act footnote)
- 29/ A. The sum of \$800,000 is appropriated from the state General Fund in FY 2020 to the Superintendent of Public Instruction to distribute to an elementary school district that operates a school on a proving ground that is operated by the United States Army and that encompasses at least 1,000 square miles in this state.
- B. The monies appropriated in subsection A of this section may be used only to demolish an existing or former school that is located on a proving ground operated by the United States Army or to construct a new replacement school on that same proving ground.
- C. The monies appropriated in subsection A of this section may be spent only if the United States Department of Defense provides matching monies for this purpose in an amount that is equivalent to at least 80% of the total project cost.
- D. Notwithstanding A.R.S. § 35-190, the appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation is made is accomplished or abandoned unless the appropriation stands until October 1, 2029 without an expenditure or encumbrance. In addition, all monies remaining unexpended and unencumbered on October 1, 2029 revert to the state General Fund. (FY 2020 General Appropriation Act footnote)
- 30/ A. In addition to any other appropriation made in FY 2021 and FY 2022, the sum of \$5,000,000 is appropriated from the state General Fund in each of FY 2021 and FY 2022 to the Superintendent of Public Instruction for deposit in the Arizona Industry Credentials Incentive Fund established by A.R.S. § 15-249.15 for incentive payments to career technical education programs for each high school graduate who earns a select industry certification. The Superintendent of Public Instruction shall transfer \$10,000 of the appropriated amount in each of FY 2021 and FY 2022 to the Office of Economic Opportunity to conduct an annual skill profile analysis.
- B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (FY 2020 General Appropriation Act footnote)
- 31/ In addition to any other appropriation made in FY 2022, the sum of \$30,000,000 is appropriated from the state General Fund in FY 2022 to the Superintendent of Public Instruction for Basic State Aid to eliminate the K-12 rollover for school districts with a student count of less than 1,350 pupils. (General Appropriation Act footnote)
- 32/ After review by the Joint Legislative Budget Committee, in FY 2021, the Department of Education may use a portion of its FY 2021 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 FY 2020. (General Appropriation Act footnote)
- 33/ The department shall provide an updated report on its budget status every 3 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 shall 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 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 34/ Within 15 days after each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 35/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2021 General Fund spending increases by \$338,282,500, or 6.5% above the FY 2020 appropriation. The Baseline includes funding changes for current law formula adjustments and non-formula program changes.

Current Law Formula Adjustments

- An increase of \$4,201,000 for higher-than-budgeted Homeowner's Rebate and 1% Cap costs for FY 2020 ("base adjustment").
- An increase of \$74,098,600 for net 0.6% Average Daily Membership (ADM) growth (unweighted) within school districts and charter schools in FY 2021 (0.8% weighted).
- An increase of \$33,048,700 for Empowerment Scholarship Accounts (ESAs).
- An increase of \$121,519,400 for a 1.77% inflator.
- An increase of \$124,500,000 for an additional 5% increase in the statewide average teacher salary. An additional \$50,000,000 will be provided by the Classroom Site Fund.
- A decrease of \$(10,123,500) to offset higher available endowment earnings under Proposition 123.
- A decrease of \$(48,269,000) for local property tax growth due to new construction offset by Homeowner's Rebate impact of \$11,657,300.
- An increase of \$25,000,000 for State Aid Supplement Funding as required by Laws 2015, 1st Special Session, Chapter 1.
- No net change to continue to phase out funding formula suspensions for Additional Assistance.

The current law formula adjustments total to \$335,632,500.

Non-Formula Program Changes

- An increase of \$5,000,000 for the Arizona Industry Credential Incentive Program pursuant to Laws 2019, Chapter 263.
- A decrease of \$(500,000) to remove one-time funding for a new American Civics Education Pilot Program established by Laws 2018, Chapter 289.
- A decrease of \$(1,000,000) to eliminate one-time funding for Gifted Education.
- A decrease of \$(800,000) to remove one-time funding to fund replacement of an elementary school on a military proving ground near Yuma.
- A decrease of \$(50,000) for consolidation-related expenses for the proposed Mingus Unified School District.

The non-formula program changes total to \$2,650,000.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$262,695,800 in FY 2022 above FY 2021 and \$218,760,800 in FY 2023 above FY 2022. (See *Other Issues for more information.*)

Operating Budget

The Baseline includes \$14,580,300 and 74.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$8,895,400
Department of Education Empowerment Scholarship Account Fund	1,283,400
Department of Education Professional Development Revolving Fund	2,567,700
Teacher Certification Fund	133,800
Proposition 301 Expenditure Authority	1,700,000

These amounts are unchanged from FY 2020.

Formula Programs

Basic State Aid

The Baseline includes \$5,200,352,600 in FY 2021 for Basic State Aid. This amount consists of:

General Fund	4,813,459,500
Permanent State School Fund	300,612,600
Proposition 301 Expenditure Authority	86,280,500

The \$5,200,352,600 total does not include local property taxes that will help fund K-12 formula costs for FY 2021, as they are non-appropriated (see *Table 1*). In addition, it excludes separately-appropriated monies for the State Aid Supplement established by Proposition 123 and for programs such as Results-Based Funding, Early Literacy and the College Credit by Examination Incentive Program, as they are appropriated through separate line items apart from Basic State Aid. (See *Other Issues for background information regarding the Basic State Aid formula.*)

FY 2021 adjustments are as follows:

Table 1
FY 2021 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2020 Appropriation	\$4,518,685,300
Enrollment Growth @ 0.6% (unweighted)	74,098,600
1.77% Inflation	121,519,400
Property Taxes from New Construction	(48,269,000)
Endowment Earnings	(10,123,500)
Teacher Salary Increase	174,500,000
Remove One-Time Prop 301 Bridge Funding	(50,000,000)
Empowerment Scholarship Account Growth	33,048,700
Additional Assistance	0
FY 2021 Baseline	\$4,813,459,500
Permanent State School Fund	
FY 2020 Appropriation	\$ 290,489,100
Estimated FY 2021 Growth	<u>10,123,500</u>
FY 2021 budget	\$ 300,612,600
Prop 301 Sales Tax (no change) ^{1/}	\$ 86,280,500
Local Property Taxes ^{1/}	
FY 2020 Base - estimated	\$2,619,634,300
Property Taxes from New Construction	48,269,000
Non-State Aid Districts - 1.77% Inflation	4,639,500
Non-State Aid Districts - Teacher Salary Increase	5,005,400
Non-State Aid Districts - Enrollment Declines	<u>(1,139,700)</u>
FY 2021 Estimated ^{2/}	\$2,676,408,500
Grand Total (all sources) ^{3/4/}	\$7,876,761,100

^{1/} Non-appropriated, so excluded from appropriated totals.
^{2/} An estimated \$442,803,200 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.
^{3/} Statutory formula cost would be approximately \$143,780,200 higher without the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) reductions that are assumed to continue in the budget on a session law basis, including the impact on non-state aid districts.
^{4/} Does not include \$75,000,000 for State Aid Supplement, as it is appropriated to a separate line item apart from Basic State Aid. Also excludes separately appropriated funding for programs such as Results-Based Funding, Early Literacy, and the College Credit by Examination Incentive Program.

Enrollment Growth

The Baseline includes an increase of \$74,098,600 from the General Fund in FY 2021 for enrollment growth. This assumes that unweighted K-12 ADM will increase by approximately 0.6% in FY 2021 (see Table 2) and that weighted ADM will increase by approximately 0.8% (see Table 3).

The estimated 0.6% unweighted growth rate would result in net growth of 6,225 in Average Daily Membership (ADM) across school districts and charter schools in FY 2021 compared to FY 2020, which consists of 10,785 additional ADM within charter schools, offset by a decline of (4,560) in district ADM. The 0.6% assumed growth rate is based on recent trends. (Please see Table 2 for historical unweighted ADM growth and estimated growth from FY 2020 through FY 2023.)

Table 2
K-12 ADM (unweighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total ^{4/}	Change	% Change
2014	912,920	152,158	1,065,078	14,403	1.4%
2015	920,209	159,032	1,079,241	14,163	1.3%
2016	920,359	164,588	1,084,947	5,706	0.5%
2017	915,585	179,622	1,095,207	10,260	0.9%
2018	913,558	189,419	1,102,977	7,770	0.7%
2019	906,038	201,470	1,107,508	4,531	0.4%
2020 est	898,707	213,522	1,112,229	4,721	0.4%
2021 est	894,147	224,307	1,118,454	6,225	0.6%
2022 est	889,911	235,200	1,125,111	6,657	0.6%
2023 est	885,724	246,162	1,131,886	6,775	0.6%

^{1/} Actuals for FY 2014 through FY 2019. Numbers shown for FY 2014 and FY 2015 have been adjusted by JLBC Staff in an attempt to compensate for data anomalies caused by charter conversions for those fiscal years. Numbers for other years are current JLBC Staff estimates. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).
^{2/} Includes district-sponsored charter schools.
^{3/} Excludes district-sponsored charter schools.
^{4/} Empowerment Scholarship Account (ESA) recipients are not included in ADM since they are not enrolled in districts or charter schools.

Table 3
K-12 ADM (weighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total ^{4/}	Change	% Change
2014	1,236,299	211,469	1,447,767	17,842	1.2%
2015	1,255,483	222,264	1,477,746	29,979	2.1%
2016	1,239,545	229,130	1,468,675	(9,071)	(0.6)%
2017	1,239,310	248,424	1,487,734	19,059	1.3%
2018	1,242,145	262,050	1,504,195	16,461	1.1%
2019	1,237,243	278,095	1,515,338	11,143	0.7%
2020 est	1,232,259	294,705	1,526,964	11,626	0.8%
2021 est	1,227,442	312,360	1,539,802	12,838	0.8%
2022 est	1,222,794	331,131	1,553,925	14,123	0.9%
2023 est	1,218,164	351,032	1,569,196	15,271	1.0%

^{1/} Actuals for FY 2014 through FY 2019. Data for FY 2014 through FY 2016 reflect one-time changes from district-sponsored charter schools. Data for FY 2016 – FY 2018 reflect one-time changes from the elimination of small school weights for multi-site charter schools. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).
^{2/} Includes district-sponsored charter schools.
^{3/} Excludes district-sponsored charter schools.
^{4/} Empowerment Scholarship Account (ESA) recipients are not included in ADM since they are not enrolled in districts or charter schools.

The Baseline further assumes a net growth rate of 0.8% in weighted ADM. Weighted ADM consists of district and charter school ADM counts after application of certain weights established in statute that are based on student characteristics (e.g. Special Education, English Language learners, etc.), and is used to calculate Base Support Level (BSL) funding for districts and charter schools. The 0.8% assumed weighted ADM growth rate is based on recent trends. (Please see Table 3 for historical weighted ADM growth and estimated growth from FY 2020 through FY 2023.)

The \$74,098,600 for growth only includes enrollment costs associated with school districts and charter schools. Enrollment growth expenses for Empowerment Scholarship Accounts are not included, as ADE does not include ESA enrollment in its ADM counts. (Please see the Empowerment Scholarship Accounts policy issue within Basic State Aid for additional information.)

1.77% Inflation Adjustment

The Baseline includes an increase of \$121,519,400 from the General Fund in FY 2021 for a 1.77% 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. The 1.77% inflation adjustment increases the base level by \$73.46.

The above amount only includes inflation costs associated with school districts and charter schools. Inflation growth expenses for ESAs are not included, as ADE does not include ESA enrollment in its ADM counts. (Please see the Empowerment Scholarship Accounts policy issue within Basic State Aid for additional information.)

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. The FY 2021 adjustment of 1.77% equals the GDP price deflator for calendar year 2019. A.R.S. § 15-901.01 prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of \$2,687.32.

(See the FY 2016 Appropriations Report for background information regarding the related Cave Creek, et. al. v. Ducey lawsuit.)

Property Taxes from New Construction

The Baseline includes a decrease of \$(48,269,000) from the General Fund in FY 2021 due to a projected 2.15% increase in statewide Net Assessed Value (NAV) from new construction in FY 2021. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$48,269,000 in FY 2021. It also will decrease state costs by \$(48,269,000), since QTR and SETR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls (“existing property”) currently is estimated to increase by 3.78% in FY 2021, resulting in a net 5.93% NAV increase for new construction and existing property combined for FY 2021.

The projected 3.78% NAV increase for existing property will not affect net QTR or SETR collections in FY 2021 because A.R.S. § 41-1276 (the “Truth in Taxation” or “TNT” law) requires the QTR and SETR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to an estimated \$3.6526 (from \$3.7908 currently) and the SETR will decrease to an estimated \$0.4400 (from \$0.4566 currently) in FY 2021 to offset the estimated 3.78% NAV increase for existing property (see Table 4).

Tax Rate	FY 2020	FY 2021
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.8954	\$1.8263
• Unified districts and elementary districts not located within a high school district	\$3.7908	\$3.6526
• State Equalization Tax Rate (SETR)	\$0.4566	\$0.4400

On a related note, the Baseline would update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2021 under that section. (See Statutory Changes section for more information.) Proposition 117 from the November 2012 General Election capped annual growth in existing property values at 5% starting in FY 2016. (See the FY 2016 Appropriations Report for more information.)

Endowment Earnings Growth

The Baseline includes a decrease of \$(10,123,500) from the General Fund and an increase of \$10,123,500 from the Permanent State School Fund in FY 2021 for endowment earnings funding for Basic State Aid. The General Fund savings assumes that K-12 endowment earnings for Basic State Aid from the State Land Department and State Treasurer combined under Proposition 123 will equal \$300,612,600 for FY 2021, which would be \$10,123,500 more than the \$290,489,100 total assumed for FY 2020 (see Table 5).

Source	FY 2020	FY 2021	Change
Original 2.5% ^{2/}	\$72,263,000	\$72,263,000	\$0
New 4.4% ^{2/}	<u>218,226,100</u>	<u>228,349,600</u>	<u>10,123,500</u>
Total	\$290,489,100	\$300,612,600	\$10,123,500

^{1/} K-12 Endowment Earnings also help fund the Classroom Site Fund (see Table 14).
^{2/} The October 2015 Special Session increased the state trust land distribution percentage in the State Constitution from 2.5% to 6.9% (an increase of 4.4%) if voters approved Proposition 123 in May 2016, which did occur.

A.R.S. § 37-521 caps the amount of K-12 endowment earnings 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. Starting in FY 2019, however, the entire \$72,263,000 became available to fund Basic State Aid because the affected SFB bonds were paid off by the end of FY 2018. This increased by \$24,903,500 the amount of K-12 Endowment Earnings available to fund Basic State Aid starting in FY 2019.

All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws 2015, 1st Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See the FY 2017 Appropriations Report for more information on the October 2015 Special Session and Proposition 123.) (See Other Issues for more information on Endowment Earnings.)

Rollover

The Baseline includes no change from the General Fund in FY 2021 for the K-12 rollover. This continues to defer through the General Appropriation Act \$930,727,700 of current year (now FY 2021) state aid payments until the following fiscal year (now FY 2022).

Section 164 of the FY 2020 General Appropriation Act, however, appropriates \$30,000,000 from the General Fund to the department for Basic State Aid for FY 2022 to eliminate the rollover for school districts with a student count of less than 1,350 pupils starting in FY 2022.

The FY 2021 rollover will affect only school districts with more than 600 students, as has been the policy since FY 2013. The Baseline continues to exempt small districts from the K-12 rollover in FY 2021, which continues it at the \$930,727,700 level.

Laws 2019, Chapter 263 advance appropriated \$930,727,700 from the General Fund in FY 2020 to fund the \$930,727,700 deferred obligation from FY 2020. Those monies, therefore, would not appear in the FY 2021 General Appropriation Act. The Act, however, would advance appropriate \$930,727,700 from the General Fund in FY 2022 to fund the deferred FY 2021 obligation.

Additional Assistance

The Baseline includes no net funding change in FY 2021 for Additional Assistance. The FY 2020 budget accelerated, on a one-time basis in FY 2020, the phase in of full funding of the statutory additional assistance formulas by FY 2023, such that the portion of the formula funded in FY 2020 is equivalent to the formula funding

level required for FY 2021 by Sections 27 and 28 of the FY 2019 K-12 Education BRB. As a result, there is no net change in FY 2021 for the additional assistance formula funding.

While the amount of the suspended formula costs would not change between FY 2020 and FY 2021, the additional assistance formula spending would still increase because of caseload changes and inflation of Charter Additional Assistance (see Tables 6 and 7).

Table 6

DAA Suspensions & Funding Through FY 2023 ^{1/}

Fiscal Year	Formula Cost	Suspension	Current Year Funding
2018	\$450,672,500	\$(381,753,500)	\$68,919,000
2019	449,882,300	(275,776,300)	174,106,000
2020	446,213,400	(136,965,800)	309,247,600
2021	442,603,000	(136,965,800)	305,637,200
2022	440,357,300	(68,482,900)	371,874,400
2023	438,271,100	0	438,271,100

^{1/} Includes non-state aid districts.

Table 7

CAA Suspensions & Restorations Through FY 2023 ^{1/}

Fiscal Year	Formula Cost	Suspension	Current Year Funding
2018	\$352,057,400	\$(18,656,000)	\$333,401,400
2019	378,596,800	(13,628,800)	364,968,000
2020	398,690,000	(6,814,400)	391,875,600
2021	426,122,200	(6,814,400)	419,307,800
2022	455,533,900	(3,407,200)	452,126,700
2023	486,072,700	0	486,072,700

^{1/} Suspension amounts are mandated by the FY 2019 K-12 Education BRB, as amended by the FY 2020 K-12 Education BRB.

School districts will receive an estimated \$305,637,200 of DAA funding in FY 2021 under the Baseline including approximately \$20,905,100 self-funded by non-state aid districts. If fully funded, they instead would receive an estimated \$442,603,000 in DAA funding for FY 2021, including approximately \$29,136,000 self-funded by non-state aid districts. DAA is authorized by A.R.S. § 15-961, which establishes DAA funding amounts (if fully funded) of \$450.76 to \$601.24 per pupil depending on the pupil's grade level and the size of their school district.

Charter schools will receive an estimated \$419,307,800 of CAA funding in FY 2021 under the enacted budget. If fully funded, they instead would receive an estimated \$426,122,200. CAA is authorized by A.R.S. § 15-185B4,

which establishes CAA per pupil funding amounts that historically have been adjusted for inflation each year in the K-12 Education BRB. The Baseline would increase the CAA statutory amounts (if fully funded) by 1.77% for inflation to \$1,875.76 per pupil for Grades K-8 and \$2,186.17 per pupil for Grades 9-12 for FY 2021.

Table 8 below shows the General Fund cost above the Baseline of the remaining FY 2022 and FY 2023 cost of fully funding the DAA and CAA formula. Since DAA/CAA would already be fully restored under the Baseline in FY 2023, full restoration would effectively represent a one-time cost of \$203,323,900 if done in FY 2021.

<u>Fiscal Year</u>	<u>Districts</u>	<u>Charters</u>	<u>Total</u>
2022	\$ 64,367,400	\$ 3,407,200	\$ 67,774,600
2023	<u>128,734,900</u>	<u>6,814,400</u>	<u>135,549,300</u>
	\$193,102,300	\$10,221,600	\$203,323,900

DAA General Fund suspensions began at \$(144,000,000) for FY 2010 but increased to \$(352,442,700) for FY 2016 where they remained through FY 2018. CAA suspensions began at \$(10,000,000) for FY 2011 but increased to \$(18,656,000) for FY 2016 where they likewise remained through FY 2018.

Teacher Salary Increases

The Baseline includes an increase of \$174,500,000 from the General Fund in FY 2021 for teacher salary increases. It will be allocated to schools through an additional base level increase for FY 2021. Monies from the additional base level increase for teacher salaries are intended to increase average teacher salaries by an additional 5% for FY 2021 above the 5% increase budgeted for FY 2020 and above the 10% increase budgeted for FY 2018 and FY 2019 combined.

The FY 2019 General Appropriation Act appropriated funding in FY 2020 and FY 2021 to provide additional base level increases for teacher pay raises in those years. That funding is intended to provide a cumulative 20% increase in average teacher salaries by FY 2021. (See Table 9 and "Additional Funding" section below for more information on the teacher salary increase budgeted for FY 2020. See the FY 2020 Appropriations Report for additional information regarding the FY 2020 teacher salary increase.)

The \$174,500,000 amount required for teacher salary increases for FY 2021 would not appear in the FY 2021 General Appropriation Act because it has already been appropriated by Laws 2018, Chapter 276, as described above.

<u>Source</u>	<u>Amount</u>
Original 2.12% Increase	\$65,419,100
Additional Funding	176,200,000
"Bridge to Prop 301"	64,100,000
ADC & DJC Increase	<u>298,600</u>
Total - FY 2019 ^{2/}	\$306,017,700
Additional Increase - FY 2020	<u>164,700,000</u>
Total - FY 2020 ^{2/}	\$470,717,700
Additional Increase - FY 2021 ^{2/3/}	<u>174,500,000</u>
Total - FY 2021	\$645,217,700

Remove Proposition 301 Bridge Funding

The Baseline includes a decrease of \$(50,000,000) from the General Fund in FY 2021 to remove one-time funding associated with the "Bridge to Proposition 301." These recurring one-time General Fund monies are funding \$50,000,000 of base level increases for teacher pay raises until FY 2021, when an equivalent amount can be obtained from the Classroom Site Fund pursuant to Laws 2018, Chapter 74. Chapter 74 renews the current 0.6 cent Proposition 301 sales tax through June 30, 2041 and will redirect to the Classroom Site Fund. The amount of Classroom Site Fund will increase to \$64,100,000 starting in FY 2022. The redirected monies historically have been used to pay debt service on School Facilities Board bonds authorized by Proposition 301. Those bonds will be paid off by the end of FY 2020.

Only about \$50,000,000 of the \$64,100,000 will be available to fund teacher pay raises in FY 2021 because Universities and Community Colleges will be entitled to receive a portion of the newly-available \$64,100,000 for that year only, since Chapter 74 will not take effect until FY 2022. In addition, a portion of the \$64,100,000 will need to fund pay raises for non-state aid districts in FY 2021 only. The latter will occur because the pay raise

portion of the \$64,100,000 for FY 2021 will come from the Classroom Site Fund, rather than the Basic State Aid. Only the latter formula generates local savings from non-state aid districts.

Starting in FY 2022, \$64,100,000 will be transferred to Basic State Aid. As a result, the FY 2022 Base Level will be adjusted to reflect these monies. The Baseline includes, as permanent law, a statutory change to require the Classroom Site Fund transfer to ADE for Basic State Aid. *(Please see Statutory Changes for additional information).*

Empowerment Scholarship Accounts

The Baseline includes an increase \$33,048,700 from the General Fund in FY 2021 for cost increases associated with the Empowerment Scholarship Account (ESA) program authorized by A.R.S. § 15-2402. Eligible students can use ESA monies to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded primarily with Basic State Aid monies that a school district or charter school otherwise would have received for a student if they had remained in public school. *(Please see the FY 2020 Appropriations Report for more information on program eligibility.)*

ADE reports that there were 6,450 enrollees in the ESA program in FY 2019 for whom ADE incurred expenses of \$82,611,800, or an average cost of \$12,808. By comparison, the enacted FY 2020 budget assumed that ESA costs would only reach \$74,000,000 in FY 2019, or \$(8,611,800) less than the actual costs incurred by ADE for that year. The \$82,611,800 represented growth of \$23,900,600 in costs above FY 2018. *(Please see the FY 2020 Appropriation Report for historical funding and other information on the ESA program.)*

The Baseline assumes that enrollment in the ESA program will grow by an estimated 1,425 enrollees in each of FY 2020 and FY 2021 based on the average number of enrollees added to the program each year since FY 2016. The resulting total ESA enrollment would be 7,875 in FY 2020 and 9,300 in FY 2021, respectively.

The Baseline additionally assumes that the cost of ESAs will grow by 2.0% in FY 2020 and 1.77% in FY 2021, respectively based on inflation adjustments to the Base Level and Charter Additional Assistance, which are the 2 components of the ESA formula. The resulting average cost per enrollee would be an estimated \$13,064 in FY 2020 and \$13,295 in FY 2021, respectively.

Based on the above assumptions, the state's total costs associated with the ESA program are anticipated to grow to \$102,880,500 in FY 2020 (7,875 enrollees X \$13,064 average cost = \$102,880,500) and \$123,647,500 in FY

2021 (9,300 enrollees X 13,295 average cost per enrollee = \$123,647,500). By comparison, the enacted FY 2020 budget included \$90,598,800 for ESA expenses for FY 2020.

The \$33,048,700 increase effectively consists of 2 components. The first is an FY 2020 base adjustment of \$12,281,700 associated with higher-than-budgeted ESA costs for FY 2020 (\$102,880,500 estimated ESA costs for FY 2020 - \$90,598,800 enacted budget amount = \$12,281,700). The second component includes \$20,767,000 in FY 2021 growth above the revised cost estimate for FY 2020 (\$123,647,500 estimated costs for FY 2021 - \$102,880,500 estimated ESA costs for FY 2020 = \$20,767,000.)

The estimated increase represents the projected total cost increase for ESA allocations for the year rather than the net General Fund impact of the program after related Basic State Aid savings are deducted for students leaving public schools due to ESAs. The Baseline funding levels for enrollment and inflation costs in public schools are, therefore, lower than they otherwise would be as a result of such savings.

Additional School Days

The Baseline includes no change from Proposition 301 Expenditure Authority in FY 2021 for Additional School Days pursuant to A.R.S. § 42-5029E5. This provides the department with \$86,280,500 in Proposition 301 funding for Additional School Days for FY 2020.

Expenditure authority does not affect the department's access to funding from Proposition 301, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

State Aid Supplement

The Baseline includes \$75,000,000 from the General Fund in FY 2021 for State Aid Supplement funding. FY 2021 adjustments are as follows:

Additional Funding

The Baseline includes an increase of \$25,000,000 from the General Fund in FY 2021 for additional funding pursuant to Laws 2015, 1st Special Session Chapter 1, which appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. The State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools through FY 2025 as part of the state's resolution with plaintiffs in the *Cave Creek Unified School District V. Ducey* litigation concerning the inflation of certain components of the K-12 funding formula. (See the FY 2017 Appropriations Report for more information regarding Proposition 123.)

Results-Based Funding

The Baseline includes \$68,600,000 from the General Fund in FY 2021 for Results-Based Funding. This amount is unchanged from FY 2020.

Background – The program provides additional funding to individual schools under a formula prescribed in A.R.S. § 15-249.08. That law also establishes the Results-Based Funding Fund, which consists of legislative appropriations and is administered by the department. Monies in the fund are continuously appropriated. (See the FY 2018 Appropriations Report for additional information on program requirements.)

The Baseline would continue session law from the FY 2020 K-12 Education BRB establishing Results-Based Funding per pupil funding levels and eligibility, including:

- \$400 per pupil for the following:
 - Schools with AzMERIT Scores in the top 13% and Free and Reduced Price Lunch (FRPL) eligibility of at least 60%.
 - Alternative High Schools with AzMERIT scores in the top 27% and FRPL eligibility of at least 60%.
- \$225 per pupil for the following:
 - Schools with AzMERIT Scores in the top 13% and FRPL eligibility of less than 60%.
 - Schools with AzMERIT scores in the top 27% and FRPL eligibility of at least 60%.

These session law provisions would continue to notwithstanding A.R.S. § 15-249.08 in FY 2021, which would otherwise make schools eligible for program funding in FY 2021 if they had a letter designation of A under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241.

Based on ADE's A-F letter grades for 2019 and data from Results-Based Funding distributions for FY 2020, the statutory formula would generate costs of approximately \$77,180,100 for 316,875 ADM, or \$8,580,100 above the current RBF appropriation.

The Baseline would continue General Appropriation Footnote Act language for FY 2021 to allow the Superintendent of Public Instruction to transfer up to \$1,600,000 of the state General Fund appropriation for Basic State Aid for FY 2021 to this program, if needed, without JLBC review, to address any anticipated funding shortfalls for the program in FY 2021.

Special Education Fund

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2021 for the Special Education Fund Special Line Item. These amounts are unchanged from FY 2020.

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 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.

Since the Base Level is increasing for inflation and teacher pay raises, as described above, Special Education Fund costs are expected to increase in FY 2021 above FY 2020. ADE estimates that its Special Education Fund expenditures will reach \$31,870,300 in FY 2020. Assuming a 3.75% inflation adjustment for regular inflation and teacher pay raises in FY 2021, Special Education Fund expenditures would reach \$33,065,400 in FY 2021, or \$(2,963,800) below the FY 2020 appropriation. As a result, the Baseline includes no additional funding in FY 2021 for inflation costs within the Special Education Fund.

The Baseline continues a footnote that permits ADE to use a portion of its FY 2021 state General Fund appropriations for Basic State Aid or Additional State Aid to fund Special Education Fund costs.

Other State Aid to Districts

The Baseline includes \$983,900 from the General Fund in FY 2021 for Other State Aid to Districts. This amount is unchanged from FY 2020.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Classroom Site Fund

The Baseline includes \$602,511,600 in FY 2021 for the Classroom Site Fund (CSF). This amount consists of:

Proposition 301 Expenditure Authority	483,903,100
Proposition 301/CSF - Land Trust Expenditure Authority	103,550,100
Proposition 301/CSF - Carry-Forward Balance Expenditure Authority	15,058,400

These amounts are unchanged from FY 2020. They will be modified for FY 2021, however, when the JLBC Staff determines the CSF per pupil amount for FY 2021 pursuant to A.R.S. § 15-977G1, which will include an increase for FY 2021 associated with \$50,000,000 of additional Classroom Site Fund monies associated with teacher pay raises (*Please see the "Remove Proposition 301 Bridge Funding" policy issue within Basic State Aid for additional information.*) That law requires the JLBC Staff to determine the per pupil amount for each fiscal year by March 30 of the prior fiscal year.

Background - The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from Proposition 301 and K-12 endowment earnings.

Expenditure Authority does not affect the department's access to funding from Proposition 301, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

Instructional Improvement Fund

The Baseline includes \$48,765,400 from Instructional Improvement Fund Expenditure Authority in FY 2021 for the Instructional Improvement Fund. This amount is unchanged from FY 2020.

Expenditure Authority does not affect the department's access to funding from Proposition 301 or Indian gaming, as a General Appropriation Act footnote allows the department to spend whatever funding is available

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.

Property Tax Relief

Additional State Aid

The Baseline includes \$442,803,200 from the General Fund in FY 2021 for Additional State Aid. FY 2021 adjustments are as follows:

Prior Year Base Adjustment

The Baseline includes an increase of \$4,201,000 from the General Fund in FY 2021 to reflect higher-than-budgeted costs for Additional State Aid for FY 2020. The FY 2020 budget assumed that Additional State Aid would cost \$426,944,900 for FY 2019 for the Homeowner's Rebate and 1% Cap combined. The actual combined cost, however, was \$431,145,900 (\$4,201,000 more), as reported by the Arizona Department of Revenue (DOR) in October 2019 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2020 therefore were \$4,201,000 more than the FY 2020 appropriation.

New Homes

The Baseline includes an increase of \$11,657,300 from the General Fund in FY 2021 for increased Additional State Aid costs associated with new home construction. The \$11,657,300 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2021. The Homeowner's Rebate is 47.19% under current law.

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 Homeowner's Rebate is authorized by A.R.S. § 15-972 and pays 47.19% of each homeowner's QTR taxes, up to a maximum of \$600 per parcel. 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.

The 1% cap historically has been implemented by having the state backfill any primary property tax costs for homeowners that exceed the 1% cap, rather than by

requiring all taxing jurisdictions in an area (such as cities, counties, school districts and community colleges) to coordinate their respective primary property tax rates to keep their combined primary rate below \$10 per \$100 of NAV. Related language in the State Constitution, however, does not specify a mechanism for enforcing the 1% cap.

The FY 2019 Revenue BRB (Laws 2018, Chapter 283) required school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This reduced 1% cap costs in FY 2019 because the 1% cap does not apply to secondary property taxes. Primary property taxes for desegregation programs accounted for the majority of 1% cap costs prior to FY 2019.

In July 2019, the Arizona Superior Court ruled in litigation filed by the Pima County and Tucson Unified School District (TUSD) that Chapter 283 violated the state's responsibility to establish a property tax system compliant with the 1% cap provision in the State Constitution. If upheld, the ruling would require the state to include desegregation taxes in the calculation to determine eligibility for Additional State Aid. Pima County and TUSD have estimated that they are owed \$8 million for Additional State Aid reimbursement from FY 2019 as part of the litigation.

The state is currently appealing the ruling. As a result, the Baseline does not include any funding changes for Additional State Aid associated with the litigation.

Non-Formula Programs

Accountability and Achievement Testing

The Baseline includes \$16,422,500 and 24.4 FTE Positions in FY 2021 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,422,500
Proposition 301 Fund (Appropriated)	7,000,000

These amounts are unchanged from FY 2020.

Program costs for FY 2020 will be affected by the first-time implementation of state contracts for Menu of Assessments (MOA) testing. That testing is authorized by A.R.S. § 15-741.02 which has allowed school districts and charter schools to administer MOA tests rather than the "standard" statewide assessment (AzMERIT) to their high school students starting in FY 2019. For FY 2019, MOA tests were funded locally by a private foundation, with

monies from the Commission for Postsecondary Education, or with unspent monies from the College Credit by Examination Incentive Program. Starting in FY 2020, however, the state will pay for MOA tests directly through contracts with test vendors.

On March 25, 2019 the State Board of Education (SBE) approved contracts for high school MOA testing for FY 2020 with 3 test vendors. Per pupil costs under those contracts are summarized in *Table 10*. Total state costs for MOA testing for FY 2020 are unknown, however, because the number of high school pupils who will take the optional MOA tests for FY 2020 is highly uncertain.

Vendor	Cost/ Student	Notes
ACT	\$39	Excludes Writing (would be \$55 with it)
Cambridge	\$135	\$67.50 per test (1 math & 1 English)
Pearson	\$22-\$39	Depends on volume & online versus paper

^{1/} MOA testing is optional but all high school students must take AzMERIT Math and English Language Arts tests as 10th Graders.

A.R.S. § 15-741.02 requires MOA tests to be made available also to pupils in Grade 3-8 no later than the 2023-2024 school year. MOA exams must be approved by the State Board of Education (SBE) pursuant to A.R.S. § 15-741.02A. For FY 2019 the SBE approved for MOA testing all tests approved by the Arizona Board of Regents (ABOR) for the College Credit by Examination Incentive Program (CCEIP) authorized by A.R.S § 15-249.06. This included Advanced Placement, International Baccalaureate, Cambridge International, ACT, SAT, and Grand Canyon Diploma qualifying exams.

A total of 55 schools participated in MOA testing for FY 2019. Of that total, 44 chose the ACT and 11 chose the SAT. None of the other SBE-approved tests was selected by schools for MOA testing for FY 2019.

For FY 2020, only the 3 tests listed in *Table 10* have been approved by the SBE for MOA testing. The SBE recently approved a 5-year plan for K-12 assessments which is summarized in *Table 11*. The 5-year assessment plan requires a renamed mandatory AzMERIT ("AzM2") test to continue to be administered in FY 2020 and FY 2021. After FY 2021 the AzM2 test would be replaced with a new single statewide assessment, although districts and charter schools would be able to choose either the new assessment or a different MOA exam.

Table 11

5-Year Assessment Plan ^{1/}

<u>Fiscal Year</u>	<u>Grades 3 – 8</u>	<u>High School</u>
2019	AzMERIT	AzMERIT (Grades 9 -11) or MOA exam (SAT or ACT)
2020	AzM2 ^{2/}	AzM2 ^{2/} (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson)
2021	AzM2 ^{2/}	AzM2 ^{2/} (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson & TBD)
2022 - 2024	New Single Statewide Assessment (NSSA) ^{3/}	Nationally Recognized College Entrance Assessment administered in 9 th or 10 th Grade and 11 th Grade <u>OR</u> different (MOA) Nationally Recognized College Entrance Assessment Administered in 9 th or 10 th and 11 th Grade

^{1/} Starting in FY 2020.
^{2/} Previously called AzMERIT.
^{3/} Possibly with optional "menu of assessments" exam for Grades 3-8.

MOA exams currently exist only for high school pupils. The 5-year plan indicates that it is uncertain whether they also will be offered for pupils in Grades 3-8 starting in FY 2022. The 5-year plan requires all 10th Graders to take AzM2 tests in Math and English Language Arts (ELA) during FY 2020 and FY 2021. After FY 2021 high school students (not just 10th Graders) instead would be required to take a "Nationally Recognized College Entrance Assessment" (currently only the ACT and SAT meet that description) which students would take in the 9th or 10th Grade (such as the PSAT) and 11th Grade (such as the SAT). At that time the MOA exam for high school students would become whichever of the 2 "Nationally Recognized College Entrance Assessments" (ACT or SAT) was *not* chosen to be the "default" high school assessment.

Current MOA exams that are not a "Nationally Recognized College Entrance Assessment" (such as Cambridge exams) and that do not achieve that status prior to FY 2022 would not be authorized as MOA exams after FY 2021.

Prior to FY 2019, high school students took AzMERIT Math and ELA tests 3 times rather than once. For FY 2019, AzMERIT testing was made optional for high school students if they instead took a MOA exam. The U.S. Department of Education, however, informed ADE in April 2019 that making AzMERIT optional for high school students violated federal testing requirements. The SBE 5-year plan therefore re-establishes mandatory AzMERIT testing for high school pupils, but for 10th Graders only.

Background – ADE indicates that the AzMERIT test will cost approximately \$13,900,000 in FY 2021 (see Table 12). The Achievement Testing program, however, includes components other than AzMERIT and MOA tests. It also includes AIMS Science Tests, AZELLA testing for English Learners, alternative exams for special needs students, information technology support and program administration. ADE estimates the cost of these other functions plus AzMERIT and the MOA combined at \$28,800,000 for FY 2021 (see Table 12).

Table 12

Estimated Achievement Testing Costs and Available Funding
(ADE estimates) (\$ in Millions)

	FY 2020	FY 2021
Estimated Costs ^{1/}		
AzMERIT	\$13.0	\$13.9
AIMS Science Testing	2.2	2.4
AZELLA ^{2/}	6.1	6.6
Alternative Special Needs Exam (MSAA)	0.2	0.2
Information Technology Support	0.8	0.8
Staff and Administration	1.9	1.9
Menu of Assessments ^{3/}	3.0	3.0
Total	\$27.2	\$28.8
Estimated Available Funding ^{4/}		
General Fund	\$14.3	\$14.3
Proposition 301 - School Accountability ^{5/}	13.2	13.2
Federal Funds	4.0	4.0
Total	\$31.5	\$31.5

^{1/} ADE estimates as of December 2019. FY 2021 estimates are preliminary.
^{2/} Arizona English Language Learner Assessment funded through the English Learner Administration line item.
^{3/} Cost for FY 2021 currently unknown. ADE's FY 2020 estimate is being used as a placeholder.
^{4/} Estimates assume that \$6.2 million of School Accountability carry-forward monies from Proposition 301 will be available to help fund the program in both FY 2020 and FY 2021. Surplus School Accountability monies can be carried forward to subsequent years.
^{5/} Includes carry-forward monies.

The Baseline continues an existing General Appropriation Act footnote that requires JLBC review of any changes to the Achievement Testing program that will increase program costs. It also continues a footnote added in FY 2019 stipulating that any monies available to the department for accountability pursuant to A.R.S. § 42-5029E7 in excess of Expenditure Authority amounts are allocated for use pursuant to A.R.S. § 42-5029E7 (see footnotes for this program in agency summary table).

This line item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the "up to \$7 million" allowable appropriation for School Accountability in A.R.S. § 42-5029E7.

(See *English Learner Administration* line item for more information about AZELLA testing.)

(See *Other Issues in FY 2016 Appropriations Report* for more information regarding AzMERIT testing.)

Adult Education

The Baseline includes \$4,634,400 and 3 FTE Positions in FY 2021 for Adult Education. These amounts consist of:

General Fund	4,502,100
Department of Education Professional Development Revolving Fund	132,300

These amounts are unchanged from FY 2020.

The program 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. Program monies are distributed through a competitive grant process. In FY 2019, 23 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also received \$13,443,100 in federal funding in FY 2019. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Alternative Teacher Development Program

The Baseline includes \$500,000 from the General Fund in FY 2021 for an Alternative Teacher Development Program. This amount is unchanged from FY 2020.

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 are distributed to the Teach for America program.

American Civics Education Pilot Program

The Baseline includes no funding in FY 2021 for an American Civics Education Pilot Program. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2021 to remove one-time funding for a new American Civics Education Pilot Program.

Laws 2018, Chapter 289 established the American Civics Education Fund (ACEF) in session law and advance appropriated \$500,000 to it for FY 2020 for an American Civics Education Pilot Program. Chapter 289 requires the department to develop a 5-year pilot program to begin in FY 2020 for American Civics Education in Grades 9-12 to enhance the focus on American Civics Education for schools selected to participate in the pilot program.

Arizona Structured English Immersion Fund

The Baseline includes \$4,960,400 from the General Fund in FY 2021 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2020.

The Arizona Structured English Immersion Fund was established by Laws 2006, Chapter 4 (A.R.S. § 15-756.04). Monies in the fund are distributed to school districts and charter schools based on amounts that they request pursuant to A.R.S. § 15-756.04C. The department distributed \$5,623,700 to public schools from the fund in FY 2019 due to availability of prior year balances in the fund.

College Credit by Examination Incentive Program

The Baseline includes \$5,000,000 from the General Fund in FY 2021 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2020.

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 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 shall be reduced proportionately if the appropriated amount is insufficient to fully fund them.

The department reported in April 2019 that CCEIP awards for FY 2018 cost \$4,210,200. As a result, \$789,800 of the program's \$5,000,000 appropriation for FY 2018 was available at that time for menu of assessment reimbursements for FY 2019. Starting in FY 2020 MOA tests will be funded directly by the state through contracts with test vendors (*see Accountability and Achievement Testing narrative for more information*).

Laws 2019, Chapter 98 established the College Credit by Examination Development Fund, which is to consist of monies appropriated to ADE for CCEIP that are not

distributed by the end of the fiscal year in which they are appropriated. Monies in the fund are non-lapsing, and shall be used to assist schools with a student population in which fifty percent or more of the students are eligible for the Federal School Lunch program to operate or develop classes with a qualifying examination for college credit.

Computer Science Pilot Program

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for a Computer Science Pilot Program. This amount is unchanged from FY 2020.

The program is authorized by A.R.S. § 15-249.12, which also establishes the Computer Science Professional Development Program Fund (CSPDPF). 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. It also requires the second 50% 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.

CTED Completion Grants

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for CTED Completion Grants (formerly JTED Completion Grants). This amount is unchanged from FY 2020.

A footnote in the General Appropriation 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. It further requires the department to award grant funding only after an eligible student has successfully completed a CTED program. It also stipulates that 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. It further stipulates that program funding is non-lapsing for 1 year beyond the budget year. The Baseline would continue a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2022).

A.R.S. § 15-393D4c prohibits CTEDs from including in their ADM counts students who have already graduated from high school or received a general equivalency diploma or who are over 21 years of age.

CTED Industry Credential Incentive Program

The Baseline includes \$5,000,000 from the General Fund in FY 2021 for the CTED Industry Credential Incentive Program. FY 2021 adjustments are as follows:

New Program

The Baseline includes an increase of \$5,000,000 from the General Fund in FY 2021 to fund the CTED Industry Credential Program in accordance with the 3-year spending plan associated with the enacted FY 2020 budget.

Background – The FY 2020 K-12 Education BRB established a new CTED Industry Credential Incentive Program (A.R.S. § 15-249.15) that will provide awards of up to \$1,000 per student to a student's school district, charter school or CTED if the student obtains an eligible CTE certification, credential, or license through a CTE program prior to graduation. The awards will be provided only for CTE certifications related to "high demand" occupations identified by Office of Economic Opportunity (OEO) and reviewed by a Quality Skills Commission composed of individuals from the OEO, Department of Education, Arizona Commerce Authority, school districts, charter schools, CTEDs, industry partners and business organizations.

Program monies may be spent on the following items: 1) instructional costs and professional development for CTE teachers; 2) certification costs for CTE students; 3) costs related to creating, expanding or improving eligible CTE programs; 4) instructional hardware, software or supplies required for eligible CTE programs; and 5) career exploration and awareness activities.

Section 163 of the FY 2020 General Appropriation Act appropriates \$5,000,000 in non-lapsing monies from the General Fund on a one-time basis in both FY 2021 and FY 2022 for the new program. As a result, these monies will not appear in the FY 2021 General Appropriation Act.

CTED Soft Capital and Equipment

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for CTED Soft Capital and Equipment (formerly JTED Soft Capital and Equipment). This amount is unchanged from FY 2020.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation 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. The Baseline continues this footnote for FY 2021.

Early Literacy

The Baseline includes \$12,000,000 from the General Fund in FY 2021 for Early Literacy. This amount is unchanged from FY 2020.

The program is authorized by A.R.S. § 15-249.09, which establishes a new Early Literacy Grant Program Fund (ELGPF) to provide support to improve reading skills, literacy and proficiency for students in Kindergarten through 3rd Grade. (See the FY 2018 Appropriations Report for more information.)

Education Learning and Accountability System

The Baseline includes \$5,300,200 and 24.2 FTE Positions from the General Fund in FY 2021 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2020.

Background – The monies in this line item are for continued maintenance and operation of ELAS, but not for further ELAS development. Section 167 of the FY 2020 General Appropriation Act, however, transfers \$3,000,000 from the Department of Education Empowerment Scholarship Account Fund (DEESAF) established by A.R.S. § 15-2402 for deposit in the Department of Education subaccount in the Automation Projects Fund (APF) established pursuant to A.R.S. § 41-714 for further ELAS development for FY 2020.

From FY 2014 - FY 2018, ELAS funding was appropriated to the Arizona Department of Administration (ADOA) Automation Projects Fund (APF) rather than ADE. FY 2019 marked the first year that the department received ongoing ELAS funding in its budget.

Laws 2011, Chapter 29 authorized development of ELAS, 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). ELAS is intended to replace the department's prior data system - the Student Accountability Information System (SAIS).

ADE estimates that an additional \$9,000,000 would be needed from the General Fund over the next 3 years to replace the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools. The current systems

are 19 years old and are based on software no longer supported by Microsoft. The estimated \$9,000,000 one-time cost to replace APOR and CHAR would be in addition to the \$5,300,000 in ongoing funding currently provided to the department for ELAS maintenance and operation. The FY 2020 budget provided \$3,000,000 of the estimated \$9,000,000 through the \$3,000,000 DEESAF to APF transfer described above.

At its December 2019 meeting, JLBC favorably reviewed ADE's plan to use the \$3,000,000 to replace CHAR. As a result, ADE plans to develop the replacement school finance system with ADE IT staff and consultants. The department currently plans to request the remaining \$6,000,000 to complete the project in FY 2022 and FY 2023.

Through FY 2020 ELAS will have received approximately \$74,700,000 in total funding from all sources combined since its inception. (see Table 13). (See the FY 2020 Appropriations Report for additional information on the prior year uses of project funding).

Table 13

ELAS Funding by Fiscal Year
(**\$ in Millions**)

<u>Fiscal Year</u>	<u>General Fund</u> ^{1/}	<u>Misc</u> ^{2/}	<u>Federal Grants</u> ^{3/}	<u>Total</u>
2012	5.0	1.6	0.1	6.7
2013	5.0	1.6	1.8	8.4
2014	5.4	1.6	2.8	9.8
2015	10.4	1.6	2.6	14.6
2016	5.4	1.6	0.0	7.0
2017	7.3	0.0	0.0	7.3
2018	7.3	0.0	0.0	7.3
2019	5.3	0.0	0.0	5.3
2020 4/	5.3	3.0	0.0	8.3
Total	56.4	11.0	7.3	74.7

1/ General Fund appropriations for ELAS were made to the Department of Administration Automation Projects Fund in FY 2014 – FY 2018.

2/ Funding amounts for FY 2012 through FY 2016 include monies from a \$6 per FTSE fee from university and community college pupils. The FY 2012 and FY 2013 budgets appropriated \$1.2 million based on initial estimates. Amount generated above those totals were carried forward into subsequent years.

3/ Included \$5.0 million from a statewide longitudinal data system (SLDS) grant and \$2.3 million from a "Race to the Top" grant.

4/ The miscellaneous amount includes \$3.0 million transferred from the Department of Education Empowerment Scholarship Account Fund to the Department of Administration Automation Projects Fund for FY 2020 for further ELAS development.

English Learner Administration

The Baseline includes \$6,509,600 and 13.5 FTE Positions from the General Fund in FY 2021 for English Learner Administration. These amounts are unchanged from FY 2020.

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 programs prescribed by A.R.S. §§ 15-751, 15-752 and 15-753 and qualify for ELL weight funding authorized in A.R.S. § 15-943. Approximately 125,000 students were expected to take the AZELLA in FY 2020. (See FY 2011 and FY 2020 Appropriations Reports for additional history on this issue.)

The line item funds costs associated with implementing the English Language Education requirements in A.R.S. § 15-751 through 15-757. Those requirements pertain primarily to additional testing, teacher training and instructional services prescribed for English Learners. Laws 2019, Chapter 3 modifies instructional services for English learners by reducing the hours required during the first year a pupil is classified as ELL from 4 hours to 2 hours.

(See the Accountability and Achievement Testing line item narrative for more information.)

Geographic Literacy

The Baseline includes \$100,000 from the General Fund in FY 2021 for Geographic Literacy. This amount is unchanged from FY 2020.

The program funds a statewide geographic alliance for strengthening geographic literacy in this state. The Baseline continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a statewide geographic alliance for strengthening geographic literacy in the state.

Gifted Education

The Baseline includes no funding in FY 2021 for Gifted Education. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove one-time funding for Gifted Education from FY 2020 in accordance with the 3-year spending plan associated with the enacted FY 2020 budget.

The program provides additional funding for gifted programs pursuant to A.R.S. § 15-779.03. FY 2019 and FY 2020 were the first recent years of funding for this program.

Jobs for Arizona Graduates

The Baseline includes \$100,000 from the General Fund in FY 2021 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2020.

The program funds a Jobs for Arizona Graduates program. The Baseline continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization for a Jobs for Arizona graduates program.

Mingus Unification Assistance

The Baseline includes no funding in FY 2021 for Mingus Unification Assistance. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(50,000) from the General Fund in FY 2021 to remove a one-time funding increase to assist with the costs of implementing a proposed new Mingus Unified School District in Yavapai County. The one-time monies are exempt from lapsing until July 1, 2022.

School Safety Program

The Baseline includes \$31,947,000 and 4 FTE Positions in FY 2021 for the School Safety program. These amounts consist of:

General Fund	24,147,000
Proposition 301 Expenditure Authority	7,800,000

These amounts are unchanged from FY 2020.

Background – The School Safety Program established in A.R.S. § 15-154 has existed in Arizona since FY 1995. (See the FY 2015 Appropriations Report for program history.) The program allows schools to apply for grant monies to support the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses. Before FY 2020, schools could only use the monies to hire school resource officers (SROs) and juvenile probation officers with program funds.

Expenditure Authority does not affect the department’s access to funding from Proposition 301 as it may spend whatever funding is available.

All available state General Fund and Proposition 301 funding for the program is allocated annually by the

Department of Education 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. School districts and charter schools may annually submit a modified spending plan if they are approved for a 3-year grant. FY 2018 was the first year of the current cycle. A total of 203 schools applied for SRO funding for the current cycle but only 87 schools received funding awards for it due to funding constraints. The department opened the program to additional participants for FY 2020, however, because of the \$20,000,000 funding increase provided for the program starting that year.

For FY 2019, participating schools hired 87 SROs. Program funding is used primarily to pay officer salaries and benefits. Law enforcement agencies typically cover associated costs for police cars, uniforms and equipment. School districts and charter schools typically pay costs for related overhead, supervision and supplies.

In FY 2020, ADE reopened the grant cycle to distribute the \$20,000,000 increase for the program in the FY 2020 budget. ADE reports that it received a total of \$97,463,900 in grant applications from districts and charter schools which in total would fund 302 SROs, 473 school counselors, and 396 social workers. In December 2019, ADE received approval from SBE to disburse the grant amounts for FY 2020, which will fund 116 SROs, 148 school counselors and 118 social workers.

State Block Grant for Vocational Education

The Baseline includes \$11,576,300 and 27 FTE Positions from the General Fund in FY 2021 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2020.

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 2019, the department is receiving approximately \$28,612,700 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.

Teacher Certification

The Baseline includes \$2,387,000 and 22.9 FTE Positions in FY 2021 for Teacher Certification. These amounts consist of:

General Fund	178,100
Teacher Certification Fund	2,208,900

These amounts are unchanged from FY 2020.

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 Professional Development Pilot

The Baseline includes \$400,000 in one-time funding (through FY 2022) from the General Fund in FY 2021 for a Teacher Professional Development Pilot Program. This amount is unchanged from FY 2020.

The monies for the program in FY 2021 and FY 2022 were appropriated in Section 137 of the FY 2020 General Appropriation Act. As a result, these monies will not appear in the FY 2021 General Appropriation Act.

The program also received a one-time appropriation of \$300,000 from the General Fund for FY 2018 from Laws 2017, Chapter 284. That law established the pilot program through July 1, 2020. The FY 2020 K-12 Education BRB amended Chapter 284 to extend the pilot program through July 1, 2023. It also allows the department to retain up to 3% of program monies for administration.

Chapter 284 requires the pilot program to issue scholarships or grants, or both, on a competitive basis that would support certificated teachers in gaining additional credentials and certifications at a regionally or nationally accredited public or private institution to teach math, science, technology, engineering or career and technical education in a public school.

Program scholarships and grants may not exceed \$2,000 per applicant. Recipients shall agree to teach in an Arizona public school for at least 3 additional years after completing their professional development program. If that commitment is not met, the recipient shall be required to fully pay back their scholarship.

On or before November 1 of each year of the pilot program the department shall submit to the Governor, President of the Senate and Speaker of the House of Representatives a report that summarizes the results of the pilot program.

Tribal College Dual Enrollment Program Fund

The Baseline includes \$250,000 from the Tribal College Dual Enrollment Program Fund in FY 2021 for the Tribal College Dual Enrollment Program Fund program. This amount is unchanged from FY 2020.

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 \$250,000, subject to legislative appropriation, pursuant to A.R.S. § 5-568, 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.

(See Arizona State Lottery Commission narrative for more information on lottery funding.)

Yuma Elementary School Construction

The Baseline includes no funding in FY 2021 for Yuma Elementary School Construction. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(800,000) from the General Fund in FY 2021 to remove one-time funding to replace an elementary school that is located on a proving ground operated by the United States Army near Yuma. The appropriation requires a funding match of at least 80% from the U.S. Department of Defense.

The FY 2020 General Appropriation Act makes the one-time appropriation non-lapsing until October 1, 2029 unless the school is replaced or the projected is abandoned prior to that date.

Other Issues

This section includes information on the following topics:

Statutory Changes

General Issues

- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

Non-General Fund Programs

- Proposition 301
- Budget Overrides

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

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 1.89% for standard inflation.
- As permanent law, increase the base level by an estimated \$81.24 to incorporate into Basic State Aid \$124,500,000 for teacher salary increases already appropriated for FY 2021 by Section 136 of the FY 2019 General Appropriation Act.
- As permanent law, amend A.R.S. § 15-977 to require, beginning in FY 2022, that \$64,100,000 from the Classroom Site Fund be transferred to the Superintendent of Public Instruction to fund Basic State Aid.

Results-Based Funding

- As session law, continue to notwithstanding A.R.S. § 15-249.08 to allocate Results-Based Funding using AzMERIT test results instead of using the A-F performance rating developed by the State Board of Education.
- As session law, continue to make eligible for results-based funding schools with AzMERIT test results in the top 13% for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% for schools with 60% or higher FRPL eligibility.
- As session law, continue to establish per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with 60% or higher FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with 60% or higher FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or higher FRPL eligibility would receive \$400.
- As session law, continue to provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2019 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of

schools with 60% or higher free or reduced-price lunch eligibility rates.

Other

- As session law, continue 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 permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2021 under it.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$262,695,800 in FY 2022 above FY 2021 and \$218,760,800 in FY 2023 above FY 2022. These estimates are based on:

- 0.6% ADM growth (unweighted) in both FY 2022 and FY 2023 consisting each year of approximately (4,700) fewer district ADM and 10,900 more charter ADM.
- GDP inflators of 1.97% for FY 2022 and 2% for FY 2023 (currently projected at 1.97% for FY 2022 and 2.30% for FY 2023; statute funds the lesser of 2% or the actual rate).
- New construction NAV growth of 1.97% for FY 2022 and 1.83% for FY 2023.
- General Fund decreases of \$(9.0) million in FY 2022 and \$(9.6) million in FY 2023 for higher endowment earnings.
- An increase of \$67.8 million in FY 2022 and another \$67.8 million FY 2023 to restore Additional Assistance funding.
- A decrease of \$(14.1) million in FY 2022 to annualize the removal of one-time "Proposition 301 Bridge" funding.
- An increase of \$30.0 million in FY 2022 to reduce the Basic State Aid rollover by \$(30.0) million.
- An increase of \$21.8 million in FY 2022 and \$22.6 million in FY 2023 for Empowerment Scholarship Account growth.

Endowment Earnings

In FY 2019, endowment earnings from state trust lands funded approximately \$378.0 million of Basic State Aid, School Facilities Board bond debt service 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% (8.1 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 has been superseded through FY 2025 by a new 6.9% factor, or an increase of 4.4% required by Proposition 123. The 4.4% increase exclusively funds Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis. In FY 2019, public schools received \$378.0 million of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$56.8 million from the Land Department and \$321.2 million from the State Treasurer (*see Table 14*).

Table 14
Source of K-12 Endowment Earnings by Fiscal Year
 (\$ in Millions)

Source	2015 ^{1/}	2019	2020 est ^{2/}	2021 est ^{2/}
Land Department	53.2	56.8	56.8	56.8
Treasurer	76.0	321.2	342.2	358.1
Total	129.2	378.0	399.0	414.8

^{1/} Final year prior to Proposition 123.
^{2/} Assumes no change in trust land lease revenues for FY 2020 and FY 2021.

Table 15 shows that K-12 endowment earnings are estimated to equal \$399.0 million in FY 2020 and \$414.8 million in FY 2021. Of the \$378.0 million in K-12 expendable earnings generated for FY 2019, \$277.1 million was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3, and the remaining \$100.9 million was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4 (see Table 15). The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72.3 million. (See Proposition 301 narrative below for more information on the Classroom Site Fund and Proposition 301. See State Land Trust Program Summary for more background on Arizona State Trust Land.)

Table 15
Use of K-12 Endowment Earnings by Fiscal Year
 (\$ in Millions)

Source	2015	2019	2020 ^{1/}	2021 ^{1/}
Basic State Aid	47.3	277.1	290.5	300.6
SFB Debt Service ^{2/}	25.0	0.0	0.0	0.0
Classroom Site Fund	56.9	100.9	108.5	114.2
Total	129.2	378.0	399.0	414.8

^{1/} Estimated.
^{2/} \$24.9 million annual SFB debt service payments ended after FY 2018.

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 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%.

Since 1992, economic conditions would have met the 1-2% threshold in 1 year and would have met the 1%

threshold in 3 years. Since Proposition 123 was enacted, the state exceeded the threshold every year.

Lower Trust Fund Balance

The proposition:

- Allows the state to reduce the 6.9% distribution rate to no less than 2.5% for the following fiscal year if the 5-year average balance of the State Land Trust Permanent Fund fell below the average balance of the preceding 5 years.

The criteria for reducing the distribution rate would not have been met in the last 10 years, as no 5-year period since 2001 has averaged a lower balance than the preceding 5 years.

K-12 Percent of Budget

Beginning in FY 2026, 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.

For FY 2020, budgeted K-12 spending constitutes approximately 43.9% of total state General Fund appropriations. (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 and Proposition 301 funding or to charter schools.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2019 that budgeted expenditures for school districts collectively for FY 2020 were \$(49.3) million below the AEL. The difference for FY 2019 was \$(317.3) million.

The gap between school district's budgeted spending and the AEL decreased in FY 2020 because funding for teacher pay raises and Additional Assistance restorations caused district spending statewide to grow faster than enrollment

and inflation combined for that year. This is expected to occur again in FY 2021 due to the addition of \$124,500,000 from the General Fund for teacher pay raises in FY 2021. As a result, it appears likely that school district expenditures statewide are likely to exceed the AEL for FY 2021. The precise amount will not be known definitively until November 1, 2020, however, when the department is required to report school districts' AEL status for FY 2021 pursuant to A.R.S. § 15-911B.

A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. A permanent increase in the AEL would require a voter-approved change to the State Constitution.

Proposition 301

Proposition 301, which was passed by voters in November 2000, amended A.R.S. § 42-5010 to increase the state Transaction Privilege Tax (TPT) ("sales tax") rate on most purchases from 5% to 5.6% through FY 2021 to generate

more funding for public education. It also amended A.R.S. § 42-5029 to prescribe how the new sales tax revenues would be allocated (see Table 16).

Starting in FY 2022, Laws 2018, Chapter 74 extends the additional 0.6% sales tax through June 30, 2041 and redirects to the Classroom Site Fund \$64.1 million of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301. All other distributions remain unchanged.

Table 16 shows how Proposition 301 revenues are earmarked through FY 2021. Proposition 301 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$460.1 million (60.8%) of the \$756.9 million collected for FY 2019 (see Table 16).

Classroom Site Fund

Proposition 301 also amended A.R.S. § 37-521B4 to dedicate to the Classroom Site Fund all growth in K-12 expendable land trust earnings above the amount generated by the State Treasurer and State Land

Table 16

PROPOSITION 301 SALES TAX REVENUES		Proposition 301 Monies (FY 2019 Actual) (\$ in Millions)	Comment
Recipient	Amount		
School Facilities Board	\$64.1		For debt service on \$794.7 million of bonds authorized by Proposition 301 for school repairs and updates.
Universities	83.1		Receive 12% of monies remaining after SFB debt service is deducted.
Community Colleges	20.8		Receive 3% of monies after SFB debt service.
Tribal Colleges	1.0		Same formula as for community colleges.
Income Tax Credit	25.0		For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$194.0		
Additional School Days	\$86.3		To add 5 days to K-12 school year (180 days total).
School Safety and Character Education	8.0		\$7.8 million for School Safety (A.R.S. § 15-154) and \$0.2 million for Character Education (A.R.S. § 15-154.01).
School Accountability	7.0		For school accountability pursuant to A.R.S. § 15-241 and § 15-1041.
Failing Schools	1.5		To Failing Schools Tutoring Fund (A.R.S. § 15-241CC).
Classroom Site Fund	460.1		Established by A.R.S. § 15-977. Receives all monies remaining after other distributions are made. Also receives all expendable K-12 endowment earnings above \$72.3 million.
Subtotal - ADE Programs	\$562.9		
Total - Prop 301 Sales Tax	\$756.9		
CLASSROOM SITE FUND EXPENDITURES (ALL SOURCES)			
Prop 301 Sales Tax (from above)	460.1		
Prop 301/CSF - Land Trust	99.3		
Prop 301/CSF - Carry-Forward	0.0		
Total - Classroom Site Fund	\$559.4 ^{1/}		

^{1/} Total disbursements reported for FY 2019 in ADE's FY 2021 budget request from September 2019. Does not match estimated amounts in JLBC Staff Classroom Site Fund (CSF) memo dated 3/29/2019, as the latter were estimates based on data available at the time rather than year-end actuals.

Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled \$72.3 million. Total reported expenditures from the CSF for FY 2019 were \$559.4 million (see Table 16).

FY 2019 (see Table 17). (See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.)

Budget Overrides

Current law permits school districts to exceed statutory budget limits through “budget override” elections. This includes Maintenance and Operation (M&O) overrides (A.R.S. § 15-481E&F), Special Program overrides (A.R.S. § 15-482) and District Additional Assistance overrides (called Capital Overrides prior to FY 2014) (A.R.S. § 15-481L&M).

M&O and Special Program overrides together are capped at 15% of a district’s Revenue Control Limit (RCL). (“RCL” essentially equals a district’s total funding under the Basic State Aid formula minus its District Additional Assistance funding, pursuant to A.R.S. § 15-947.) District Additional Assistance overrides are capped at 10% of a district’s RCL.

M&O and Special Program overrides provide additional funding for school district operating expenses, such as teacher salaries. District Additional Assistance overrides instead must be used for the capital improvements listed in the publicity pamphlet for the override, except that up to 10% of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements, pursuant to A.R.S. § 15-481X. Overrides are funded with additional local property taxes. All 3 types of overrides may be authorized for up to 7 years. M&O and Special Program overrides are phased down over the last 2 years of authorization unless re-approved by voters.

For FY 2020, 93 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, no districts had a “Special Program” override pursuant to A.R.S. § 15-482, and 27 had District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2020 included \$554.9 million for M&O overrides and \$88.9 million for District Additional Assistance overrides. Grand total budgeted override funding for FY 2019 therefore equaled \$643.8 million, which was \$26.3 million above the \$617.5 million amount budgeted for all overrides collectively in

Basic State Aid Formula Description

Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula “equalizes” formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) Districts with a very strong local property tax base can generate their entire formula funding entitlement from local property taxes alone. Most school districts, however, require “Basic State Aid” monies to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district’s student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district’s pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school district’s “equalization base,” which is its total funding entitlement under the K-12 equalization funding formula.

After a school district’s equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory “Qualifying Tax Rate” (QTR) (A.R.S. § 15-971B) to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount, plus the district’s share of State Equalization Tax Rate (SETR) revenues (A.R.S. § 15-994), if any, are then subtracted from its equalization base.

If the district’s combined QTR and SETR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its “local share” funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local property tax rate for schools may be lower than the QTR (such as if the QTR would raise more than the district’s formula funding entitlement), or higher if the district can budget for items outside of its “Revenue Control Limit” (RCL) pursuant to A.R.S. § 15-910.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a “charter,” and are sponsored by an entity such as the State Board for Charter

Table 17

K-12 Budget Overrides
(\$ In Millions)

Type of Override	FY 2019	FY 2020	Change
M&O	530.7	554.9	24.2
Special Program	0.9	0.0	(0.9)
Additional Assistance	85.9	88.9	3.0
Total	617.5	643.8	26.3

Schools. The equalization funding formula for charter schools does not include DAA or separate transportation funding and instead consists only of BSL and Charter Additional Assistance (CAA) funding. BSL funding for charter schools is determined under the same formula prescribed for traditional public schools in A.R.S. § 15-943.

CAA funding amounts are established separately in A.R.S. § 15-185B4. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
American Civics Education Fund (EDA9900/Laws 2018, Chapter 289)		Appropriated
<i>Source of Revenue:</i> Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
<i>Purpose of Fund:</i> To fund the American Civics Education pilot program established by Laws 2018, Chapter 289.		
Funds Expended	0	0
Year-End Fund Balance	0	500,000
Arizona Agricultural Youth Organization Special Plate Fund (EDA2650/A.R.S. § 15-791)		Non-Appropriated
<i>Source of Revenue:</i> A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
<i>Purpose of Fund:</i> To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	164,800	164,800
Year-End Fund Balance	0	1,200
Arizona Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations from the state General Fund.		
<i>Purpose of Fund:</i> To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,080,400	2,413,300
Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
<i>Source of Revenue:</i> The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
<i>Purpose of Fund:</i> To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	0
Year-End Fund Balance	165,500	169,500
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
<i>Source of Revenue:</i> State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
<i>Purpose of Fund:</i> To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
Funds Expended	47,100	40,900
Year-End Fund Balance	0	0
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
<i>Source of Revenue:</i> Monies appropriated from the Automation Projects Fund.		
<i>Purpose of Fund:</i> To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the Automation Projects Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,873,900	2,373,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	24,200	25,000
Year-End Fund Balance	0	100
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Non-Appropriated
Source of Revenue: A portion of the Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	0	0
Year-End Fund Balance	0	0
College Credit by Examination Development Fund (EDA9999/A.R.S. § 15-249.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
Purpose of Fund: To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	499,400
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE transfers Basic State Aid (BSA) monies to the State Treasurer to fund the Treasurer's ESA administrative costs and students' ESA distributions. The ESA distribution monies and monies transferred to the State Treasurer for ESA administration are not displayed to avoid double counting of the General Fund. Non-appropriated monies in the fund are prior year carry-forward. Please see the Summary of Funds and budget narrative for the State Treasurer for more information on the Treasurer's ESA funding.		
Funds Expended	1,246,100	1,283,400
Year-End Fund Balance	8,574,500	11,491,100
Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	880,300	800,200
Year-End Fund Balance	1,130,400	1,280,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)		Appropriated
Source of Revenue: Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
Purpose of Fund: To offset the cost of providing professional development.		
Funds Expended	67,900	2,700,000
Year-End Fund Balance	41,700	41,700
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	240,800	581,300
Year-End Fund Balance	681,000	499,700
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	4,200	53,200
Year-End Fund Balance	403,200	375,000
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	1,140,687,200	1,207,623,100
Year-End Fund Balance	3,202,700	1,757,100
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	205,800	206,300
Year-End Fund Balance	500	4,200
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	3,869,400	1,804,100
Year-End Fund Balance	916,600	872,500
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	7,725,300	9,140,100
Year-End Fund Balance	2,292,800	1,302,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	47,917,000	48,765,400
Year-End Fund Balance	21,886,800	21,886,800
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	3,763,700	4,036,500
Year-End Fund Balance	1,951,800	1,568,300
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds (QZAB) or State School Trust Revenue Bonds. Remaining monies, if any, are then available to help fund Basic State Aid. All affected bonds have been paid off, however, so the entire \$72,263,000 is now available to fund Basic State Aid. Expendable earnings beyond the \$72,263,000 total from FY 2001 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To support common schools.		
Funds Expended	277,115,300	290,489,100
Year-End Fund Balance	0	0
Proposition 301 (EDA9001/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: The portion of the Proposition 301 sales tax allocated to the Department of Education pursuant to A.R.S. § 42-5029E, except for monies appropriated for school accountability pursuant to A.R.S. § 42-5029E7. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029E.		
Purpose of Fund: To fund additional school days, school safety, character education, the Failing Schools Tutoring Fund and the Classroom Site Fund. The latter provides additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	555,882,400	579,683,600
Year-End Fund Balance	5,780,100	5,780,100
Proposition 301 Fund (EDA1014/A.R.S. § 42-5029E7)		Appropriated
Source of Revenue: Proposition 301 monies appropriated by the Legislature pursuant to A.R.S. § 42-5029E7.		
Purpose of Fund: To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	7,000,000	7,000,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Proposition 301/Classroom Site Fund – Carryforward (EDA9003/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: Carry-forward balances from prior year revenues to the Classroom Site Fund. Classroom Site Fund revenues consist of a portion of the Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4. Under A.R.S. § 15-977, the per pupil amount distributed each from the Classroom Site Fund is adjusted for any prior year carry-forward or shortfall. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029E10 (Classroom Site Fund).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	26,715,900	15,058,400
Year-End Fund Balance	40,163,100	25,104,700
Proposition 301/Classroom Site Fund – Land Trust (EDA9002/A.R.S. § 37-521)		Expenditure Authority
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund above the amount generated in FY 2001 (\$72,263,000) are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029E10 (Classroom Site Fund).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	99,343,100	103,550,100
Year-End Fund Balance	0	0
Results-Based Funding Fund (EDA2151/A.R.S. § 15-249.08)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide additional funding to high performing schools under a formula prescribed in A.R.S. § 15-249.08. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	11,000	11,000
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,488,600	8,647,500
State School Trust Revenue Bond Debt Service Fund (EDA5030/Laws 2003, Chapter 264)		Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds. The FY 2020 budget included a one-time FY 2019 supplemental appropriation of \$6,833,400 from the fund to reduce the General Fund cost of Basic State Aid in FY 2019.		
Funds Expended	6,833,400	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
State Web Portal Fund (EDA2531/A.R.S. § 18-421)		Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in A.R.S. § 18-241.		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. In addition, Laws 2018, Chapter 290 appropriated \$500,000 for a Code Writers Initiative Pilot Program from the fund for FY 2019. Monies received from private grants or donations, as well as federal grants, are non-appropriated. (See the Automation Projects Fund page for more details.)		
Funds Expended	500,000	0
Year-End Fund Balance	0	0
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,880,200	2,342,700
Year-End Fund Balance	750,100	498,200
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2016, Chapter 124 allows \$250,000 of unclaimed lottery prize monies to be transferred to the fund annually.		
Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.		
Funds Expended	225,900	250,000
Year-End Fund Balance	68,300	68,300

Department of Emergency and Military Affairs

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
PROGRAM BUDGET			
Administration	1,778,100	1,887,600	1,887,600
Emergency Management	7,694,600	7,732,900	7,732,900
Military Affairs	3,040,600	4,039,800	4,039,800
AGENCY TOTAL	12,513,300	13,660,300	13,660,300
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	69.6	69.6	69.6 ^{1/2/}
Personal Services	1,779,300	1,929,200	1,929,200
Employee Related Expenditures	576,000	609,900	609,900
Professional and Outside Services	37,100	6,000	6,000
Travel - In State	58,200	5,000	5,000
Travel - Out of State	19,100	60,000	60,000
Other Operating Expenditures	1,246,700	1,228,200	1,228,200
Equipment	43,200	30,000	30,000
OPERATING SUBTOTAL	3,759,600	3,868,300	3,868,300
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,503,800	1,543,300	1,543,300
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{3/}
Nuclear Emergency Management Program	1,459,900	1,458,700	1,506,100 ^{4/5/}
Military Airport Planning	90,000	90,000	90,000 ^{6/}
National Guard Matching Funds	1,700,000	1,700,000	1,700,000 ^{7/}
National Guard Tuition Reimbursement	0	1,000,000	1,000,000
AGENCY TOTAL	12,513,300	13,660,300	13,707,700 ^{8/}
FUND SOURCES			
General Fund	11,053,400	12,201,600	12,201,600
<u>Other Appropriated Funds</u>			
Nuclear Emergency Management Fund	1,459,900	1,458,700	1,506,100
SUBTOTAL - Other Appropriated Funds	1,459,900	1,458,700	1,506,100
SUBTOTAL - Appropriated Funds	12,513,300	13,660,300	13,707,700
Other Non-Appropriated Funds	108,400	470,800	2,471,800
Federal Funds	66,106,500	76,465,600	65,562,300
TOTAL - ALL SOURCES	78,728,200	90,596,700	81,741,800

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 5.5 FTE Positions in FY 2020 and FY 2021 appropriated by Laws 2019, Chapter 24 and 1 FTE Position appropriated by A.R.S. § 26-263.
- 2/ Includes 1 GF and 5.5 OF FTE Positions funded from Special Line Items in FY 2021.
- 3/ 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 Appropriation Act.
- 4/ Laws 2019, Chapter 24 appropriated \$1,458,753 and 5.5 FTE Positions in FY 2020 and \$1,506,116 and 5.5 FTE Positions in FY 2021 from the Nuclear Emergency Management Fund to DEMA.

- 5/ Pursuant to A.R.S § 26-306.02, the Nuclear Emergency Management Program appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation; any unexpended monies, however, shall be used to reduce the assessment and appropriation in future years.
- 6/ 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 Appropriation Act.
- 7/ The \$1,700,000 National Guard Matching Funds appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2021 monies remaining unexpended and unencumbered on December 31, 2021 revert to the State General Fund. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,868,300 and 63.1 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Emergency Management Matching Funds

The Baseline includes \$1,543,300 from the General Fund in FY 2021 for Emergency Management Matching Funds. These amounts are unchanged from FY 2020.

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 2019, DEMA was awarded \$7,178,600 by the federal government.

In FY 2019, the state match for these monies was funded by \$780,900 from the General Fund operating budget appropriation, \$1,472,400 from the Emergency Management Matching Funds line item appropriation, \$101,700 in In-Kind Assistance, \$766,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,057,100 match from the local government sub-recipients.

In FY 2020, DEMA expects to receive \$7,795,600 in EMPG funds.

Governor's Emergency Fund

The Baseline includes \$4,000,000 from the General Fund in FY 2021 for the Governor's Emergency Fund. This amount is unchanged from FY 2020.

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 Appropriation Act.

Nuclear Emergency Management Program

The Baseline includes \$1,506,100 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2021 for the Nuclear Emergency Management Program line item. FY 2021 adjustments are as follows:

NEMF Increase

The Baseline includes an increase of \$47,363 from NEMF in FY 2021 for the NEMF line item.

Laws 2019, Chapter 24 appropriates \$1,458,753 and 5.5 FTE Positions from NEMF in FY 2020 and \$1,506,116 and 5.5 FTE Positions from NEMF in FY 2021. As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services, the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019-2021 are displayed in *Table 1*. (Please see the Department of Agriculture and the Department of Health Services 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.

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.

Table 1

Nuclear Emergency Management Fund

<u>Agency</u>	FY 2019		FY 2020		FY 2021	
	<u>FTEs</u>	<u>Approp.</u>	<u>FTEs</u>	<u>Approp.</u>	<u>FTEs</u>	<u>Approp.</u>
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	<u>2.88</u>	<u>275,012</u>	<u>2.88</u>	<u>301,376</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

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

Military Airport Planning

The Baseline includes \$90,000 and 1 FTE Position from the General Fund in FY 2021 for Military Airport Planning. These amounts are unchanged from FY 2020.

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 Appropriation Act.

The Military Installation Fund itself currently has no ongoing revenue source. At the end of FY 2019, the fund had an unreserved balance of \$488,800.

Of the monies deposited into the Military Installation Fund, DEMA is required to award 80% to acquire private property, real estate, property rights, and related infrastructure. The remaining 20% is awarded to cities, towns, and counties. The purchasing entity — whether it is the state or a local government — owns the property and state properties are managed by DEMA.

National Guard Matching Funds

The Baseline includes \$1,700,000 from the General Fund in FY 2021 for the National Guard Matching Funds line item. This amount is unchanged from FY 2020.

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 matching requirement of 5-50%.

The operations and maintenance for these facilities are paid through service contracts. The Baseline continues to make this appropriation exempt from the provisions of

A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2021 monies remaining unexpended and unencumbered on December 31, 2021 revert to the state General Fund.

In FY 2019, DEMA received \$40,857,300 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$3,130,200 required a 50% match, or \$1,565,100; \$2,742,100 required a 25% match, or \$685,500; and \$2,705,200 required a 5.5% match, or \$148,800, for a total required match of \$2,399,400.

In FY 2019, DEMA utilized \$1,714,600 from the National Guard Matching Funds appropriations (including monies from the FY 2018 appropriation) and \$383,800 from the Military Affairs appropriation. No funds were provided by the Arizona Department of Administration (ADOA) building renewal appropriation in FY 2019.

DEMA estimates their FY 2020 match expenditures will be \$1,700,000.

National Guard Tuition Reimbursement

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2020.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen.

Other Issues

Statutory Changes

The Baseline would:

- As session law, extend the lapsing date for the \$3,759,000 FY 2019 appropriation from the General

Fund to DEMA for construction of a new Tucson Readiness Center. These funds are currently scheduled to lapse at the end of FY 2020. The Baseline would extend authority to utilize this appropriation until June 30, 2022.

- As session law, extend the lapsing date for the \$3,875,000 FY 2020 appropriation from the General Fund to DEMA for construction of a new West Valley Readiness Center. These funds are currently scheduled to lapse at the end of FY 2021. The

Baseline would extend authority to utilize this appropriation until June 30, 2023. (Please see the Arizona Department of Administration Building System Capital Outlay section footnotes for more information.)

- As session law, extend the provision allowing the department to expend up to \$1,250,000 from the Military Installation Fund through June 30, 2022 for the construction of a new Readiness Center. This authority previously was only in effect for FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Non-Appropriated
<i>Source of Revenue:</i> Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
<i>Purpose of Fund:</i> To operate and maintain the Camp Navajo National Guard training and storage facility and for the operation and maintenance of National Guard facilities in Arizona.		
Funds Expended	15,816,200	13,960,700
Year-End Fund Balance	9,093,600	8,911,300
Emergency Management Assistance Compact Revolving Fund (MAA2602/A.R.S. § 26-403)		Non-Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature and monies received as reimbursement for costs incurred by this state while rendering aid as prescribed in A.R.S. § 26-402.		
<i>Purpose of Fund:</i> To pay costs incurred by the state while assisting other states with emergencies or natural disasters.		
Funds Expended	0	0
Year-End Fund Balance	234,800	234,800
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal program grants.		
<i>Purpose of Fund:</i> To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	7,957,200	12,574,700
Year-End Fund Balance	0	0
Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal service contracts for security, maintenance and operations of the National Guard.		
<i>Purpose of Fund:</i> To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	40,857,500	48,165,600
Year-End Fund Balance	224,200	3,228,000
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal FEMA Grants and Non-Appropriated Funds.		
<i>Purpose of Fund:</i> To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	815,800	1,000,800
Year-End Fund Balance	546,700	445,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Funds from federal grants.		
Purpose of Fund: Support of the agency's centralized personnel plan which allocates support staff costs to National Guard grants and the agency's mail distribution program in addition to agreements within and outside the agency.		
Funds Expended	659,800	763,800
Year-End Fund Balance	566,400	238,000
Military Installation Fund (MAA1010/A.R.S. § 26-262)		Non-Appropriated
Source of Revenue: The FY 2015 General Appropriation Act provided a one-time deposit of \$2,500,000 into the fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, \$90,000 is appropriated each Fiscal Year from the General Fund to the department for the costs associated with 1 FTE Position to administer the fund.		
Funds Expended	0	0
Year-End Fund Balance	2,268,500	639,300
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	24,600	165,000
Year-End Fund Balance	257,900	152,900
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature and proceeds, deposited into a separate subaccount, from National Guard facilities that are utilized for commercial purposes.		
Purpose of Fund: For general operating expenses of the National Guard and maintenance and capital improvements to any National Guard facility.		
Funds Expended	83,800	255,800
Year-End Fund Balance	244,400	92,600
Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station. The Nuclear Emergency Management Program was previously funded by Laws 2015, Chapter 132, which appropriated \$1,385,913 and 5.5 FTE Positions from the General Fund in FY 2016 and \$1,424,377 and 5.5 FTE Positions in FY 2017 for the program. Chapter 132 offset this General Fund appropriation with the NEMF fees, which were deposited into the General Fund.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	1,459,900	1,458,700
Year-End Fund Balance	2,564,700	2,591,300
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	0	50,000
Year-End Fund Balance	960,200	2,160,200

Department of Environmental Quality

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	17,129,300	19,984,200	19,984,200
Employee Related Expenditures	6,238,100	8,009,400	8,009,400
Professional and Outside Services	1,647,900	1,843,400	2,837,300
Travel - In State	252,400	341,600	341,600
Travel - Out of State	45,000	138,500	138,500
Other Operating Expenditures	12,683,000	15,296,400	15,296,400
Equipment	164,300	215,300	215,300
OPERATING SUBTOTAL	38,160,000	45,828,800	46,822,700
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,996,600	21,119,500	21,119,500
Maricopa County Dust Suppression Pilot Program	0	200,000	0
Nogales Wastewater Project	0	2,569,300	0
Safe Drinking Water Program	1,166,700	1,812,000	1,812,000
WQARF Priority Site Remediation	13,552,000	13,552,000	13,552,000 ^{1/2/21}
AGENCY TOTAL	74,875,300	85,081,600	83,306,200 ^{4/}
FUND SOURCES			
General Fund	0	200,000	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	9,296,900	8,295,900	7,989,800
Emergency Response Fund	130,900	132,800	132,800
Emissions Inspection Fund	31,443,400	30,657,300	29,388,000
Hazardous Waste Management Fund	1,444,200	1,748,200	1,748,200
Indirect Cost Recovery Fund	13,187,900	13,615,900	13,615,900 ^{5/}
Permit Administration Fund	5,525,700	8,155,700	8,155,700 ^{6/}
Recycling Fund	3,145,300	3,513,800	3,513,800
Safe Drinking Water Program Fund	1,166,700	1,812,000	1,812,000
Solid Waste Fee Fund	962,100	1,247,800	1,247,800
Underground Storage Tank Revolving Fund	0	5,126,700	5,126,700
Water Quality Fee Fund	8,572,200	10,575,500	10,575,500
SUBTOTAL - Other Appropriated Funds	74,875,300	84,881,600	83,306,200
SUBTOTAL - Appropriated Funds	74,875,300	85,081,600	83,306,200
Other Non-Appropriated Funds	55,377,600	61,199,800	60,205,900
Federal Funds	14,618,000	17,512,200	17,512,200
TOTAL - ALL SOURCES	144,870,900	163,793,600	161,024,300

AGENCY DESCRIPTION - The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the cleanup (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

^{1/} A.R.S. § 49-282 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 Appropriation Act, it would be shown here as a General Fund expenditure. The Baseline continues the Environment Budget Reconciliation Bill provision reducing

this transfer to \$0 in FY 2021, but utilizes balances of \$2,800,000 from the Emissions Inspection Fund, \$2,600,000 from the Air Quality Fund, \$5,000,000 from the Underground Storage Tank Revolving Fund Revolving Fund, \$1,000,000 from the Permit Administration Fund, and \$2,152,000 from the Recycling Fund for total appropriated WQARF funding of \$13,552,000.

- 2/ 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 FY 2021 report to the Joint Legislative Budget Committee on or before September 1, 2020. This report shall 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 FY 2021. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, on or before October 1, 2020, 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 FY 2020, indicate whether the current stage of remediation is anticipated to be completed in FY 2021 and indicate the anticipated stage of remediation at each listed site at the end of FY 2021, assuming FY 2021 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- 3/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2022 budget for the Water Quality Assurance Revolving Fund before September 1, 2020, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ All Indirect Cost Recovery Fund monies received by the Department of Environmental Quality in excess of \$13,615,900 in FY 2021 are appropriated to the department. Before spending Indirect Cost Recovery Fund monies in excess of \$13,615,900 in FY 2021, the department shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ All Permit Administration Fund monies received by the Department of Environmental Quality in excess of \$8,155,700 in FY 2021 are appropriated to the department. Before spending Permit Administration Fund monies in excess of \$8,155,700 in FY 2021, the department shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$46,822,700 and 322 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
Air Quality Fund	\$5,389,800
Emergency Response Fund	132,800
Emissions Inspection Fund	5,468,500
Hazardous Waste Management Fund	1,748,200
Indirect Cost Recovery Fund	13,615,900
Permit Administration Fund	7,155,700
Recycling Fund	1,361,800
Solid Waste Fee Fund	1,247,800
Underground Storage Tank Revolving Fund	126,700
Water Quality Fee Fund	10,575,500

FY 2021 adjustments are as follows:

Remove Volkswagen Settlement Air Quality Backfill

The Baseline includes an increase of \$993,900 in FY 2021 from the Air Quality Fund to undo the backfill of the Air Quality Fund monies with non-appropriated Volkswagen (VW) Settlement monies.

The FY 2019 General Appropriation Act included a transfer of \$993,900 in both FY 2019 and FY 2020 from the Air Quality Fund to the General Fund, accompanied by an Air Quality Fund appropriation reduction of \$(993,900). Air Quality Fund expenditures were backfilled with Volkswagen (VW) Settlement monies in FY 2019 and FY 2020. *(Please see the Other Issues section for more information about Air Quality Fund Transfers. Please see the FY 2019 Appropriations Report Attorney General narrative for more information about the Volkswagen Settlement monies.)*

The Baseline continues the Environment Budget Reconciliation Bill (BRB) provision allowing the department to utilize up to \$6,531,000 from the Underground Storage Tank Revolving (UST) Fund for department administrative expenses and for sewage discharges in other border areas of Arizona.

Emissions Control Contractor Payment

The Baseline includes \$21,119,500 from the Emissions Inspection Fund in FY 2021 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2020.

Monies appropriated to this line item are used to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the Emissions Inspection Fund. ADEQ then determines the amount due to the contractor, based on the number of vehicles inspected, and makes payments to the contractor on a regular basis.

The Emissions Control Program is operated by an independent contractor in the Phoenix Metropolitan Area and the Tucson Metropolitan Area with the purpose of identifying and repairing polluting motor vehicles. The program is funded through test fees that are charged to motorists at the time of inspection. Statute does not specify a fee level. The Director of ADEQ has the statutory authority to specify the fees required to pay for the full cost of the Vehicle Emissions Inspection Program.

The Baseline continues an Environment BRB provision reducing emissions inspection fees by \$3.00 in Area A, which refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties. *(Please see Other Issues for more information.)*

Maricopa County Dust Suppression Pilot Program

The Baseline includes no funding in FY 2021 for the Maricopa County Dust Suppression Pilot Program. FY 2021 adjustments are as follows:

Remove One-Time Pilot Program Funding

The Baseline includes a decrease of \$(200,000) from the General Fund in FY 2021 to remove one-time funding for the Maricopa County Dust Suppression Pilot Program. The monies fund a pilot program in Sun Lakes, Arizona.

Nogales Wastewater Project

The Baseline includes no funding in FY 2021 for the Nogales Wastewater Project. FY 2021 adjustments are as follows:

Remove One-Time Pipeline Project Funding

The Baseline includes a decrease of \$(2,569,300) in FY 2021 to remove one-time funding for the Nogales Wastewater Project. This amount consists of:

Air Quality Fund (1,300,000)
Emissions Inspection Fund (1,269,300)

This line item funds the Nogales Wash and International Outfall Interceptor (IOI) pipeline project. The project repairs the damaged 8.8-mile IOI pipeline running under the Nogales Wash that carries approximately 12 million

gallons of raw sewage each day from Sonora, Mexico, to the Nogales International Wastewater Treatment Plant. Leaks from the IOI pipeline have discharged raw sewage into the Santa Cruz River.

The estimated total cost of the IOI project is \$28 million. The International Boundary and Water Commission is providing \$21 million, or 78% of the cost of the project. The other \$6 million, or 22%, is being provided by local governments, the state, federal grants, and nonprofits.

Safe Drinking Water Program

The Baseline includes \$1,812,000 from the Safe Drinking Water Program Fund in FY 2021 for the Safe Drinking Water Program. This amount is unchanged from FY 2020.

The Safe Drinking Water Program Fund receives the first \$1,800,000 of Public Water System (PWS) tax revenues. ADEQ's expenditures for the Safe Drinking Water Program appear in *Table 1*.

Position or Function	Actual FY 2019	Estimated FY 2020
Direct Personnel	\$ 717,700	\$1,136,400
Indirect Cost Fund	321,200	490,500
Contracting	43,700	131,700
Travel	26,100	32,000
Other	62,200	21,400
Total	\$1,170,900	\$1,812,000

WQARF Priority Site Remediation

The Baseline includes \$13,552,000 in FY 2021 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount consists of:

Air Quality Fund 2,600,000
Emissions Inspection Fund 2,800,000
Permit Administration Fund 1,000,000
Recycling Fund 2,152,000
Underground Storage Tank Revolving Fund 5,000,000

These amounts are unchanged from FY 2020, but some of the ADEQ fund balances are no longer sufficient to use the same level of fund sourcing as FY 2020. The Legislature will need to consider whether to continue to use non-General Fund sources to fund the program, use General Fund to fund some or all of the program, or to reduce funding for FY 2021.

	<u>Baseline Transfers</u>	<u>Ongoing Balance 1/</u>	<u>Cash Balance</u>
Air Quality Fund	\$ 2,600,000	\$1,200,000	\$ (400,000)
Emissions Inspection Fund	2,800,000	1,500,000	3,798,200
Permit Administration Fund	1,000,000	100,000	300,000
Recycling Fund	2,152,000	1,200,000	(300,000)
UST Fund	<u>5,000,000</u>	<u>2,300,000</u>	<u>69,600,000</u>
TOTAL	\$13,552,000	\$6,300,000	\$ 72,998,200

1/ Reflects difference between estimated ongoing revenue and ongoing spending.

The WQARF funding availability is shown in *Table 2*. The analysis in *Table 2* assumes historical revenue and expenditure norms and, if FY 2019 actuals were higher than the historical norms, those amounts were used.

A.R.S. § 49-288 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 Baseline continues an FY 2020 Environment BRB provision notwithstanding these statutory provisions. Additionally, the Baseline continues an FY 2020 Environment BRB legislative intent statement that any appropriations are to be supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.

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.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2021 for department administrative expenses and for sewage remediation.

- As session law, continue to suspend the requirement to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF).
- As session law, continue to include a legislative intent statement that the WQARF appropriations are being supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.
- As session law, continue the FY 2020 level of vehicle emissions inspection fees in FY 2021 (FY 2020 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties).

Vehicle Emissions Inspection (VEI) Fees

Fund Sources and Uses

The VEI Program generates more in fees than the cost of administering the program, but total expenditures match or exceed fees when factoring in monies used from the fund for other programs, as shown in *Table 3*.

The Baseline continues the Environment BRB provision reducing emissions inspection fees by \$3.00 in Area A. This does not affect Area B, which refers to the Tucson Metropolitan Area. Area A's onboard diagnostic (OBD) test fee is reduced from \$20.00 to \$17.00, its steady state and idle test fee is reduced from \$19.00 to \$16.00, and its heavy-duty diesel test fee is reduced from \$28.00 to \$25.00. The change is estimated to reduce fees on over 1.2 million tests conducted annually and reduce VEI Fund revenues by approximately \$(3.7) million annually.

Table 3

Emissions Inspection Fund

	Actual	Estimated	Estimated
<u>Revenues</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Balance Forward	\$11,666,800	\$ 7,593,500	\$ 5,061,200
Fees	<u>27,370,100</u>	<u>28,125,000</u>	<u>28,125,000</u>
Total Revenues	\$39,036,900	\$35,718,500	\$33,186,200
<u>Expenditures</u>			
Contractor Payment	\$21,996,600	\$21,119,500	\$21,119,500
Operating Expenses	2,946,800	6,737,800	5,468,500
WQARF	<u>6,500,000</u>	<u>2,800,000</u>	<u>2,800,000</u>
Total Expenditures	\$31,443,400	\$30,657,300	\$29,388,000
Total Balance	\$ 7,593,500	\$ 5,061,200	\$3,798,200

Phoenix Metropolitan Area and Tucson Metropolitan area vehicle owners pay different rates as outlined below:

- Vehicle owners in the Phoenix area pay \$17.00 for the OBD test, while those in the Tucson area pay \$12.25 for the same test. Regardless of location, ADEQ pays its contractor \$13.85 for each diagnostic test.
- Owners of heavy-duty diesel trucks in the Phoenix area pay \$25.00 for each test, while those in the Tucson area pay \$12.25 for each test. Regardless of location, ADEQ pays its contractor \$23.50 for each heavy-duty diesel test.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also, to provide funding annually to the Department of Administration state employee travel reduction program, the Department of Agriculture, and the Department of Transportation. (See individual agencies for further description.)		
Funds Expended	9,296,900	8,295,900
Year-End Fund Balance	3,712,800	1,120,200
Emergency Response Fund (EVA3031/A.R.S. § 26-352)		Appropriated
Source of Revenue: The fund receives 10% of the department's Hazardous Waste Management Fund's revenues.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	130,900	132,800
Year-End Fund Balance	852,000	889,200
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	31,443,400	30,657,300
Year-End Fund Balance	7,593,500	5,061,200
Employee Recognition Fund (EVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs.		
Funds Expended	8,200	9,000
Year-End Fund Balance	5,200	3,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Funds (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, Underground Storage Tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	14,618,000	17,512,200
Year-End Fund Balance	0	0
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	1,444,200	1,748,200
Year-End Fund Balance	1,101,200	838,000
IGA and ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	6,168,600	8,426,900
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (EVA9000/A.R.S. § 49-115)		Appropriated
Source of Revenue: Monies are generated from assessments to the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs.		
Funds Expended	13,187,900	13,615,900
Year-End Fund Balance	3,856,800	6,940,900
Institutional and Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	17,100	16,000
Year-End Fund Balance	96,600	135,100
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	813,700	892,300
Year-End Fund Balance	749,100	635,600
Permit Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections.		
Funds Expended	5,525,700	8,155,700
Year-End Fund Balance	2,123,600	(331,600)

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration.		
Funds Expended	3,145,300	3,513,800
Year-End Fund Balance	1,649,400	755,600
Safe Drinking Water Program Fund (EVA4150/A.R.S. § 49-360)		Appropriated
Source of Revenue: The first \$1,800,000 received from Public Water System (PWS) tax revenue.		
Purpose of Fund: To fund the Safe Drinking Water Program.		
Funds Expended	1,166,700	1,812,000
Year-End Fund Balance	826,000	814,000
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement.		
Funds Expended	962,100	1,247,800
Year-End Fund Balance	1,958,900	2,001,100
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	12,600	31,800
Year-End Fund Balance	543,600	511,800
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Appropriated
Source of Revenue: A 1¢ per gallon excise tax on gasoline.		
Purpose of Fund: The FY 2020 Environment Budget Reconciliation Bill appropriated \$5,000,000 from the Underground Storage Tank Fund to the Water Quality Assurance Revolving Fund. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	5,126,700
Year-End Fund Balance	75,104,400	72,319,000
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Non-Appropriated
Source of Revenue: A 1¢ per gallon excise tax on gasoline.		
Purpose of Fund: To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	24,164,200	31,948,700
Year-End Fund Balance	75,104,400	72,319,000
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	248,000	223,300
Year-End Fund Balance	260,500	282,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
Funds Expended	842,500	2,250,000
Year-End Fund Balance	2,143,800	1,093,800
Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)		Non-Appropriated
Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S. § 49-282, \$15,000,000 is to be transferred to the Water Quality Assurance Revolving Fund (WQARF) from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer has been suspended since FY 2011. These amounts are supplemented by approximately \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.		
Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer to the Department of Water Resources for well inspection and data management and a transfer to the Department of Health Services for a risk assessment. These transfers are not counted to avoid double counting. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.		
Funds Expended	23,102,700	17,401,800
Year-End Fund Balance	3,021,600	1,033,800
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.		
Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.		
Funds Expended	8,572,200	10,575,500
Year-End Fund Balance	3,514,400	(144,700)

Governor's Office of Equal Opportunity

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	137,300	133,300	133,300
Employee Related Expenditures	40,400	50,900	50,900
Travel - In State	600	1,200	1,200
Other Operating Expenditures	1,500	4,000	4,000
Equipment	100	800	800
AGENCY TOTAL	179,900	190,200	190,200^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund	179,900	190,200	190,200
SUBTOTAL - Other Appropriated Funds	179,900	190,200	190,200
SUBTOTAL - Appropriated Funds	179,900	190,200	190,200
TOTAL - ALL SOURCES	179,900	190,200	190,200

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

Operating Budget

The Baseline includes \$190,200 and 4 FTE Positions from the Personnel Division Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Personnel Division Fund (OEO1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.38% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To monitor equal opportunity plans submitted annually by each state agency and assist agencies in equal employment opportunity training and evaluation. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	179,900	190,200
Year-End Fund Balance	0	0

State Board of Equalization

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	191,900	274,200	274,200
Employee Related Expenditures	62,800	78,600	78,600
Professional and Outside Services	9,300	35,000	35,000
Travel - In State	10,400	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	149,200	235,200	235,200
Equipment	1,600	15,000	15,000
AGENCY TOTAL	425,200	659,000	659,000^{1/}
FUND SOURCES			
General Fund	425,200	659,000	659,000
SUBTOTAL - Appropriated Funds	425,200	659,000	659,000
TOTAL - ALL SOURCES	425,200	659,000	659,000

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 their respective County Boards of Equalization. The board also hears appeals of centrally-valued properties and equalization orders by orders by the Department of Revenue.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$659,000 and 7 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Board of Executive Clemency

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	591,100	645,800	645,800
Employee Related Expenditures	191,500	216,500	216,500
Professional and Outside Services	200	32,400	32,400
Travel - In State	500	13,600	13,600
Other Operating Expenditures	216,100	231,700	231,700
Equipment	600	10,000	10,000
AGENCY TOTAL	1,000,000	1,150,000	1,150,000 ^{1/2/}
FUND SOURCES			
General Fund	1,000,000	1,150,000	1,150,000
SUBTOTAL - Appropriated Funds	1,000,000	1,150,000	1,150,000
Other Non-Appropriated Funds	17,000	30,100	30,100
TOTAL - ALL SOURCES	1,017,000	1,180,100	1,180,100

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 decisions. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for eligible offenders.

FOOTNOTES

- 1/ On or before November 1, 2020, 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 FY 2020. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,150,000 and 14.5 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Other Issues

Caseload Data

Pursuant to a footnote in the FY 2020 General Appropriation Act, the board submitted a report on its FY 2019 caseload. The board conducted 2,848 case hearings in FY 2019, as described below:

- Phases 1 and 2 Commutation (185): 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 (13): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (15): 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 (479): 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.

- Violator (2,156): These hearings are conducted when an offender has violated the terms of community supervision.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
IGA and ISA Fund (PPA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	17,000	30,100
Year-End Fund Balance	5,200	5,600

Arizona Exposition and State Fair Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,732,500	4,620,100	4,620,100
Employee Related Expenditures	979,800	1,071,200	1,071,200
Professional and Outside Services	210,900	350,400	350,400
Travel - In State	2,600	2,500	2,500
Travel - Out of State	8,400	10,000	10,000
Other Operating Expenditures	7,357,800	7,139,800	7,139,800
Equipment	43,600	88,200	88,200
AGENCY TOTAL	12,335,600	13,282,200	13,282,200 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	12,335,600	13,282,200	13,282,200
SUBTOTAL - Other Appropriated Funds	12,335,600	13,282,200	13,282,200
SUBTOTAL - Appropriated Funds	12,335,600	13,282,200	13,282,200
TOTAL - ALL SOURCES	12,335,600	13,282,200	13,282,200

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

Operating Budget

The Baseline includes \$13,282,200 and 184 FTE Positions from the Arizona Exposition and State Fair (AESF) Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Other Issues

Selected Non-General Fund Budget Requests

The JLBC Staff suggests the Legislature consider the following budget issue in FY 2021:

Phoenix Mercury 2020 WNBA Season

The AESF requested a one-time increase of \$254,300 from the AESF Fund in FY 2021 for additional operating costs at the Arizona Veterans' Memorial Coliseum (Coliseum). The Coliseum will be the host facility for the Phoenix Mercury WNBA basketball team during the 2020 season, which will run May through September. The Mercury will play a minimum of 18 games at the Coliseum, in addition to any potential post-season games.

The agency anticipates Phoenix Mercury home games at the Coliseum will generate a total of \$1,003,300 in additional revenue. This one-time revenue will be offset by an estimated \$254,300 in additional one-time operating expenses, resulting in a net profit of approximately \$749,000.

The AESF Fund receives revenue from the proceeds of the annual State Fair and other events hosted at the state fair grounds. Revenue to the fund currently exceeds the appropriation by approximately \$48,600 each year. The fund's FY 2020 ending balance is projected to be \$5,245,900. This amount would be sufficient to fund the \$254,300 one-time request for the agency's proposed operating cost increase at the Coliseum, even before accounting for the additional WNBA event revenues.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		Appropriated
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating costs of the State Fair.		
Funds Expended	12,335,600	13,282,200
Year-End Fund Balance	5,071,800	5,245,900

Department of Financial Institutions

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	73.1	73.1	0.0
Personal Services	3,322,000	3,497,900	0
Employee Related Expenditures	1,210,800	1,294,300	0
Professional and Outside Services	237,000	294,300	0
Travel - In State	100	6,000	0
Travel - Out of State	4,900	12,800	0
Other Operating Expenditures	570,200	804,800	0
Equipment	4,300	108,000	0
AGENCY TOTAL	5,349,300	6,018,100	0
FUND SOURCES			
General Fund	1,703,900	1,980,900	0
<u>Other Appropriated Funds</u>			
Financial Services Fund	3,595,400	3,986,600	0
Revolving Fund	50,000	50,600	0
SUBTOTAL - Other Appropriated Funds	3,645,400	4,037,200	0
SUBTOTAL - Appropriated Funds	5,349,300	6,018,100	0
Other Non-Appropriated Funds	1,908,300	253,000	0
TOTAL - ALL SOURCES	7,257,600	6,271,100	0

AGENCY DESCRIPTION — The department 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 and banks. The department also regulates real estate appraisal entities.

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Operating Budget

The Baseline includes no funding in FY 2021 for the operating budget. This amount consists of:

	FY 2021
General Fund	\$0
Financial Services Fund	0
Revolving Fund	0

FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes a decrease of \$(6,018,100) and (73.1) FTE Positions in FY 2021 for agency consolidation. This amount consists of:

General Fund	(1,980,900)
Financial Services Fund	(3,986,600)
Revolving Fund	(50,600)

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI Baseline appropriation. (Please see the Department of Insurance and Financial Institutions section for more information.)

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Appraisal Subcommittee Fund (BDA2004/A.R.S. § 32-3607)		Non-Appropriated
Source of Revenue: Monies received from national registry fee levied on state-licensed appraisers and appraisal management companies.		
Purpose of Fund: To support the National Registry database of state-certified appraisers. The fees are collected by the department and remitted to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
Purpose of Fund: To supervise and regulate loan originators and to be used for the general operating expenses of the department.		
Funds Expended	3,595,400	3,986,600
Year-End Fund Balance	9,147,900	9,861,400
IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)		Non-Appropriated
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General's Office.		
Purpose of Fund: To reimburse the department for expenses related to the examination of money transmitting organizations. The banking examiners work in cooperation with the Attorney General's Office to provide information leading to the criminal conviction of fraudulent money transmitting organizations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	0	0
Year-End Fund Balance	2,139,200	2,160,800
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships. T		
Funds Expended	1,469,700	46,600
Year-End Fund Balance	879,300	1,123,200
Revolving Fund (BDA2126/A.R.S. § 6-135)		Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. The Appropriated portion of the fund is used for an interagency service agreement with the Attorney General's office to help oversee real estate appraisers. (Please see the Non-Appropriated portion of the fund for additional information.)		
Funds Expended	50,000	50,600
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
<p>Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.</p> <p>Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. (Please see the Appropriated portion of the fund for additional information.)</p>		
Funds Expended	438,600	206,400
Year-End Fund Balance	284,100	200,000

Arizona Department of Forestry and Fire Management

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	88.0	88.0	88.0 ^{1/}
Personal Services	1,935,500	1,985,000	1,985,000
Employee Related Expenditures	751,000	775,000	775,000
Professional and Outside Services	100	500	500
Travel - In State	4,700	5,000	5,000
Travel - Out of State	9,100	10,000	10,000
Other Operating Expenditures	301,500	291,400	291,400
Equipment	300	25,300	25,300
OPERATING SUBTOTAL	3,002,200	3,092,200	3,092,200
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	3,200,000	3,200,000	3,200,000 ^{2/}
Hazardous Vegetation Removal	1,147,500	3,000,000	3,000,000 ^{3/}
Inmate Firefighting Crews	692,300	693,200	693,200
Post-Release Firefighting Crews	994,000	1,010,700	1,010,700
Mount Lemmon Fire District	0	750,000	0 ^{D/}
Nonnative Vegetation Species Eradication	0	2,000,000	1,000,000 ^{4/}
State Fire Marshal	718,200	748,600	748,600
State Fire School	172,300	172,700	172,700
Taylor Fire Training Center	0	1,000,000	0 ^{D/}
AGENCY TOTAL	10,176,500	15,917,400	13,167,400 ^{5/}
FUND SOURCES			
General Fund	10,176,500	15,917,400	13,167,400
SUBTOTAL - Appropriated Funds	10,176,500	15,917,400	13,167,400
Other Non-Appropriated Funds	66,823,300	55,907,100	55,907,100
TOTAL - ALL SOURCES	76,999,800	71,824,500	69,074,500

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 (about 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. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

FOOTNOTES

- 1/ Includes 45 GF FTE Positions funded from Special Line Items in FY 2021.
- 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 Appropriation Act.
- 3/ The appropriation for the Hazardous Vegetation Removal line item is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2022. (General Appropriation Act footnote)
- D/ A. — In addition to any other appropriation made in FY 2020, the sum of \$750,000 is appropriated from the state General Fund in FY 2020 to the Arizona Department of Forestry and Fire Management to distribute to the Mount Lemmon Fire District to construct a water line.
 B. — The appropriation made in subsection A of this section line item is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that all monies of the appropriation remaining unexpended and unencumbered on December 31, 2021 revert to the state General Fund. (General Appropriation Act footnote)

- 4/ 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 Appropriation Act footnote)
- D/ ~~The appropriation for the Taylor Fire Training Center line item is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. Monies appropriated for the Taylor Fire Training Center line item shall be distributed to the Navajo County Community College District to fund a public safety and emergency services training facility, which must be available to both public and private entities for training. (General Appropriation Act footnote)~~
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,092,200 and 43 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Environmental County Grants

The Baseline includes \$250,000 from the General Fund in FY 2021 for Environmental County Grants. This amount is unchanged from FY 2020.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. Previously funded projects include forest restoration, endangered species habitat protection, watershed restoration, and natural resource planning. DFFM must approve any project prior to expenditure of the monies.

Fire Suppression

The Baseline includes \$3,200,000 from the General Fund in FY 2021 for Fire Suppression. This amount is unchanged from FY 2020.

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 Appropriation Act.

Hazardous Vegetation Removal

The Baseline includes \$3,000,000 from the General Fund in FY 2021 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2020.

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 Baseline includes \$693,200 and 13 FTE Positions from the General Fund in FY 2021 for Inmate Firefighting Crews. These amounts are unchanged from FY 2020.

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 Baseline includes \$1,010,700 and 20 FTE Positions from the General Fund in FY 2021 for Post-Release Firefighting Crews. These amounts are unchanged from FY 2020.

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.

Mount Lemmon Fire District

The Baseline includes no funding in FY 2021 for the Mount Lemmon Fire District line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2021 to remove one-time funding for the Mount Lemmon Fire District line item.

Monies in this line item were used to construct a new water line for the Mount Lemmon Fire District.

Nonnative Vegetation Species Eradication

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for the Nonnative Vegetation Species Eradication line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove one-time funding for the Nonnative Vegetation Species Eradication line item.

The FY 2020 General Appropriation 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 Appropriation Act, these appropriations will not appear in subsequent General Appropriation Act bills.

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.

State Fire Marshal

The Baseline includes \$748,600 and 11 FTE Positions from the General Fund in FY 2021 for the State Fire Marshal. These amounts are unchanged from FY 2020.

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 Baseline includes \$172,700 and 1 FTE Position from the General Fund in FY 2021 for the State Fire School. These amounts are unchanged from FY 2020.

Monies in this line item primarily subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. Generally, fire departments pay for tuition, but the firefighters pay for their room and board to attend the 4-day Fire School. The Arizona State Fire Training Committee, a non-profit organization, coordinates and manages the Fire School. The majority of Fire School workshops take place at the Mesa Convention Center in

downtown Mesa with the exception of a few workshops that must be held at designated off-site locations.

Besides \$100,000 for subsidizing these costs, the remaining \$72,700 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

Taylor Fire Training Center

The Baseline includes no funding in FY 2021 for the Taylor Fire Training Center line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove one-time funding for the Taylor Fire Training Center line item.

Monies in this line item were distributed to the Navajo County Community College District to fund a public safety and emergency services training facility in Taylor. The facility will be available to both public and private entities for training.

Other Issues

Budget Stabilization Fund Use for Processing Wildland Fire Claims

The Budget Stabilization Fund (BSF) functions as the state's "Rainy Day Fund" and is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth.

Beginning in FY 2016, A.R.S. § 35-144 authorized DFFM to use up to \$10.0 million in BSF monies to pay wildland fire suppression claims. The balance consists of the cumulative amount DFFM has used for fire suppression claims less the amount it has reimbursed to the State Treasurer. Federal agencies maintain a single cooperative agreement with the state through DFFM while the department maintains over 200 cooperative agreements with local fire districts. Because of this cooperative agreement structure, there is no mechanism for local districts to seek federal reimbursement outside of going through DFFM.

In FY 2018, DFFM'S outstanding balance increased by \$6.5 million. Combined with prior year FY 2016 and FY 2017 year-end outstanding balances of \$3.5 million, the FY 2018 year-end outstanding balance was effectively at the \$10.0 million statutory cap. Because DFFM was at the

statutory cap, there was little to no capacity to process additional claims.

As of February 2019, there were approximately 660 claims totaling \$9.9 million from local districts waiting to be processed into the BSF but were pending due to the fund's statutory capacity limit. To address this, Laws 2019, Chapter 269 increased the statutory cap from \$10.0 million to \$20.0 million.

As of November 2019, DFFM reports that the backlog in previously outstanding claims has been cleared leaving roughly \$3.0 million in pending BSF capacity awaiting federal reimbursement. *(Please see the Budget Stabilization Fund section for more information.)*

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arson Detection Reward Fund (FFM2169/A.R.S. § 37-1387)		Non-Appropriated
Source of Revenue: Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	0	0
Year-End Fund Balance	125,400	128,400
Cooperative Forestry Fund (FFM2232/A.R.S. § 37-1306)		Non-Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	7,799,600	10,395,000
Year-End Fund Balance	2,877,800	4,094,800
Fire Suppression Revolving Fund (FFM2360/A.R.S. § 37-1305)		Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands.		
Funds Expended	58,398,900	44,915,000
Year-End Fund Balance	3,758,000	2,868,400
IGA and ISA Fund (FFM2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	36,000	3,300
Year-End Fund Balance	6,600	3,300
Indirect Cost Recovery Fund (FFM9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees from the Negotiated Indirect Cost Rate Agreement with the U.S. Forest Service.		
Purpose of Fund: To offset the costs of the department's overhead personnel.		
Funds Expended	588,800	593,800
Year-End Fund Balance	613,400	644,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Nonnative Vegetation Species Eradication Fund (FFM9900/A.R.S. § 37-1309)		Non-Appropriated
Source of Revenue: Legislative appropriations. The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to the department in each of FY 2020 through FY 2029 to deposit into the Nonnative Vegetation Species Eradication Fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide grants to other state agencies, cities, towns, counties, Indian tribes, other political subdivisions and nonprofit organizations for projects that will assist in fire and flood prevention, conservation of water, replacing nonnative vegetative species with native vegetative species and restoring native habitats.		
Funds Expended	0	0
Year-End Fund Balance	0	1,495,000
Trampoline Court Safety Fund (FFM2578/A.R.S. § 37-1422)		Non-Appropriated
Source of Revenue: Fees charged to owners of trampoline courts.		
Purpose of Fund: To implement and maintain the registry of trampoline courts operating in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	7,600	9,200

State Board of Funeral Directors and Embalmers

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	182,000	202,400	202,400
Employee Related Expenditures	84,800	89,300	89,300
Professional and Outside Services	6,500	25,000	25,000
Travel - In State	1,400	5,000	5,000
Travel - Out of State	1,800	5,000	5,000
Other Operating Expenditures	69,300	61,700	61,700
Equipment	1,000	0	0
OPERATING SUBTOTAL	346,800	388,400	388,400
SPECIAL LINE ITEMS			
Retirement Payout	0	11,300	0
AGENCY TOTAL	346,800	399,700	388,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	346,800	399,700	388,400
SUBTOTAL - Other Appropriated Funds	346,800	399,700	388,400
SUBTOTAL - Appropriated Funds	346,800	399,700	388,400
TOTAL - ALL SOURCES	346,800	399,700	388,400

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$388,400 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Retirement Payout

The Baseline includes no funding from the Board of Funeral Directors' and Embalmers' Fund in FY 2021 for a retirement payout. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(11,300) from the Board of Funeral Directors' and Embalmers' Fund in FY 2021 for an annual leave payout for one retirement.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
Funds Expended	346,800	399,700
Year-End Fund Balance	634,700	719,900

Arizona Game and Fish Department

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,445,400	15,775,300	15,775,300
Employee Related Expenditures	10,333,100	13,140,600	13,140,600
Professional and Outside Services	1,091,000	1,738,700	1,738,700
Travel - In State	205,100	247,000	247,000
Travel - Out of State	131,200	169,400	169,400
Other Operating Expenditures	9,749,800	9,242,500	9,242,500
Equipment	712,400	607,600	607,600
OPERATING SUBTOTAL	35,668,000	40,921,100	40,921,100 ^{1/}
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	38,726,000	43,979,100	43,979,100

FUND SOURCES

Other Appropriated Funds

Capital Improvement Fund	1,300,300	1,001,200	1,001,200
Game and Fish Fund	33,253,000	37,758,600	37,758,600
Game, Non-Game, Fish and Endangered Species Fund	102,200	347,700	347,700
Watercraft Licensing Fund	3,989,400	4,855,400	4,855,400
Wildlife Endowment Fund	81,100	16,200	16,200
SUBTOTAL - Other Appropriated Funds	38,726,000	43,979,100	43,979,100
SUBTOTAL - Appropriated Funds	38,726,000	43,979,100	43,979,100
Other Non-Appropriated Funds	47,113,500	35,115,000	35,115,000
Federal Funds	44,147,700	54,018,500	54,018,500
TOTAL - ALL SOURCES	129,987,200	133,112,600	133,112,600

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 Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$40,921,100 and 273.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	34,700,600
Game, Non-Game, Fish and Endangered Species Fund	347,700
Watercraft Licensing Fund	4,855,400
Wildlife Endowment Fund	16,200

These amounts are unchanged from FY 2020.

Pittman-Robertson/Dingell-Johnson Act

The Baseline includes \$3,058,000 from the Game and Fish Fund in FY 2021 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2020.

This line item funds the state's 25% match for federal aid matching funds for wildlife restoration projects. The department also uses \$2.6 million in non-appropriated funds to match Pittman-Robertson/Dingell-Johnson Act grants.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Big Game Permit Fund (GFA3712/A.R.S. § 17-231)		Non-Appropriated
<i>Source of Revenue:</i> License fees for hunting permits.		
<i>Purpose of Fund:</i> Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
Funds Expended	0	0
Year-End Fund Balance	786,600	786,600
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
<i>Source of Revenue:</i> Transfers from the Conservation Development Fund.		
<i>Purpose of Fund:</i> To acquire, construct, improve and renovate department facilities.		
Funds Expended	1,300,300	1,001,200
Year-End Fund Balance	789,800	986,900
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
<i>Source of Revenue:</i> A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
<i>Purpose of Fund:</i> To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	2,007,000	1,958,000
Year-End Fund Balance	1,698,600	1,084,200
Federal Funds (GFA2000/A.R.S. § 17-231)		Non-Appropriated
<i>Source of Revenue:</i> Revenue from federal grants.		
<i>Purpose of Fund:</i> To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GFA2999/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<i>Purpose of Fund:</i> One-time Federal Funds to be used by the department to fulfill Federal contracts.		
Funds Expended	17,400	0
Year-End Fund Balance	100	100
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Non-Appropriated
<i>Source of Revenue:</i> Funds received from the federal government for deposit and appropriated state matching money.		
<i>Purpose of Fund:</i> For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	43,961,900	54,004,600
Year-End Fund Balance	(804,700)	0
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
<i>Source of Revenue:</i> Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D4, revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
<i>Purpose of Fund:</i> To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	56,700	0
Year-End Fund Balance	97,300	148,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Game and Fish Federal Duck Stamps Fund (GFA3711/A.R.S. § 35-131)		Non-Appropriated
<i>Source of Revenue:</i> Sale of federal duck stamps, a required annual purchase for waterfowl hunters.		
<i>Purpose of Fund:</i> To remit proceeds to the federal government on an annual basis.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
<i>Source of Revenue:</i> Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
<i>Purpose of Fund:</i> To provide funding for general operation of the Game and Fish Department, to administer the Off-Highway Vehicle User Indicia program, and to match federal grants for fish and wildlife restoration.		
Funds Expended	33,253,000	37,758,600
Year-End Fund Balance	29,402,600	26,695,800
Game and Fish In-Lieu Fee Program Restoration Endowment Trust Fund (GFA3167/A.R.S. § 17-265)		Non-Appropriated
<i>Source of Revenue:</i> Compensatory mitigation credit monies from permittee purchases; monies received from United States Army Corps of Engineers (USACE) for resolutions of a federal enforcement action of unauthorized activities not involving department staff.		
<i>Purpose of Fund:</i> To fulfill department duties as an In-Lieu Fee sponsor pursuant to the federal Clean Water Act. Permittees that cannot avoid environmental impact to wetlands and streams must purchase compensatory mitigation credits, the proceeds of which are used by the Game and Fish Department for environmental restoration projects authorized by the USACE.		
Funds Expended	168,400	13,900
Year-End Fund Balance	4,398,000	6,445,900
Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
<i>Source of Revenue:</i> Sales of agency publications, including Wildlife Views magazine and various field guides.		
<i>Purpose of Fund:</i> To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	182,500	0
Year-End Fund Balance	71,000	249,300
Game and Fish Special Stamp Collection Fund - For CA (GFA3709/A.R.S. § 17-343)		Non-Appropriated
<i>Source of Revenue:</i> Handling of licenses and special use permits on waters shared with California.		
<i>Purpose of Fund:</i> To remit proceeds to California on an annual basis pursuant to an agreement between AZGFD and the California Game and Fish Commission.		
Funds Expended	0	0
Year-End Fund Balance	41,500	41,500
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
<i>Source of Revenue:</i> Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
<i>Purpose of Fund:</i> This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	5,563,800	370,300
Year-End Fund Balance	15,123,600	19,461,400

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	102,200	347,700
Year-End Fund Balance	494,800	407,500
Heritage Fund - Acquisition Fund (GFA2294/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection, and management of property with sensitive habitat are spent to acquire property with sensitive habitat used by endangered, threatened and candidate species.		
Funds Expended	469,700	4,220,000
Year-End Fund Balance	11,792,200	9,972,200
Heritage Fund - Administration Fund (GFA2292/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Interest earnings are allocated by the Game and Fish Commission.		
Purpose of Fund: For administrative costs as determined by the Game and Fish Commission allocation of interest earnings.		
Funds Expended	104,700	162,200
Year-End Fund Balance	154,900	192,700
Heritage Fund - Environmental Education Fund (GFA2290/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for environmental education.		
Purpose of Fund: For purposes related to environmental education.		
Funds Expended	329,300	553,900
Year-End Fund Balance	315,800	261,900
Heritage Fund - Habitat Evaluation or Habitat Protection Fund (GFA2291/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for habitat protection and evaluation.		
Purpose of Fund: For purposes related to habitat protection.		
Funds Expended	1,585,400	1,582,700
Year-End Fund Balance	1,084,500	1,001,800
Heritage Fund - Identification, Inventory, Protection and Management (GFA2295/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection and management are spent to acquire property with sensitive habitat. No more than 20% may be used for purposes of operation and maintenance of acquired property.		
Funds Expended	17,611,600	4,090,300
Year-End Fund Balance	3,623,000	3,135,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Heritage Fund - Public Access Fund (GFA2293/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for public access.		
Purpose of Fund: For purposes related to public access expenses, including maintenance and operations.		
Funds Expended	415,500	520,500
Year-End Fund Balance	504,300	676,500
Heritage Fund - Urban Wildlife and Urban Life Habitat Fund (GFA2296/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for urban wildlife.		
Purpose of Fund: For purposes related to urban wildlife and urban wildlife habitat programs.		
Funds Expended	1,417,900	1,948,600
Year-End Fund Balance	1,388,800	940,200
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	110,000	0
Year-End Fund Balance	17,100	19,000
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund consists of revenue generated by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	7,294,300	8,479,100
Year-End Fund Balance	4,019,400	0
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	0	0
Year-End Fund Balance	120,000	120,000
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and matching funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	33,500	34,300

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation, law enforcement activities and administration of the Off-Highway Vehicle User Indicia program.		
Funds Expended	1,663,100	1,747,900
Year-End Fund Balance	1,073,300	1,230,500
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.		
Funds Expended	3,989,400	4,855,400
Year-End Fund Balance	4,643,500	4,663,800
Wildlife Conservation Enterprise Fund (GFA2029/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Project grants from state and local governments, private entities and federal entities.		
Purpose of Fund: For wildlife conservation and monitoring projects, primarily related to wildlife crossing and fencing along highway projects.		
Funds Expended	356,900	723,000
Year-End Fund Balance	348,900	374,200
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	7,771,700	8,663,000
Year-End Fund Balance	7,573,700	6,193,400
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	81,100	16,200
Year-End Fund Balance	2,944,700	3,112,800
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	400	400

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	173,400	95,500
Year-End Fund Balance	91,000	153,400

Department of Gaming

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,257,100	4,686,200	4,686,200
Employee Related Expenditures	1,625,400	1,634,800	1,634,800
Professional and Outside Services	746,000	1,017,400	1,017,400
Travel - In State	255,500	250,700	250,700
Travel - Out of State	64,900	30,000	30,000
Other Operating Expenditures	1,611,300	1,405,700	1,443,800
Equipment	135,800	136,300	136,300
OPERATING SUBTOTAL	8,696,000	9,161,100	9,199,200
SPECIAL LINE ITEMS			
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,831,300	2,098,300	2,098,300
County Fairs Livestock and Agriculture Promotion	1,779,500	2,509,500	2,509,500 ^{2/}
Division of Racing	1,893,600	2,252,400	2,252,400
Problem Gambling	2,028,600	2,292,200	2,344,300
AGENCY TOTAL	16,479,000	18,563,500	18,653,700 ^{3/}
FUND SOURCES			
General Fund	1,779,500	2,509,500	2,509,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	10,424,600	11,153,300	11,243,500
Racing Regulation Fund	2,143,600	2,402,400	2,402,400
Racing Regulation Fund - Unarmed Combat Subaccount	0	100,000	100,000
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,831,300	2,098,300	2,098,300
SUBTOTAL - Other Appropriated Funds	14,699,500	16,054,000	16,144,200
SUBTOTAL - Appropriated Funds	16,479,000	18,563,500	18,653,700
Other Non-Appropriated Funds	354,500	469,300	469,300
TOTAL - ALL SOURCES	16,833,500	19,032,800	19,123,000

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal-State Compact Fund through casino employee and vendor certification application fees. The department's responsibilities include the Division of Racing.

FOOTNOTES

- ^{1/} Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{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 A.R.S. § 5-113, and to be administered by the Office of the Governor. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Administrative Expenses

The Baseline includes \$9,199,200 in FY 2021 for administrative expenses. The appropriation serves as a

cap on the level of spending. The department's permissible spending level will be determined by the level of gaming revenues. Pursuant to the Gaming ballot

initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts, the department's administrative expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues.

In FY 2020, Gaming has the authority to spend \$9,161,000. In FY 2021, 9% of tribal gaming revenues are forecasted to be \$9,199,200. As a result, the Baseline increases Gaming's FY 2021 Arizona Benefits Fund expenditure authority by \$38,100 to a level of \$9,199,200. The department can expend the actual 9% level or the expenditure authority level, whichever is lower.

Problem Gambling

The Baseline includes \$2,344,300 in FY 2021 for Problem Gambling, which consists of \$2,044,300 from the Arizona Benefits Fund and \$300,000 from the State Lottery Fund.

The department's permissible spending level for Problem Gambling from the Arizona Benefits Fund will be determined by the level of gaming revenues. Pursuant to the Gaming ballot initiative and the Tribal-State Gaming Compacts, the department's Problem Gambling expenses from the Arizona Benefits Fund are limited to 2% of revenues.

In FY 2020, Gaming has the authority to spend \$1,992,200. In FY 2021, 2% of tribal gaming revenues are forecasted to be \$2,044,300. As a result, the Baseline increases Gaming's FY 2021 Arizona Benefits Fund expenditure authority by \$52,100 to a level of \$2,044,300. The department can expend the actual 2% level or the expenditure authority level, whichever is lower.

(See Gaming Revenues for additional details.)

Operating Budget

The Baseline includes \$9,199,200 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Align Appropriation with 9% of Gaming Revenues

The Baseline includes an increase of \$38,100 from the Arizona Benefits Fund in FY 2021 to align the appropriation level for the department's operating budget with 9% of anticipated FY 2021 state gaming revenues. *(See Table 2 for more information on projected state revenues and department allocations.)*

Arizona Breeders' Award

The Baseline includes \$250,000 from the Racing Regulation Fund in FY 2021 for the Arizona Breeders' Award. This amount is unchanged from FY 2020.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2020, this line item will fund awards equal to 25% of the purse won by the horse.

Casino Operations Certification

The Baseline includes \$2,098,300 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2021 for Casino Operations Certification. These amounts are unchanged from FY 2020.

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.

County Fairs Livestock and Agriculture Promotion

The Baseline includes \$2,509,500 from the General Fund in FY 2021 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2020.

The FY 2020 budget's 3-year spending plan included a \$730,000 increase, designated as one-time, each year from FY 2020 through FY 2022.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

Division of Racing

The Baseline includes \$2,252,400 and 40.5 FTE Positions in FY 2021 for operating costs associated with the Division of Racing. These amounts consist of:

	<u>FY 2021</u>
Racing Regulation Fund	2,152,400
Racing Regulation Fund - Unarmed Combat Subaccount	100,000

These amounts are unchanged from FY 2020.

Unarmed Combat Subaccount

The Baseline continues to include \$100,000 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2021 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

The Racing Wagering Assessment (RWA) is a regulatory assessment from each commercial racing permittee payable from amounts deducted from pari-mutuel pools by the permittee. 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 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. It also oversees the Arizona Boxing and Mixed Martial Arts Commission, which is responsible for licensing, investigating, and regulating professional boxing, Toughman, and nontraditional fighting contests within Arizona.

Problem Gambling

The Baseline includes \$2,344,300 and 5 FTE Positions in FY 2021 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	2,044,300
State Lottery Fund	300,000

FY 2021 adjustments are as follows:

Align Appropriation with 2% of Gaming Revenues

The Baseline includes an increase of \$52,100 from the Arizona Benefits Fund in FY 2021 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2021 state gaming revenues. (See Table 2 for more information on projected state revenues and department allocations.)

Other Issues

Statutory Changes

The Baseline would, as session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2021 only.

Gaming Devices

The Arizona Tribal-State Gaming Compacts regulate tribal gaming activity of Class III, or casino style, gaming on tribal lands in Arizona. The current Compacts were passed in November 2002 as Proposition 202.

There are currently 16 tribes operating a total of 24 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. Table 1 displays the maximum number of gaming devices allowed under the Tribal-State Gaming Compacts.

Table 1

Class III Gaming Devices Statewide

	FY 2006	FY 2020	Allowed by Compacts
Poker and Blackjack Tables	455	477	3,318 ^{1/}
Slot Machines	<u>12,354</u>	<u>15,773</u>	<u>18,158</u> ^{2/}
Total	12,809	16,250 ^{3/}	21,476

- ^{1/} While the Compacts set the statewide limit at 3,318 betting tables, the Compacts also set a limit of no more than 119 betting tables at any one casino.
- ^{2/} While the Compacts set the statewide limit at 18,158 slot machines, the Compacts also set a limit of no more than 1,301 slot machines at any one casino.
- ^{3/} Figures as of October 2019. This amount does not include the Desert Diamond West Valley Casino which is currently undergoing a \$400 million facilities expansion which is scheduled to add 75 betting tables and 1,090 slot machines by the end of 2019.

Gaming Revenues

From FY 2018 to FY 2019, state gaming revenues increased by 4.1% to \$97,843,700. Based on data from the first quarter of FY 2020, the Baseline projects that total gaming revenues will increase by 2.2% in FY 2020 to a level of \$100,013,600 then increase by 2.2% again in FY 2021 to a level of \$102,213,700. These estimates serve as the basis for calculating the projected FY 2021 amounts available for administrative expenses and problem gambling. (See Administrative Expenses and Problem Gambling sections for further details. See Table 2 for more information on projected state revenues and department allocations. See Table 3 for FY 2019 Tribal Gaming Distributions.)

Table 2

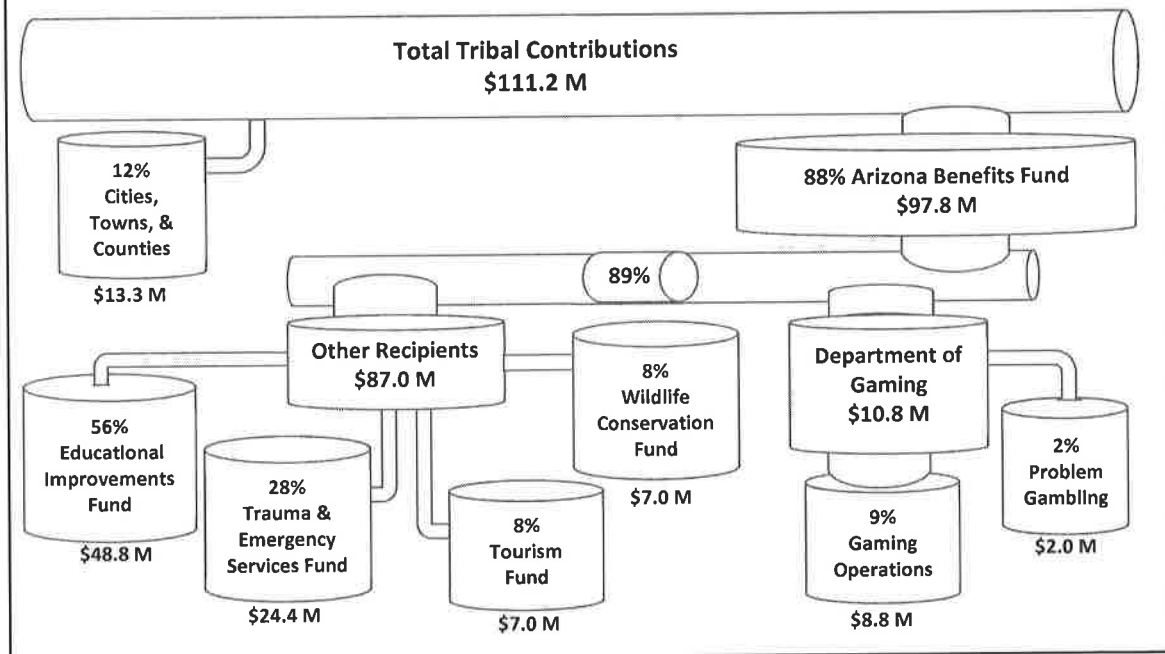
Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

Recipient	Proposition 202 Formula	FY 2018 Actual ^{1/}	FY 2019 Actuals ^{1/}	FY 2020 Projected	FY 2021 Projected
State Government Distribution	88% of total	\$ 93,976,900	\$ 97,843,700 ^{2/}	\$ 100,013,400 ^{2/}	\$ 102,213,700 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>12,815,000</u>	<u>13,342,300</u>	<u>13,638,200</u>	<u>13,938,200</u>
Total	100% of total	\$106,791,900	\$111,186,000	\$113,651,600	\$116,151,900
Allocation of State Government's Share					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,457,900 ^{4/}	\$ 8,805,900 ^{4/}	\$ 9,001,200 ^{4/}	\$ 9,199,200 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,879,500 ^{5/}</u>	<u>1,956,900 ^{5/}</u>	<u>2,000,300 ^{5/}</u>	<u>2,044,300 ^{5/}</u>
Subtotal-Department of Gaming		\$ 10,337,400	\$10,762,800	\$ 11,001,500	\$ 11,243,500
Instructional Improvement Fund (Department of Education)	56% of remainder	46,838,200	48,765,400	49,846,800	50,943,300
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	23,419,100	24,382,700	24,923,300	25,471,700
Arizona Wildlife Conservation Fund	8% of remainder	6,691,100	6,966,500	7,121,000	7,277,600
Tourism Fund	8% of remainder	<u>6,691,100</u>	<u>6,966,500</u>	<u>7,121,000</u>	<u>7,277,600</u>
Total		\$ 93,976,900	\$ 97,843,900	\$ 100,013,600	\$ 102,213,700

- ^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.
- ^{2/} The Baseline projects 2.2% growth in FY 2020 and 2.2% growth again in FY 2021 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/} While the FY 2020 appropriation includes \$9,161,100 and the FY 2021 Baseline includes \$9,199,200, A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or \$8,000,000, whichever is greater, to be used for the department's operating budget. The department cannot expend above the actual 9% level or the expenditure authority level, whichever is lower.
- ^{5/} While the FY 2020 appropriation includes \$1,992,200 and the FY 2021 Baseline includes \$2,044,300, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. The department cannot expend above the actual 2% level or the expenditure authority level, whichever is lower.

Table 3

FY 2019 Tribal Gaming Distributions



SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		Appropriated
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to the Arizona Department of Education, the Arizona Game and Fish Department, the Office of Tourism, and the Arizona Health Care Cost Containment System. (See individual agency pages for detailed information on each recipient.)		
Funds Expended	10,424,600	11,153,300
Year-End Fund Balance	2,615,900	2,768,600
Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations from the Racing Regulation Fund. Appropriated expenditures are not displayed to avoid double counting. The fund also receives revenue derived from the source market fees paid from advance deposit wagering on horse racing. Of the amount allocated for purses, 5% is deposited in the fund.		
Purpose of Fund: To give awards to the breeder of every winning horse foaled in this state.		
Funds Expended	0	288,000
Year-End Fund Balance	197,600	10,000
IGA and ISA Fund (GMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	240,300	180,000
Year-End Fund Balance	165,400	85,300
Racing Investigation Fund (GMA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Division of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Gaming.		
Funds Expended	0	0
Year-End Fund Balance	55,900	56,100
Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)		Appropriated
Source of Revenue: License fees and regulatory assessments established by the Arizona Division of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse racing facilities and donations or grants received by the department.		
Purpose of Fund: To support the mission of the Division of Racing. The fund contains a subaccount that supports the Division of Boxing and Mixed Martial Arts, please see the Racing Regulation Fund - Unarmed Combat Subaccount for additional information.		
Funds Expended	2,143,600	2,402,400
Year-End Fund Balance	2,242,500	1,810,100
Racing Regulation Fund - Unarmed Combat Subaccount (GMA2393/A.R.S. § 5-226)		Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat events hosted in Arizona. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	100,000
Year-End Fund Balance	101,100	120,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Racing Regulation Fund - Unarmed Combat Subaccount (GMA2393/A.R.S. § 5-226)		Non-Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events. Laws 2018, Chapter 318 converted the non-appropriated Mixed Martial Arts Subaccount into the appropriated Unarmed Combat Subaccount beginning in FY 2019. The FY 2019 Revenue Budget Reconciliation Bill directs all boxing and mixed martial arts-related revenues, excluding licensing fees, to be deposited into the Unarmed Combat Subaccount within the Racing Regulation Fund in FY 2019 and allows monies in the subaccount to be continuously appropriated in FY 2019.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat events hosted in Arizona. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	12,800	0
Year-End Fund Balance	101,100	120,600
Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired race horses.		
Funds Expended	1,400	1,300
Year-End Fund Balance	300	200
Rural County Fair Racing Fund (GMA2558/A.R.S. § 5-113.01)		Non-Appropriated
Source of Revenue: Laws 2018, Chapter 318 transfers \$200,000 from the Racing Regulation Fund to the Rural County Fair Racing Fund in FY 2019 to fund a matching grant pilot program. Chapter 318 repeals the Rural County Fair Racing Fund and the matching grant pilot program on June 30, 2020.		
Purpose of Fund: To provide matching grants of up to \$40,000 to support county fair horse racing. To be eligible for the grant counties must have a population of less than 800,000 and contribute at least 50% in matching grant funding.		
Funds Expended	100,000	0
Year-End Fund Balance	50,000	0
State Lottery Fund (GMA2122/A.R.S. § 5-571)		Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	400	400
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	1,831,300	2,098,300
Year-End Fund Balance	2,209,400	1,861,100

Office of the Governor

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	6,662,200	7,199,900	7,199,900 ^{1/2/}
SPECIAL LINE ITEMS			
Foster Youth Education Success Program	1,678,000	1,500,000	1,500,000
AGENCY TOTAL	8,340,200	8,699,900	8,699,900 ^{3/}
FUND SOURCES			
General Fund	8,340,200	8,699,900	8,699,900
SUBTOTAL - Appropriated Funds	8,340,200	8,699,900	8,699,900
Other Non-Appropriated Funds	2,944,100	2,701,000	2,701,000
Federal Funds	22,870,900	32,741,900	32,741,900
TOTAL - ALL SOURCES	34,155,200	44,142,800	44,142,800

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, as well as others.

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. (General Appropriation Act footnote)
- 2/ Included in the Lump Sum appropriation of \$7,199,900 for FY 2021 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,199,900 from the General Fund in FY 2021 for the operating budget. This amount is unchanged from FY 2020.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona's foster care system.

Foster Youth Education Success Program

The Baseline includes \$1,500,000 from the General Fund in FY 2021 for the Foster Youth Education Success Program. This amount is unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor.		
Funds Expended	0	0
Year-End Fund Balance	245,700	414,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Grant Fund (GVA2000/A.R.S. § 4-101.01)		Non-Appropriated
Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.		
Funds Expended	22,870,900	32,741,900
Year-End Fund Balance	3,600	100
Foster Youth Education Success Fund (GVA1400/A.R.S. § 41-108)		Non-Appropriated
Source of Revenue: General Fund appropriations. Public or private gifts, grants and donations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To improve the educational outcomes of children in Arizona's foster care system.		
Funds Expended	0	0
Year-End Fund Balance	798,200	798,200
Governor's Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	711,300	310,300
Year-End Fund Balance	333,600	143,800
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	1,490,800	1,220,000
Year-End Fund Balance	635,000	415,000
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	742,000	1,118,100
Year-End Fund Balance	6,584,500	6,584,700
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	0	52,600
Year-End Fund Balance	307,800	451,100

Governor's Office of Strategic Planning and Budgeting

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,257,100	1,589,600	1,589,600
Employee Related Expenditures	383,800	580,000	580,000
Professional and Outside Services	103,600	121,200	121,200
Travel - In State	800	800	800
Travel - Out of State	7,300	6,900	6,900
Other Operating Expenditures	228,600	381,400	381,400
Equipment	3,400	4,200	4,200
AGENCY TOTAL	1,984,600	2,684,100	2,684,100 ^{1/2/}
FUND SOURCES			
General Fund	1,984,600	2,684,100	2,684,100
SUBTOTAL - Appropriated Funds	1,984,600	2,684,100	2,684,100
TOTAL - ALL SOURCES	1,984,600	2,684,100	2,684,100

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,684,100 and 22 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Department of Health Services

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,105.5	1,130.5	1,125.0 ^{1/2/}
Personal Services	19,665,400	22,493,400	22,493,400
Employee Related Expenditures	7,935,500	9,333,300	9,333,300
Professional and Outside Services	1,404,700	1,221,400	1,221,400
Travel - In State	383,700	455,200	455,200
Travel - Out of State	101,600	86,900	86,900
Other Operating Expenditures	11,784,700	15,704,000	15,704,000
Equipment	697,800	313,200	313,200
OPERATING SUBTOTAL	41,973,400	49,607,400	49,607,400
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	58,852,800	64,036,700	64,036,700 ^{3/}
Arizona State Hospital-Restoration to Competency	896,100	900,000	900,000 ^{4/}
Arizona State Hospital-Sexually Violent Persons	9,135,700	9,710,400	9,710,400 ^{5/}
Public Health/Family Health			
Adult Cystic Fibrosis Care	52,600	105,200	105,200
AIDS Reporting and Surveillance	963,400	1,000,000	1,000,000
Alzheimer's Disease Research	3,125,000	3,125,000	1,125,000 ^{6/7/}
Biomedical Research Support	1,498,800	2,000,000	2,000,000 ^{8/}
Breast and Cervical Cancer and Bone Density Screening	763,200	1,369,400	1,369,400
Community-Based Primary Care Clinic	0	700,000	0 ^{9/}
County Tuberculosis Provider Care and Control	420,700	590,700	590,700
Critical Access Hospital Trauma Services	0	1,500,000	0
Emergency Medical Services Local Allocation	413,000	442,000	442,000
Folic Acid Program	314,800	400,000	400,000
High Risk Perinatal Services	2,090,600	2,543,400	2,543,400
Homeless Pregnant Women Services	88,900	100,000	100,000 ^{9/}
Newborn Screening Program	6,567,400	7,231,400	7,231,400
Nonrenal Disease Management	0	198,000	198,000 ^{10/}
Nursing Care Special Projects	0	100,000	100,000
Poison Control Centers Funding	599,700	990,000	990,000
Public Health Emergencies Fund Deposit	0	106,600	0
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Rural Prenatal Services	0	1,000,000	500,000 ^{11/}
State Loan Repayment Program	940,000	1,750,000	1,000,000
Vulnerable Caregiver Workshops	0	250,000	0 ^{12/}
Bureau of Radiation Control			
Radiation Regulation	1,610,800	2,299,700	2,299,700
Nuclear Emergency Management Program	731,600	789,700	789,700 ^{12/}
AGENCY TOTAL	131,400,800	153,328,600	147,522,000 ^{13/ 14/15/}
FUND SOURCES			
General Fund	84,825,400	97,158,300	93,351,700
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,371,800	2,592,000	2,592,000
ASH Land Earnings Fund	649,700	650,000	650,000
Capital Outlay Stabilization Fund	197,800	0	0
Child Fatality Review Fund	85,800	96,100	96,100
Disease Control Research Fund	963,400	1,000,000	1,000,000
Emergency Medical Services Operating Fund	5,225,100	5,740,600	5,740,600

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
Environmental Laboratory Licensure Revolving Fund	812,900	931,100	931,100
Federal Child Care and Development Fund Block Grant	845,700	882,600	882,600
Health Services Licensing Fund	10,547,000	15,835,400	15,835,400
Health Services Lottery Monies Fund	88,900	100,000	100,000
Indirect Cost Fund	9,799,200	10,412,800	10,412,800
Newborn Screening Program Fund	6,690,000	7,664,200	7,664,200
Nuclear Emergency Management Fund	731,600	789,700	789,700
Nursing Care Institution Resident Protection Revolving Fund	0	138,200	138,200
Prescription Drug Rebate Fund - State	0	1,000,000	0
Tobacco Tax and Health Care Fund - Health Research Account	4,498,800	4,000,000	3,000,000
Tobacco Tax and Health Care Fund - Medically Needy Account	539,800	700,000	700,000
Vital Records Electronic Systems Fund	2,527,900	3,637,600	3,637,600
SUBTOTAL - Other Appropriated Funds	46,575,400	56,170,300	54,170,300
SUBTOTAL - Appropriated Funds	131,400,800	153,328,600	147,522,000
Other Non-Appropriated Funds	66,701,200	74,846,200	74,846,200
Federal Funds	248,009,100	249,668,400	249,668,400
TOTAL - ALL SOURCES	446,111,100	477,843,200	472,036,600

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/ Includes 730 GF and 58.6 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Includes 5.5 OF FTE Positions appropriated by Laws 2019, Chapter 24.
- 3/ 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 Appropriation Act footnote)
- 4/ The Arizona State Hospital - Restoration to Competency line item includes monies for direct costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 5/ The Arizona State Hospital - Sexually Violent Persons line item includes monies for direct costs associated with the Sexually Violent Persons program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 6/ Of the \$1,125,000 for Alzheimer's Disease Research, \$1,000,000 is from the Tobacco Tax and Health Care Fund - Health Research Account established by A.R.S. § 36-773. (General Appropriation Act footnote) Please see the Alzheimer's Disease Research line item narrative for additional information.
- 7/ 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 10 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; and 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 Appropriation Act footnote)
- 8/ 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, 2022. (General Appropriation Act footnote)

- D/ A. ~~The sum of \$700,000 is appropriated from the state General Fund in FY 2020 to the Department of Health Services to distribute to a community-based primary care program in a geographically isolated area of the state. The program must include all of the following: 1) Medical care provided by licensed primary care physicians and licensed mid-level providers; 2) Prenatal care services; 3) Well-child care; 4) Family planning services; 5) Diagnostic laboratory and imaging services that are necessary to complete a diagnosis and treatment, including referral services; 6) Pharmacy services; 7) Preventative health services; 8) Preventative dental services.~~
- B. ~~For the purposes of this section, "geographically isolated area" means a city or town with a population of less than 15,000 persons that is located in both: 1) A medically underserved area designated pursuant to A.R.S. § 36-2352; 2) A health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)~~
- 9/ The Department of Health Services shall distribute monies appropriated for Homeless Pregnant Women Services to nonprofit organizations that are located in a county with a population of more than 3 million persons and whose primary function is to provide shelter, food, clothing and transportation for health services and support to homeless pregnant women and their children who are under the age of one year. Monies may not be granted for abortion referral services or distributed to entities that promote, refer or perform abortions. (General Appropriation Act footnote)
- 10/ The Department of Health Services may use up to 4% of the amount appropriated for Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- D/ ~~The sum of \$1,000,000 is appropriated from the state General Fund in FY 2020 to the Department of Health Services for distribution to rural hospitals located in health professional shortage areas in this state as defined in 42 Code of Federal Regulations part 5 for the purchase of sonogram and telemedicine equipment for providing care to pregnant women. The department shall determine recipients of the monies through a Request for Proposals process. (General Appropriation Act footnote)~~
- 11/ The sum of \$500,000 is appropriated from the state General Fund in each of FY 2021 and FY 2022 to the Department of Health Services to provide student loan repayment options for health care professionals who provide prenatal care in a health professional shortage area in this state as defined in 42 Code of Federal Regulations part 5. (FY 2020 General Appropriation Act footnote)
- D/ A. ~~The sum of \$250,000 is appropriated from the state General Fund in FY 2020 to the Department of Health Services to contract with a nonprofit mental health services provider to conduct workshops for vulnerable parents, grandparents and caregivers of at-risk youth who are struggling at home, in an out-of-home placement or in school. The workshops shall be designed to enable the vulnerable parents, grandparents and caregivers to build strengths, gain insight and learn new skills to effectively assist the at-risk youth to reach their full potential and to preserve the family.~~
- B. ~~The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations. (General Appropriation Act footnote)~~
- 12/ Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the Nuclear Emergency Management Fund in FY 2020 and FY 2021 to the Department of Health Services.
- 13/ 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 30th of the following month. The report shall 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 Appropriation Act footnote)
- 14/ **NEW** On or before May 31, 2021, the Department of Health Services shall submit a report to the Joint Legislative Budget Committee for review on the progress of the department's implementation of recommendations included in the Auditor General's September 2019 report regarding the investigation of long-term care facility complaints and self-reports. The report shall include information for staff allocated to long-term care investigations since publication of the September 2019 audit, a summary of the department's implemented investigation time frames and updates to its investigation policies and procedures, and an assessment of the department's performance in investigating long-term care facility complaints and self-reports according to audit recommendations and the implemented investigation timeframes. (General Appropriation Act footnote)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Baseline decreases DHS' General Fund spending in FY 2021 by \$(3,806,600) as follows:

- \$500,000 for medical student loan repayment options for rural prenatal health care providers.
- \$(1,500,000) for one-time grants for critical access hospital trauma services in Benson and Willcox.
- \$(106,600) for a one-time deposit to the Public Health Emergencies Fund.
- \$(1,000,000) for one-time grants for prenatal equipment in medically underserved areas.
- \$(700,000) for a one-time grant to a community-based primary care clinic.
- \$(250,000) for one-time vulnerable caregiver workshops.
- \$(750,000) for a one-time State Loan Repayment Program increase.

Other appropriated spending decreases by \$(2,000,000) for one-time funding for Alzheimer's disease research.

Operating Budget

The Baseline includes \$49,607,400 and 336.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$16,101,900
Child Fatality Review Fund	96,100
Emergency Medical Services (EMS)	3,848,600
Operating Fund	
Environmental Laboratory Licensure	931,100
Revolving Fund	
Federal Child Care and Development	882,600
Fund (CCDF) Block Grant	
Health Services Licensing Fund	13,225,700
DHS Indirect Cost Fund	10,412,800
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident	38,200
Protection Revolving Fund	
Vital Records Electronic Systems Fund	3,637,600

These amounts are unchanged from FY 2020.

Arizona State Hospital

ASH - Operating

The Baseline includes \$64,036,700 and 616.5 FTE Positions in FY 2021 for the ASH operating budget. These amounts consist of:

General Fund	61,384,700
ASH Fund	1,692,000
ASH Land Earnings Fund	650,000
Health Services Licensing Fund	310,000

These amounts are unchanged from FY 2020.

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 2019, ASH had an average daily census of 93 patients in its civil commitment unit, 105 patients in its forensic unit, and 98 Sexually Violent Persons (SVPs), for a total of 296 patients.

ASH - Restoration to Competency

The Baseline includes \$900,000 from the ASH Fund in FY 2021 for ASH - Restoration to Competency. This amount is unchanged from FY 2020.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2019, there was an average daily census of 2 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The Baseline continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The Baseline includes \$9,710,400 and 112.5 FTE Positions from the General Fund in FY 2021 for ASH - Sexually Violent Persons. These amounts are unchanged from FY 2020.

Background – 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 2019, ASH had an average daily census of 98 Sexually Violent Persons (SVPs).

Public Health/Family Health

Adult Cystic Fibrosis Care

The Baseline includes \$105,200 from the General Fund in FY 2021 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2020.

This line item provides contracted care and treatment services through Phoenix Children’s Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The Baseline includes \$1,000,000 from the Disease Control Research Fund in FY 2021 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2020.

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 program also includes \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 771 clients in FY 2019.

Alzheimer’s Disease Research

The Baseline includes \$1,125,000 in FY 2021 for Alzheimer’s Disease Research. This amount consists of:

General Fund	125,000
TTHCF - Health Research Account	1,000,000

FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) in FY 2021 for removal of a one-time funding increase. This amount consists of:

TTHCF - Health Research Account	(1,000,000)
Prescriptions Drug Rebate Fund - State	(1,000,000)

The FY 2020 budget included a total of \$3,125,000 for Alzheimer’s Research, but designated \$2,000,000 as one-time.

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. See *Table 1* for a funding history of the program.

Biomedical Research Support

The Baseline includes \$2,000,000 from the TTHCF - Health Research Account in FY 2021 for Biomedical Research Support. This amount is unchanged from FY 2020.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on applying 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 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 Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2021 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2020.

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.

	<u>General Fund</u>	<u>Health Research Account</u>	<u>Prescription Drug Rebate Fund</u>	<u>TOTAL</u>
FY 2015	\$1,375,000	\$1,000,000	-	\$2,375,000
FY 2016	125,000	1,000,000	-	1,125,000
FY 2017	125,000	2,000,000	-	2,125,000
FY 2018	125,000	2,000,000	-	2,125,000
FY 2019	125,000	3,000,000	-	3,125,000
FY 2020	125,000	2,000,000	\$1,000,000	3,125,000
FY 2021	125,000	1,000,000	-	1,125,000

Community-Based Primary Care Clinic

The Baseline includes no funding from the General Fund in FY 2021 for a community-based primary care clinic. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(700,000) from the General Fund in FY 2021 for removal of one-time funding. The FY 2020 budget required DHS to distribute these one-time monies to a community-based primary care clinic located in a geographically isolated and medically underserved area of the state that provides certain medical, pharmacy, imaging, and preventative health services. DHS will distribute these monies to a clinic in Colorado City that meets these requirements.

County Tuberculosis Provider Care and Control

The Baseline includes \$590,700 from the General Fund in FY 2021 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2020.

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.

Critical Access Hospital Trauma Services

The Baseline includes no funding from the General Fund in FY 2021 for Critical Access Hospital Trauma Services. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2021 for a one-time distribution to critical access hospitals to maintain essential emergency department and level IV trauma services. The FY 2020 budget required DHS to distribute \$900,000 to a hospital in Benson and \$600,000 to a hospital in Willcox.

Emergency Medical Services Local Allocation

The Baseline includes \$442,000 from the EMS Operating Fund in FY 2021 for the Emergency Medical Services Local Allocation line item. This amount is unchanged from FY 2020.

This line item provides funding to 4 regional EMS Councils that distribute funding for EMS training and equipment to cities and towns with a population of fewer than 90,000 people.

Folic Acid Program

The Baseline includes \$400,000 from the TTHCF - Medically Needy Account in FY 2021 for the Folic Acid Program. This amount is unchanged from FY 2020.

This line item provides funding for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2019, 29,099 women received folic acid education and multivitamins.

High Risk Perinatal Services

The Baseline includes \$2,543,400 in FY 2021 for High Risk Perinatal Services. This amount consists of:

General Fund	2,093,400
EMS Operating Fund	450,000

These amounts are unchanged from FY 2020.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

Homeless Pregnant Women Services

The Baseline includes \$100,000 from the Health Services Lottery Monies Fund in FY 2021 for Homeless Pregnant Women Services. This amount is unchanged from FY 2020.

DHS is required to use monies in this line item to provide grants to non-profit organizations located in a county with more than 3 million persons and whose primary function is to provide shelter, food, clothing, and transportation services to homeless pregnant women and their children who are under the age of one.

The Baseline continues a provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

Newborn Screening Program

The Baseline includes \$7,231,400 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2021 for

the Newborn Screening Program. These amounts are unchanged from FY 2020.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 30 disorders. In FY 2019, the program provided screening for 82,553 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.

Nonrenal Disease Management

The Baseline includes \$198,000 from the General Fund in FY 2021 for Nonrenal Disease Management. This amount is unchanged from FY 2020.

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 Baseline includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2021 for special projects related to long-term care facilities. This amount is unchanged from FY 2020.

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' 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 Baseline includes \$990,000 from the General Fund in FY 2021 for Poison Control Centers. This amount is unchanged from FY 2020.

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 2019. 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 the University of Arizona (UA) Poison Control Information Center. However, this amount is not

reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$200,000 to the UA Poison Control Center in FY 2019.

Public Health Emergencies Fund Deposit

The Baseline includes no funding from the General Fund in FY 2021 for a Public Health Emergencies Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(106,600) from the General Fund in FY 2021 for removal of a one-time deposit to the Public Health Emergencies Fund. The fund was established in the FY 2018 budget, which deposited \$500,000 to the fund. DHS spent from the fund in FY 2018 in response to a statewide public health emergency for the opioid epidemic. The FY 2020 deposit of \$106,600 brought monies in the fund back to the \$500,000 level.

DHS may only use monies in the Public Health Emergencies Fund on a declaration of a public health emergency by the Governor and must submit a report of any expenditures from the fund to the Joint Legislative Budget Committee.

Renal Dental Care and Nutrition Supplements

The Baseline includes \$300,000 from the TTHCF - Medically Needy Account in FY 2021 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2020.

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 Baseline includes \$183,000 from the General Fund in FY 2021 for Renal Transplant Drugs. This amount is unchanged from FY 2020.

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 2019, 97 people received anti-rejection medication assistance.

Rural Prenatal Services

The Baseline includes \$500,000 from the General Fund in FY 2021 for Rural Prenatal Services. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2021 for removal of a one-time distribution to rural hospitals located in medically underserved areas of the state for sonogram and telemedicine equipment purchases.

Loan Repayment

The Baseline includes an increase of \$500,000 from the General Fund in FY 2021 to provide medical student loan repayment options to rural prenatal health care providers practicing in medically underserved areas of the state. The FY 2020 General Appropriation Act appropriated these monies in FY 2021 and FY 2022, so these monies will not appear in the FY 2021 General Appropriation Act.

DHS plans to use these monies to fund a portion of 2-year contracts for 24 prenatal care providers currently enrolled in the State Loan Repayment Program. In exchange for loan repayment assistance, the providers will work in a medically underserved area of the state for 2 years. *(Please see the State Loan Repayment Program line item for more information.)*

State Loan Repayment Program

The Baseline includes \$1,000,000 from the EMS Operating Fund in FY 2021 for the State Loan Repayment Program. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2021 for removal of a one-time increase to provide additional awards to health care providers practicing in medically underserved areas of the state. DHS used these monies to fund approximately 38% of 2-year contracts for 42 new loan recipients. Of the 42 recipients, 24 will be partially funded by monies appropriated for Rural Prenatal Services in FY 2021. The remaining will be funded with a combination of EMS Operating Fund appropriations and Federal Funds. *(Please see the Rural Prenatal Services line item for more information.)*

This line item provides loan repayment for health care providers who agree to practice in medically underserved areas of the state for at least 2 years. In FY 2019, this program funded 103 participants.

Vulnerable Caregiver Workshops

The Baseline includes no funding from the General Fund in FY 2021 for Vulnerable Caregiver Workshops. FY 2021 adjustments are follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2021 for removal of one-time funding for DHS to contract with a non-profit mental health services provider to conduct workshops for vulnerable caregivers of at-risk youth who are struggling at home, in an out-of-home placement, or in school. This appropriation is non-lapsing.

Bureau of Radiation Control

Radiation Regulation

The Baseline includes \$2,299,700 and 29 FTE Positions from the Health Services Licensing Fund in FY 2021 for Radiation Regulation. These amounts are unchanged from FY 2020.

The Baseline continues a fee raising authority and exemption related to establishing fees for radiation regulation in FY 2021. The provision includes an intent clause that limits additional revenues to \$1,900,000.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Nuclear Emergency Management Program

The Baseline includes \$789,663 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2021 for the Nuclear Emergency Management Program line item. FY 2021 adjustments are as follows:

FTE Positions Correction

The Baseline includes a decrease of (5.5) FTE Positions from the NEMF in FY 2021 to correct the number of FTE Positions appropriated in the budget. Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the NEMF in FY 2020 and in FY 2021. The appropriated monies did not appear in the General Appropriation Act, however, the bill included 5.5 FTE Positions for the program. As a result, the bill double-counted the intended number of FTE Positions, for a total of 11 FTE Positions. The Baseline corrects this by removing (5.5) FTE Positions from the FY 2021 General Appropriation Act.

The Department of Health Services, the Department of Emergency and Military Affairs (DEMA), and the

Table 2

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	<u>2.88</u>	<u>275,012</u>	<u>2.88</u>	<u>301,376</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

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

Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019-2021 are displayed in Table 2. (Please see the Department of Agriculture and the Department of Emergency and Military Affairs narratives 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.

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.

- As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As session law, continue to notwithstand A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. (See Homeless Pregnant Women Services for more information.)
- As session law, continue a fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2021, and continue to limit additional revenues to \$1,900,000.

Medical Marijuana Fund Balance

Proposition 203 passed in the 2010 General Election, creating the Medical Marijuana Program within DHS. In FY 2019, there were 205,609 cardholders and 6,383 dispensary agents in the DHS medical marijuana registry.

To operate the program, DHS charges application fees to cardholders and dispensaries which are deposited to the non-appropriated Medical Marijuana Fund.

The Medical Marijuana Fund's balance has continued to grow since the program's inception in 2010 (see Table 3). DHS projects the fund to have revenues of \$38.8 million in FY 2020, compared to \$16.3 million in spending. Along with surpluses from prior years, DHS forecasts the fund will have a balance of \$91.2 million at the end of FY 2020.

Previously, patients were required to renew medical marijuana cards annually. Laws 2019, Chapter 318 extended expiration of patient cards from 1 year to 2 years. As a result, DHS projects ongoing revenue to the Medical Marijuana Fund is expected to decrease from \$38.8 million in FY 2020 to \$21.5 million in FY 2021.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Medical Marijuana Fund Balance
- Selected Non-General Fund Budget Requests
- Auditor General Recommendations

Statutory Changes

The Baseline would:

Table 3

Medical Marijuana Fund History

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenue	\$24,851,900	\$28,565,700	\$38,823,500
Spending	11,654,800	12,623,400	14,686,400
Ending Balance	33,244,000	49,650,900	68,727,400
Number of Cardholders	133,368	173,140	205,609
Number of Dispensary Agents	3,930	5,261	6,383

Selected Non-General Fund Budget Requests

The JLBC Staff suggests the Legislature consider the following budget issues in FY 2021:

Newborn Screening Program

DHS requested \$256,000 from the Newborn Screening Program Fund in FY 2021 for increased program costs. Of this amount, \$200,000 is requested one-time to replace aging equipment and \$56,000 is requested ongoing for the cost of lab supplies. The department reports that its contract for lab supplies increases costs by 1.5% each year and that some equipment is over 10 years past its useful life.

The Newborn Screening Fund receives revenues from fees paid by parents for lab services. The appropriation from the fund currently exceeds fund revenues by approximately \$(664,200) each year. The department expects 2020 legislation will propose adding 2 new disorders to the newborn screening panel, which may include an increase in fees charged for the program. Whether the fund could support an ongoing appropriation increase will depend on fee increases included in the proposed legislation. The FY 2020 ending balance is projected to be \$1,624,700, which would be sufficient to fund \$200,000 one-time for the department's proposed equipment replacements. *(Please see the [Newborn Screening Program](#) line item for more information on current funding.)*

Nursing Care Special Projects

DHS requested \$95,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2021 for additional nursing care special projects. Monies in the fund are used to fund emergency patient relocations, replacements of patients' personal property, and other special projects related to improving care at long-term care facilities.

The Nursing Care Institution Resident Protection Revolving Fund receives revenues from civil penalties paid by administrators and facility managers at long-term care facilities. Historically, DHS has underspent its appropriation from the fund, resulting in a FY 2019 ending

balance of \$2.3 million. DHS requests the \$95,000 increase to begin spending from the accumulated fund balance. In FY 2021, DHS proposes using monies for wound trainings, emergency management guides, and evacuation and staff tracking systems at long-term care facilities. *(Please see the [Nursing Care Special Projects](#) line item for more information on current funding.)*

Auditor General Recommendations

In September 2019, the Auditor General published a DHS performance audit that included recommendations for improvements to the department's policies and procedures for regulating long-term care facilities. Specifically, the audit recommended DHS put policies in place to ensure complaints and self-reports for long-term facilities be prioritized, investigated, and resolved in a timely manner, and according to Center for Medicare and Medicaid Services (CMS) guidelines.

The audit's recommendations are based on findings from a sample of 33 complaints and 37 self-reports from 5 long-term care facilities, which showed that 42% of complaints were uninvestigated and had been open for between 229 and 851 days, and 65% of self-reports were uninvestigated and open for between 173 and 904 days. In DHS' response to the audit, it stated that the findings are based on a "narrow non-representative sample" of the 4,959 complaints received by the department over a 2-year period.

In its response to the audit, DHS also reported that establishing investigation timeframes as recommended would require an additional appropriation of \$3.3 million and 44 FTE Positions. The department did not request additional funding related to the investigation of long-term care facilities in its FY 2021 budget request.

The audit also recommended the Legislature establish a task force to study and propose options for changes to the department's investigation process.

The Baseline adds a footnote that would require DHS to report to the Joint Legislative Budget Committee for review by May 31, 2021 on its progress in implementing

the audit recommendations, including information on the number of staff allocated to long-term care investigations since publication of the audit, a summary of the department's implemented investigation timeframes and

updates to its policies and procedures, and an assessment of the department's performance in investigating complaints according to the implemented timeframes.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona State Hospital Charitable Trust Fund (HSA9985/A.R.S. § 36-218)		Non-Appropriated
Source of Revenue: Monies received from contracts and lease agreements on Arizona State Hospital property.		
Purpose of Fund: To benefit persons with mental illness in this state.		
Funds Expended	111,000	136,500
Year-End Fund Balance	46,500	0
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, county payments, and other monies collected for services to clients at the state hospital.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	2,371,800	2,592,000
Year-End Fund Balance	2,396,000	2,074,000
ASH Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	649,700	650,000
Year-End Fund Balance	1,229,100	1,636,300
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	359,700	500,000
Year-End Fund Balance	697,900	361,900
Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration (see Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund).		
Purpose of Fund: Lease-purchase payments for the state health laboratory.		
Funds Expended	197,800	0
Year-End Fund Balance	0	0
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Child Safety.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	85,800	96,100
Year-End Fund Balance	102,300	106,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (HSA2573/A.R.S. § 44-1531.02)		Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises, or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. Monies in the Consumer Remediation Subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. Laws 2018, 1st Special Session, Chapter 1 appropriated \$400,600 from this fund in FY 2018 to DHS for an opioid abuse prevention campaign. The appropriation is non-lapsing.		
Funds Expended	0	0
Year-End Fund Balance	80,900	80,900
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To provide funding for AIDS Reporting and Surveillance. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	963,400	1,000,000
Year-End Fund Balance	5,214,100	3,091,600
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	2,020,200	3,822,500
Year-End Fund Balance	5,214,100	3,091,600
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	353,000	453,000
Year-End Fund Balance	1,324,400	1,096,400
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	5,500	0
Year-End Fund Balance	10,200	17,400
Drug Disposal Education and Awareness Fund (HSA2230/A.R.S. § 36-123.01)		Non-Appropriated
Source of Revenue: Donations and contributions from private persons and organizations.		
Purpose of Fund: To pay for the cost of administering an education and awareness program regarding the disposal of prescription drugs, including controlled substances, nonprescription drugs, needles, and sharps.		
Funds Expended	0	0
Year-End Fund Balance	10,000	10,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	5,225,100	5,740,600
Year-End Fund Balance	2,188,700	758,000
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	812,900	931,100
Year-End Fund Balance	536,100	395,000
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
Funds Expended	845,700	882,600
Year-End Fund Balance	16,300	16,300
Federal Funds (HSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and reimbursements from the federal government.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	248,009,100	249,668,400
Year-End Fund Balance	4,186,700	3,261,800
Health Services Licensure Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Fees for health care institution licensure services, monies from the examination and licensure of hearing and speech professionals, and fees collected for regulation of individuals utilizing radiological materials.		
Purpose of Fund: To fund regulatory actions for health care institutions, hearing and speech professionals, and radiation regulation. A total of 90% of assurance and licensure fees are deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	10,547,000	15,835,400
Year-End Fund Balance	6,250,100	4,029,700
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund grants for homeless pregnant women services. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	88,900	100,000
Year-End Fund Balance	2,000,800	1,277,800
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	8,611,500	8,346,000
Year-End Fund Balance	2,000,800	1,277,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from intergovernmental agreements and interagency services agreements between the Department of Health Services and other state and local entities. The fund receives annual revenue from the Department of Economic Security (DES) to provide nutrition education in schools for grades 1-6 using funds from the Supplemental Nutrition Assistance Program (SNAP).		
Purpose of Fund: To fund services which DHS has agreed to perform in IGAs and ISAs with state and local public agencies.		
Funds Expended	13,495,500	16,925,800
Year-End Fund Balance	4,730,400	3,304,600
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	9,799,200	10,412,800
Year-End Fund Balance	2,527,000	2,114,200
Interagency Service Agreement for Behavioral Health Services Fund (HSA4502/A.R.S. § 36-108.01)		Expenditure Authority
Source of Revenue: Federal monies from the Centers for Medicare and Medicaid Services.		
Purpose of Fund: To provide behavioral health services to Medicaid-eligible individuals. This fund was transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapter 19 and 195, and is included in the AHCCCS Federal Medicaid Authority. Laws 2015, Chapter 122 requires monies remaining in the fund on July 1 of fiscal years 2018, 2019, and 2020 be transferred to the state General Fund. The transfer amount may be adjusted for reported but unpaid claims and estimated incurred but unreported claims prior to June 30, 2016. The fund will be repealed August 31, 2020.		
Funds Expended	0	0
Year-End Fund Balance	98,700	98,700
Internal Services Fund (HSA4202/A.R.S. § 36-104)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	35,800	0
Year-End Fund Balance	55,000	55,000
Laser Safety Fund (HSA2388/A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health-related purposes.		
Funds Expended	2,300	0
Year-End Fund Balance	60,900	111,900
Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: To enforce provisions of Proposition 203 (Arizona Medical Marijuana Act) enacted in the 2010 General Election. The Arizona Medical Marijuana Act regulates dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	14,686,400	16,333,200
Year-End Fund Balance	68,727,400	91,217,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)		Non-Appropriated
Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program.		
Purpose of Fund: To provide loans to defray the medical education expenses of Arizona resident students attending medical school, in return for a service commitment to the state.		
Funds Expended	15,900	0
Year-End Fund Balance	97,300	117,300
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Monies received as part of the hospital charges for each child born in Arizona. Fee limits for newborn screening are \$36 for the first blood and hearing screening and \$65 for the second blood and hearing screening.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of 30 metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	6,690,000	7,664,200
Year-End Fund Balance	2,388,900	1,624,700
Nuclear Emergency Management Fund (HSA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	731,600	789,700
Year-End Fund Balance	62,100	62,100
Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-431.02)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	0	138,200
Year-End Fund Balance	2,286,800	2,206,600
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	165,500	630,200
Year-End Fund Balance	990,700	635,500
Prescription Drug Rebate Fund (HSA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Monies appropriated to DHS are used for Alzheimer's Disease Research.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Public Health Emergencies Fund (HSA2775/A.R.S. § 36-122)		Non-Appropriated
Source of Revenue: Legislative appropriations from the Emergency Medical Services Operating Fund.		
Purpose of Fund: To fund public health emergency responses in the state following an emergency declaration by the Governor.		
Funds Expended	5,000	0
Year-End Fund Balance	395,100	501,700
Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)		Non-Appropriated
Source of Revenue: Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
Purpose of Fund: To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.		
Funds Expended	2,800	0
Year-End Fund Balance	68,000	68,000
Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke-Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	2,595,400	2,560,000
Year-End Fund Balance	990,400	960,400
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	18,357,000	15,623,800
Year-End Fund Balance	1,810,400	1,726,600
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: For Alzheimer's Disease Research and Biomedical Research Support. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	4,498,800	4,000,000
Year-End Fund Balance	5,915,200	100
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Non-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	5,878,700	9,515,200
Year-End Fund Balance	5,915,200	100

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account.		
Purpose of Fund: To fund the Folic Acid Program and Renal Dental Care and Nutrition Supplements line items.		
Funds Expended	539,800	700,000
Year-End Fund Balance	374,200	374,200
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. DHS is authorized by A.R.S. § 36-341 to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	2,527,900	3,637,600
Year-End Fund Balance	2,169,900	1,182,300
Workforce Data Repository Fund (HSA9999/A.R.S. § 36-172)		Non-Appropriated
Source of Revenue: Legislative appropriations, fees, grants, and donations.		
Purpose of Fund: To maintain a health professionals workforce data repository containing data transferred to the department from health regulatory boards.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Historical Society

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,187,100	1,315,000	1,315,000
Employee Related Expenditures	459,200	530,900	530,900
Professional and Outside Services	75,500	0	0
Travel - In State	300	0	0
Other Operating Expenditures	758,700	655,400	655,400
Equipment	108,500	0	0
OPERATING SUBTOTAL	2,589,300	2,501,300	2,501,300 ^{2/}
SPECIAL LINE ITEMS			
Field Services and Grants	65,900	65,900	65,900
Papago Park Museum	539,800	540,500	540,500
AGENCY TOTAL	3,195,000	3,107,700	3,107,700
FUND SOURCES			
General Fund	3,195,000	3,107,700	3,107,700
SUBTOTAL - Appropriated Funds	3,195,000	3,107,700	3,107,700
Other Non-Appropriated Funds	1,151,800	1,257,600	1,257,600
TOTAL - ALL SOURCES	4,346,800	4,365,300	4,365,300

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 Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

FOOTNOTES

^{1/} Includes 10.5 GF FTE Positions funded from Special Line Items in FY 2021.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,501,300 and 40.4 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Field Services and Grants

The Baseline includes \$65,900 and 0.5 FTE Positions from the General Fund in FY 2021 for Field Services and Grants. These amounts are unchanged from FY 2020.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The Baseline includes \$540,500 and 10 FTE Positions from the General Fund in FY 2021 for the Papago Park Museum. These amounts are unchanged from FY 2020.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

Other Issues

Museum Attendance

Table 1
FY 2019 Museum Attendance

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	8,996
Downtown History (Tucson)	2,207
Fort Lowell (Tucson)	4,033
Sosa Carrillo Fremont (Tucson)	0 ^{1/}
Sanguinetti House (Yuma)	2,881
Museum at Papago Park (Tempe)	5,659
Pioneer Museum (Flagstaff)	10,609
Riordan Mansion (Flagstaff)	<u>19,987</u>
Total	54,372

^{1/} In FY 2018, the agency closed the Sosa Carrillo Fremont House museum and has since rented the building out, as the site does not have enough staff to operate the museum.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	692,200	719,700
Year-End Fund Balance	245,500	321,800
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	78,900	83,800
Year-End Fund Balance	17,800	21,500
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	379,400	450,100
Year-End Fund Balance	1,264,600	1,278,600
Private Grants Fund (HIA9449/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Derived from the AHS Foundation, National Endowment for the Humanities, and DeGrazia Foundation. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	1,300	3,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	0	1,000
Year-End Fund Balance	109,500	110,600

Prescott Historical Society of Arizona

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	526,600	538,800	538,800
Employee Related Expenditures	231,600	236,900	236,900
Professional and Outside Services	12,100	5,000	5,000
Other Operating Expenditures	57,300	56,500	56,500
AGENCY TOTAL	827,600	837,200	837,200 ^{1/}
FUND SOURCES			
General Fund	827,600	837,200	837,200
SUBTOTAL - Appropriated Funds	827,600	837,200	837,200
Other Non-Appropriated Funds	1,004,200	3,162,000	3,162,000
TOTAL - ALL SOURCES	1,831,800	3,999,200	3,999,200

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old 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 Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$837,200 and 13 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		Non-Appropriated
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	1,004,200	3,162,000
Year-End Fund Balance	2,230,200	203,800

Arizona Department of Homeland Security

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
Federal Funds	20,136,600	20,092,400	20,092,400
TOTAL - ALL SOURCES	20,136,400	20,092,400	20,092,400

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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Funds (HLA2000/A.R.S. § 41-4254)		Non-Appropriated
Source of Revenue: Grants received from the U.S. Department of Homeland Security.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grand total to be used for administrative costs.		
Funds Expended	20,136,600	20,092,400
Year-End Fund Balance	1,018,700	1,018,700

Board of Homeopathic and Integrated Medicine Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	20,700	22,000	22,000
Employee Related Expenditures	2,000	9,200	9,200
Other Operating Expenditures	14,800	14,800	14,800
Equipment	100	100	100
AGENCY TOTAL	37,600	46,100	46,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	37,600	46,100	46,100
SUBTOTAL - Other Appropriated Funds	37,600	46,100	46,100
SUBTOTAL - Appropriated Funds	37,600	46,100	46,100
TOTAL - ALL SOURCES	37,600	46,100	46,100

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

Operating Budget

The Baseline includes \$46,100 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.		
Funds Expended	37,600	46,100
Year-End Fund Balance	39,400	56,800

Arizona Department of Housing

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	184,300	184,300	184,300
Employee Related Expenditures	72,500	72,500	72,500
Professional and Outside Services	3,400	3,400	3,400
Travel - In State	8,100	8,100	8,100
Other Operating Expenditures	52,400	52,400	52,400
Equipment	1,500	1,500	1,500
OPERATING SUBTOTAL	322,200	322,200	322,200
SPECIAL LINE ITEMS			
Housing Trust Fund Deposit	0	15,000,000	0 ^{D/}
AGENCY TOTAL	322,200	15,322,200	322,200 ^{1/}
FUND SOURCES			
General Fund	0	15,000,000	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	322,200	322,200	322,200
SUBTOTAL - Other Appropriated Funds	322,200	322,200	322,200
SUBTOTAL - Appropriated Funds	322,200	15,322,200	322,200
Other Non-Appropriated Funds	19,478,600	18,919,400	18,811,900
Federal Funds	81,619,400	75,805,800	73,861,300
TOTAL - ALL SOURCES	101,420,200	110,047,400	92,995,400

AGENCY DESCRIPTION — The department annually administers approximately \$101 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

^{D/} Of the amount appropriated for the Housing Trust Fund Deposit line item, \$3,500,000 shall be spent on constructing or renovating facilities and on housing assistance, including support services, for persons who have been determined to be seriously mentally ill and to be chronically resistant to treatment. (General Appropriation Act footnote)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$322,200 and 3 FTE Positions from the Housing Trust Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Housing Trust Fund Deposit

The Baseline includes no funding in FY 2021 for the Housing Trust Fund Deposit line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2021 to remove one-time funding for the Housing Trust Fund Deposit line item.

The FY 2020 budget included \$15,000,000 in one-time funding for the Housing Trust Fund Deposit line item. An FY 2020 General Appropriation Act footnote requires \$3,500,000 of the FY 2020 appropriation for the Housing Trust Fund Deposit line item to be spent on constructing or renovating facilities and on housing assistance, including support services, for persons who have been determined to be seriously mentally ill (SMI) and to be chronically resistant to treatment. The remaining

\$11,500,000 may be used in accordance with the general purposes of the Housing Trust Fund established by A.R.S. § 41-3955.

In September 2019, the Arizona Department of Housing (DOH) announced its anticipated use of the Housing Trust Fund Deposit monies. Of the \$15,000,000 amount, DOH plans to award \$6,500,000 for SMI facilities and the remaining \$8,500,000 for non-behavioral health facilities. Details on the specific projects funded from the Housing Trust Fund Deposit are provided below:

Behavioral Health Projects

- \$3,500,000 to develop a Secure Behavioral Health Residential Facility pursuant to the FY 2020 General Appropriation Act footnote. The funding will be used to develop a facility which provides residential treatment to SMI individuals who have been resistant to treatment and ordered to the facility by a court order. DOH will manage the facility financing, the Arizona Health Care Cost Containment System (AHCCCS) will oversee operational funding, and the Department of Health Services (DHS) will be responsible for the licensing.
- \$3,000,000 for Transitional Housing for Homeless with a behavioral health emphasis. Funding will be used by DOH and DHS on the renovation of an

existing building on the State Hospital grounds in Central Phoenix. The facility will provide single rooms as transitional housing for homeless individuals diagnosed with a serious mental illness. DHS will select a licensed mental health services provider to operate the facility.

Non-Behavioral Health Projects

- \$3,000,000 for the development of Supportive Housing Units for formerly homeless individuals. These monies will be combined with \$7,000,000 in federal funding for a total of \$10,000,000 for the project. The location for this project has not yet been determined.
- \$2,500,000 to fund Center for Hope Apartments as part of the Center for Opportunity project to combat homelessness in the Tucson area. Funding will be used to convert an existing hotel tower into 100 one-bedroom affordable rental units for seniors and single residents.
- \$3,000,000 for Fort Whipple Homeless Veterans housing. DOH will select a developer to partner with the U.S. Department of Veterans Affairs to redevelop 6 former officers' quarters on the Fort Whipple Veterans' Affairs campus in Prescott and build housing units on adjacent vacant land. The redeveloped facilities will provide housing for homeless veterans.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)		Non-Appropriated
<i>Source of Revenue:</i> Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
<i>Purpose of Fund:</i> To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	5,500	8,600
Year-End Fund Balance	763,400	866,400
DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)		Non-Appropriated
<i>Source of Revenue:</i> Revenues include fees collected from fingerprint clearance cards.		
<i>Purpose of Fund:</i> Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards.		
Funds Expended	5,000	5,400
Year-End Fund Balance	1,700	2,100
Federal Funds (HDA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal Funds for affordable housing programs.		
<i>Purpose of Fund:</i> To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	81,619,400	75,805,800
Year-End Fund Balance	8,036,100	15,280,300

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	0	0
Year-End Fund Balance	848,700	948,700
Housing Program Fund (HDA2200/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, fees from the Section 8 project-based contract administration program, administrative reimbursements from Federal Hardest Hit Funds, utility grants from Southwest Gas for the state's Weatherization Program, and services fees related to the Office of Manufactured Housing.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs.		
Funds Expended	7,083,500	7,458,300
Year-End Fund Balance	16,367,300	21,899,500
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 33-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund.		
Purpose of Fund: The appropriated portion pays for administration expenses and may not exceed 10% of the Housing Trust monies. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	322,200	322,200
Year-End Fund Balance	26,734,300	34,495,000
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Non-Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 33-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund.		
Purpose of Fund: The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	5,672,600	5,192,100
Year-End Fund Balance	26,734,300	34,495,000
IGA and ISA Fund (HDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
Purpose of Fund: To enable the department to administer a portion of the LIHEAP which provides direct weatherization and energy improvements to homes owned by low-income homeowners.		
Funds Expended	6,321,800	5,872,400
Year-End Fund Balance	206,200	2,596,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	572,200	621,600
Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.		
Funds Expended	390,200	382,600
Year-End Fund Balance	7,772,500	7,632,900

Independent Redistricting Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	0.0	0.0	3.0
Lump Sum Appropriation	0	0	500,000
AGENCY TOTAL	0	0	500,000
FUND SOURCES			
General Fund	0	0	500,000
SUBTOTAL - Appropriated Funds	0	0	500,000
TOTAL - ALL SOURCES	0	0	500,000

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 Baseline includes \$500,000 and 3 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Redistricting Cycle Funding

The commission will resume its constitutional duties in CY 2021, the start of the next 10-year redistricting cycle. Pursuant to Article 4 of the Arizona Constitution, the Arizona Department of Administration (ADOA) must submit to the Legislature a recommendation for funding for the IRC. ADOA is recommending \$500,000 in FY 2021 based on previous redistricting cycle expenses (see Table 1).

FY 2022 and FY 2023 funding is still undetermined. New costs will depend on an updated estimate of redistricting expenses.

Table 1

CY 2010 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2011 (Laws 2010, 7 th SS, Ch. 1)	\$ 500,000
FY 2012 (Laws 2011, Ch. 24)	3,000,000
FY 2012 (Laws 2012, Ch. 108)	700,000
FY 2013 (Laws 2012, Ch. 294)	1,457,300
FY 2013 (Laws 2013, Ch. 2)	500,000
FY 2013 (Laws 2013, Ch. 158)	635,226
FY 2014 (Laws 2013, 1 st SS, Ch. 1)	1,115,100
FY 2014 (Laws 2014, Ch. 3)	1,462,701
FY 2015 (Laws 2014, Ch. 18)	1,115,300
FY 2016 (Laws 2015, Ch. 8)	1,115,300
FY 2017 (Laws 2016, Ch. 117)	1,115,300
Total	\$12,716,227

Industrial Commission of Arizona

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	235.6	235.6
Personal Services	9,008,000	9,694,000	9,694,000
Employee Related Expenditures	3,453,700	3,838,500	3,838,500
Professional and Outside Services	1,437,100	1,226,700	1,226,700
Travel - In State	128,000	141,300	141,300
Travel - Out of State	23,000	41,800	41,800
Other Operating Expenditures	4,359,900	5,069,400	5,069,400
Equipment	73,600	43,800	43,800
AGENCY TOTAL	18,483,300	20,055,500	20,055,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Administrative Fund	18,483,300	20,055,500	20,055,500
SUBTOTAL - Other Appropriated Funds	18,483,300	20,055,500	20,055,500
SUBTOTAL - Appropriated Funds	18,483,300	20,055,500	20,055,500
Other Non-Appropriated Funds	13,971,600	14,029,900	14,029,900
Federal Funds	2,662,900	3,182,900	3,182,900
TOTAL - ALL SOURCES	35,117,800	37,268,300	37,268,300

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

Operating Budget

The Baseline includes \$20,055,500 and 235.6 FTE Positions from the Administrative Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that cannot exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	18,483,300	20,055,500
Year-End Fund Balance	9,538,400	10,318,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Grants (ICA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	2,662,900	3,182,900
Year-End Fund Balance	225,800	225,800
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	189,800	147,000
Year-End Fund Balance	267,900	267,900
Special Fund (ICA2180/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	13,781,800	13,882,900
Year-End Fund Balance	1,400,900	796,900

Department of Insurance

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	72.3	72.3	0.0
Personal Services	2,969,700	3,185,500	0
Employee Related Expenditures	1,106,700	1,451,500	0
Professional and Outside Services	320,400	312,000	0
Travel - In State	17,700	25,600	0
Travel - Out of State	12,400	1,100	0
Other Operating Expenditures	638,400	681,100	0
Equipment	51,200	6,400	0
AGENCY TOTAL	5,116,500	5,663,200	0
FUND SOURCES			
General Fund	5,116,500	5,663,200	0
SUBTOTAL - Appropriated Funds	5,116,500	5,663,200	0
Other Non-Appropriated Funds	28,623,700	28,739,200	0
Federal Funds	215,500	0	0
TOTAL - ALL SOURCES	33,955,700	34,402,400	0

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. 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.

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

This reduction is offset by an equally sized increase in the DIFI Baseline appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

Operating Budget

The Baseline includes no funding from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes a decrease of \$(5,663,200) and (72.3) FTE Positions from the General Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial Institutions (DIFI).

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance, reimbursements from the sale of insolvent companies' assets by the department's Receivership Division, and investment income on the fund balance.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance. Within the fund there are 3 separate accounts: automobile insurance account, workers' compensation insurance account and an other account, which includes all other types of property and casualty insurance other than automobile and workers' compensation.		
Funds Expended	12,069,700	12,069,700
Year-End Fund Balance	219,728,600	219,728,600
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		Non-Appropriated
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	91,700	124,100
Year-End Fund Balance	202,600	78,500
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)		Non-Appropriated
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry and related administrative costs. Up to \$100,000 may be used annually to cover the department's administrative costs.		
Funds Expended	319,000	396,100
Year-End Fund Balance	542,000	200,000
Federal Funds (IDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies from Affordable Care Act grants.		
Purpose of Fund: To implement the provisions of the Affordable Care Act, including the planning and implementation of a health insurance exchange and to aid in the review of health insurance premium rates.		
Funds Expended	215,500	0
Year-End Fund Balance	0	0
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)		Non-Appropriated
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	528,600	532,100
Year-End Fund Balance	272,000	122,000
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	266,900	271,300
Year-End Fund Balance	99,400	139,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
IGA and ISA Fund (IDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To pay for promotional materials in collaboration with the Department of Public Safety Arizona Vehicle Theft Task Force relating to vehicle theft prevention.		
Funds Expended	0	300
Year-End Fund Balance	700	400
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance. Monies are also used to cover the department's related administrative costs.		
Funds Expended	2,281,400	2,265,900
Year-End Fund Balance	1,084,100	1,083,400
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	12,946,500	12,946,500
Year-End Fund Balance	16,676,600	16,676,600
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	119,900	133,200
Year-End Fund Balance	112,900	80,700

Department of Insurance and Financial Institutions

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	151.4
Personal Services	0	0	7,017,100
Employee Related Expenditures	0	0	2,872,200
Professional and Outside Services	0	0	622,400
Travel - In State	0	0	37,800
Travel - Out of State	0	0	17,700
Other Operating Expenditures	0	0	1,629,100
Equipment	0	0	139,400
OPERATING SUBTOTAL	0	0	12,335,700
SPECIAL LINE ITEMS			
Arizona Vehicle Theft Task Force	0	0	3,650,000 ^{1/}
Local Grants	0	0	957,700 ^{2/}
Reimbursable Programs	0	0	50,000 ^{3/}
AGENCY TOTAL	0	0	16,993,400 ^{4/5/}
FUND SOURCES			
General Fund	0	0	7,644,100
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	0	0	5,312,100
Financial Services Fund	0	0	3,986,600
Revolving Fund	0	0	50,600
SUBTOTAL - Other Appropriated Funds	0	0	9,349,300
SUBTOTAL - Appropriated Funds	0	0	16,993,400
Other Non-Appropriated Funds	0	0	28,992,800
TOTAL - ALL SOURCES	0	0	45,986,200

AGENCY DESCRIPTION — The Department of Insurance and Financial Institutions 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/ Monies in the Arizona Vehicle Theft Task Force line item shall be used by the Department of Insurance and Financial Institutions to pay 75% of the Personal Services and Employee Related Expenditures for city, town and county sworn officers who participate in the Arizona Vehicle Theft Task Force. (General Appropriation Act footnote)
- 2/ 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 Appropriation Act footnote)
- 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 Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ Of the department fees required to be deposited into the state General Fund by statute, the Department of Insurance and Financial Institutions shall assess and set the fees at a level to ensure that the monies deposited in the state General Fund will equal or exceed the department's expenditure from the state General Fund. (General Appropriation Act footnote)

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Operating Budget

The Baseline includes \$12,335,700 and 151.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$7,644,100
Automobile Theft Authority Fund	654,400
Financial Services Fund	3,986,600
Revolving Fund	50,600

FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes an increase of \$12,335,700 and 151.4 FTE Positions in FY 2021 for agency consolidation. These amounts consists of:

General Fund	7,644,100
Automobile Theft Authority Fund	654,400
Financial Services Fund	3,986,600
Revolving Fund	50,600

Arizona Vehicle Theft Task Force

The Baseline includes \$3,650,000 from the ATA Fund in FY 2021 for the Arizona Vehicle Theft Task Force. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes an increase of \$3,650,000 from the ATA Fund in FY 2021 for agency consolidation.

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. *(Please see the Other Issues section for more information.)*

Local Grants

The Baseline includes \$957,700 from the ATA Fund in FY 2021 for Local Grants. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes an increase of \$957,700 from the ATA Fund in FY 2021 for agency consolidation.

This line item provides funding for the 4 categories of local grants that the DIFI 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. *(Please see the Other Issues section for more information.)*

Reimbursable Programs

The Baseline includes \$50,000 from the ATA Fund in FY 2021 for Reimbursable Programs. FY 2021 adjustments are as follows:

Agency Consolidation

The Baseline includes an increase of \$50,000 from the ATA Fund in FY 2021 for agency consolidation.

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.

Other Issues

Statutory Changes

Due to agency consolidation, the current statutory requirement that insurance fees be between 95% and 110% of the DOI's appropriation could cause the department to increase insurance fees so that the revenue generated by those fees cover the appropriation for the whole agency, including the Financial Institutions Division and the Automobile Theft Authority.

To avoid this, the Baseline would, as permanent law, remove the statutory requirement that fees collected by DOI be between 95% and 110% of DOI's appropriation. In place of this requirement, the Baseline would include a footnote previously used in DFI that required the agency's General Fund fee revenues to equal or exceed the agency's General Fund spending. This footnote would apply to DIFI's Insurance Division and Financial Institutions Division, as the ATA has no General Fund fees or General Fund spending.

Table 1 displays the allocations of grants for FY 2019 and estimated FY 2020 distributions by recipient and category.

Automobile Theft Authority Grants

The ATA (which has been consolidated with DIFI) was appropriated \$4,607,700 from the ATA Fund in FY 2020 for grants to state and local law enforcement entities. These grants are funded from the Arizona Vehicle Theft Task Force and Local Grants line items.

Recipient	FY 2019	FY 2020 est. ^{1/}
Arizona Vehicle Theft Task Force (DPS)	\$3,650,000	\$3,650,000
Vertical Prosecution Grants		
Maricopa County Attorney	\$ 235,800	\$ 235,800
Pima County Attorney	216,000	216,000
Pinal County Attorney	169,100	169,100
La Paz County Attorney	119,700	119,700
Mohave County Attorney	107,800	109,500
Santa Cruz County Attorney	80,800	80,800
Subtotal	\$ 929,200	\$ 930,900
Law Enforcement Grants		
Unallocated	0	1,000
Subtotal	\$ 0	\$ 1,000
Public Awareness Grants		
Eloy Police Department	\$ 2,100	\$ -
Bullhead City Police Department	1,400	-
Casa Grande Police Department	1,200	-
St. Johns Police Department	1,200	-
Coolidge Police Department	1,400	-
Sierra Vista Police Department	1,200	-
Unallocated	0	23,800
Subtotal	\$ 8,500	\$ 23,800
Professional Training Grants	\$ 5,000	\$ 1,000
Discretionary Grants	\$ 0	\$ 1,000
TOTAL	\$4,592,700	\$ 4,607,700

^{1/} Represents allocations as estimated by the Automobile Theft Authority. Specific awards are yet to be determined for some categories.

Judiciary - Supreme Court

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	183.0	183.0	184.0 ^{1/}
Personal Services	6,684,300	7,156,500	7,156,500
Employee Related Expenditures	2,712,200	3,079,100	3,079,100
Professional and Outside Services	191,700	236,200	236,200
Travel - In State	257,300	140,400	140,400
Travel - Out of State	40,800	40,000	40,000
Other Operating Expenditures	4,003,500	5,008,700	5,008,700
Equipment	8,100	0	0
OPERATING SUBTOTAL	13,897,900	15,660,900	15,660,900 ^{2/}
SPECIAL LINE ITEMS			
State Aid	4,258,700	5,670,600	5,670,600
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	15,602,400	20,212,700	20,212,700 ^{4/5/}
State Foster Care Review Board	3,171,800	3,265,100	3,265,100
Court Appointed Special Advocate	3,364,700	3,520,700	3,520,700
Model Court	438,500	438,700	438,700
Domestic Relations	606,600	640,600	640,600
Judicial Nominations and Performance Review	408,800	542,500	542,500
Commission on Judicial Conduct	502,900	521,900	521,900
Courthouse Security	730,200	750,000	750,000
AGENCY TOTAL	43,170,400	51,411,600	51,411,600 ^{6/6/}
FUND SOURCES			
General Fund	19,798,300	20,875,000	20,875,000
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	329,200	492,100	492,100
Court Appointed Special Advocate Fund	3,441,500	3,601,300	3,601,300
Criminal Justice Enhancement Fund	3,509,700	4,399,700	4,399,700
Defensive Driving School Fund	3,295,600	4,226,100	4,226,100
Judicial Collection Enhancement Fund	10,752,000	14,872,100	14,872,100
State Aid to the Courts Fund	2,044,100	2,945,300	2,945,300
SUBTOTAL - Other Appropriated Funds	23,372,100	30,536,600	30,536,600
SUBTOTAL - Appropriated Funds	43,170,400	51,411,600	51,411,600
Other Non-Appropriated Funds	19,443,000	22,716,900	22,716,900
TOTAL - ALL SOURCES	62,613,400	74,128,500	74,128,500

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/ Includes 53.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ 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 Appropriation Act footnote)
- 3/ 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 Appropriation Act footnote)
- 4/ On or before September 1, 2020, 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 2 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 Appropriation Act footnote)

- 5/ 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 Appropriation Act footnote)
- D/ ~~Included in the total appropriation for the Supreme Court in FY 2020 is \$477,500 for state court employee salary increases. The Legislature intends that this amount will not be annualized in future years. (General Appropriation Act footnote)~~
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$15,660,900 and 108.7 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$11,805,300
Confidential Intermediary and Fiduciary Fund	492,100
Criminal Justice Enhancement Fund (CJEF)	7,900
Defensive Driving School Fund	712,400
Judicial Collection Enhancement Fund (JCEF)	2,643,200

These amounts are unchanged from FY 2020.

State Aid

The Baseline includes \$5,670,600 and 3.3 FTE Positions in FY 2021 for State Aid. These amounts consist of:

CJEF	2,725,300
State Aid to the Courts Fund	2,945,300

These amounts are unchanged from FY 2020.

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. The State Aid to the Courts Fund receives: 1) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 2) a portion of the monies collected by the Supreme Court and the Court of Appeals.

The Administrative Office of the Courts (AOC) distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior Court felony filings and county population. Monies appropriated from

the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

County Reimbursements

The Baseline includes \$187,900 from the General Fund in FY 2021 for County Reimbursements. This amount is unchanged from FY 2020.

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.

For several years, a General Appropriation Act footnote has limited the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000. The Baseline continues this in FY 2021.

Automation

The Baseline includes \$20,212,700 and 13 FTE Positions in FY 2021 for Automation. These amounts consist of:

General Fund	3,473,000
Court Appointed Special Advocate (CASA) Fund	80,600
CJEF	1,666,500
Defensive Driving School Fund	3,513,700
JCEF	11,478,900

These amounts are unchanged from FY 2020.

The Automation line item provides funding for court automation projects throughout the state. The budget includes monies from other Supreme Court and Superior

Court line items in the Automation line item to allow for the centralization of Judicial automation expenditures. Automation costs are to be solely funded from the Automation line item. As required by a General Appropriation 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.

State Foster Care Review Board

The Baseline includes \$3,265,100 and 40 FTE Positions from the General Fund in FY 2021 for the State Foster Care Review Board. These amounts are unchanged from FY 2020.

The State Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The Baseline includes \$3,520,700 and 5.5 FTE Positions from the Court Appointed Special Advocate (CASA) Fund in FY 2021 for CASA. These amounts are unchanged from FY 2020.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System.

Model Court

The Baseline includes \$438,700 from the General Fund in FY 2021 for Model Court. This amount is unchanged from FY 2020.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

Domestic Relations

The Baseline includes \$640,600 and 4.9 FTE Positions from the General Fund in FY 2021 for Domestic Relations. These amounts are unchanged from FY 2020.

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.

Judicial Nominations and Performance Review

The Baseline includes \$542,500 and 4.6 FTE Positions from the General Fund in FY 2021 for Judicial Nominations and Performance Review. FY 2021 adjustments are as follows:

FTE Correction

The Baseline includes an increase of 1 FTE Position in FY 2021 for an FTE Position correction. The FY 2020 budget included additional funding for Judicial Nominations and Performance Review but did not increase the number of appropriated FTE Positions for the line item.

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.

Commission on Judicial Conduct

The Baseline includes \$521,900 and 4 FTE Positions from the General Fund in FY 2021 for the Commission on Judicial Conduct. These amounts are unchanged from FY 2020.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Courthouse Security

The Baseline includes \$750,000 from JCEF in FY 2021 for Courthouse Security. This amount is unchanged from FY 2020.

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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)		Non-Appropriated
Source of Revenue: The fund consists of 0.35% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 2.42% of civil filings in Justice of the Peace Courts.		
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.		
Funds Expended	207,300	397,300
Year-End Fund Balance	291,300	285,200
Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror expenses in cases that last longer than 5 days. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.		
Funds Expended	623,500	774,300
Year-End Fund Balance	176,300	123,700
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	99,400	109,900
Year-End Fund Balance	79,400	129,800
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependent child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	329,200	492,100
Year-End Fund Balance	752,700	634,100
Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	3,441,500	3,601,300
Year-End Fund Balance	4,862,300	4,770,300
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 10.66% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.86% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.43% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	3,509,700	4,399,700
Year-End Fund Balance	2,367,300	1,296,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state.		
Funds Expended	3,295,600	4,226,100
Year-End Fund Balance	1,665,600	806,000
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads.		
Funds Expended	587,400	654,400
Year-End Fund Balance	0	0
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	17,372,600	20,238,000
Year-End Fund Balance	17,485,400	13,503,500
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	10,752,000	14,872,100
Year-End Fund Balance	4,584,400	2,921,200
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Peace Officer Training Equipment Fund (SPA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: For the purchase of peace officer training equipment.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	552,800	543,000
Year-End Fund Balance	3,600	28,700
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	2,044,100	2,945,300
Year-End Fund Balance	477,700	764,600

Judiciary - Court of Appeals

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
PROGRAM BUDGET			
Division I	11,038,600	11,596,900	11,596,900
Division II	4,921,900	5,168,100	5,168,100
AGENCY TOTAL	15,960,500	16,765,000	16,765,000
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	136.8	136.8	136.8 ^{1/}
Personal Services	9,991,400	10,256,400	10,256,400
Employee Related Expenditures	4,292,700	4,911,900	4,911,900
Professional and Outside Services	183,600	221,700	221,700
Travel - In State	193,600	174,000	174,000
Travel - Out of State	17,600	22,000	22,000
Other Operating Expenditures	1,184,100	1,179,000	1,179,000
Equipment	97,500	0	0
AGENCY TOTAL	15,960,500	16,765,000	16,765,000 ^{D/2/}
FUND SOURCES			
General Fund	15,960,500	16,765,000	16,765,000
SUBTOTAL - Appropriated Funds	15,960,500	16,765,000	16,765,000
TOTAL - ALL SOURCES	15,960,500	16,765,000	16,765,000

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 136.8 FTE Positions for FY 2021, 98.3 FTE Positions are for Division I and 38.5 FTE Positions are for Division II. (General Appropriation Act footnote)
- ^{D/} ~~Included in the total appropriation for the Court of Appeals in FY 2020 is \$411,100 for state court employee salary increases. The Legislature intends that this amount will not be annualized in future years. (General Appropriation Act footnote)~~
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The Baseline includes \$16,765,000 and 136.8 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts include \$11,596,900 and 98.3 FTE Positions for Division I and \$5,168,100 and 38.5 FTE Positions for Division II. These amounts are unchanged from FY 2020.

Judiciary - Superior Court

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	137.5	235.5	235.5 ^{1/}
Personal Services	2,322,500	2,458,400	2,458,400
Employee Related Expenditures	846,600	1,026,800	1,026,800
Professional and Outside Services	150,300	57,900	57,900
Travel - In State	16,600	13,800	13,800
Travel - Out of State	11,600	2,000	2,000
Other Operating Expenditures	773,600	1,195,500	1,195,500
OPERATING SUBTOTAL	4,121,200	4,754,400	4,754,400 ^{2/}
SPECIAL LINE ITEMS			
Centralized Service Payments	2,990,200	3,575,100	3,575,100 ^{3/}
Judges Compensation	10,373,500	17,791,600	23,811,000 ^{4/}
Adult Standard Probation	18,049,000	20,241,900	19,209,400 ^{5/}
Adult Intensive Probation	9,906,900	11,620,300	11,115,300 ^{5/}
Community Punishment	1,163,000	2,310,300	2,310,300 ^{5/}
Interstate Compact	432,300	478,600	451,800 ^{5/}
Drug Court	1,006,700	1,036,400	1,018,400
Juvenile Standard Probation	3,300,400	3,704,600	3,538,700 ^{5/}
Juvenile Intensive Probation	5,301,000	5,682,000	5,424,000 ^{5/}
Juvenile Treatment Services	19,960,900	20,148,000	20,073,100 ^{5/5/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,157,800	8,609,000	8,336,100 ^{5/5/}
Juvenile Crime Reduction	1,416,600	3,312,800	3,312,800 ^{5/}
Special Water Master	191,300	489,700	239,700
Court-Ordered Removals	315,000	315,000	315,000
AGENCY TOTAL	87,185,800	104,569,700	107,985,100 ^{7/-10/D/}
FUND SOURCES			
General Fund	80,392,600	92,596,500	96,011,900
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	2,327,500	5,455,100	5,455,100
Drug Treatment and Education Fund	500,200	502,900	502,900
Judicial Collection Enhancement Fund	3,965,500	6,015,200	6,015,200
SUBTOTAL - Other Appropriated Funds	6,793,200	11,973,200	11,973,200
SUBTOTAL - Appropriated Funds	87,185,800	104,569,700	107,985,100
Other Non-Appropriated Funds	4,673,000	4,482,700	4,482,700
Federal Funds	951,800	951,800	951,800
TOTAL - ALL SOURCES	92,810,600	110,004,200	113,419,600

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 235.5 FTE Positions, 180 FTE Positions represent Superior Court judges. ~~One half of those judges' salaries in counties with a population of less than 2,000,000 persons, and one quarter of those judges' salaries in a county with a population of at least 2,000,000 persons are provided by state General Fund appropriations pursuant to A.R.S. § 12-128.~~ This FTE Position clarification does not limit the counties' ability to add judges pursuant to A.R.S. § 12-121. (General Appropriation Act footnote)

- 2/ All expenditures made by the Administrative Office of the Courts for the administration of 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 Appropriation Act footnote)
- 3/ 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 Appropriation Act footnote)
- 4/ All monies in the Judges' Compensation line item shall be used to pay for 50% of Superior Court judges' salaries, Elected Officials' Retirement Plan costs and related state benefit costs for judges pursuant to A.R.S. § 12-128. 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 Appropriation Act footnote)
- 5/ 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 and Juvenile Crime Reduction 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 Appropriation Act footnote)
- 6/ Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)
- 7/ Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act footnote)
- 8/ On or before November 1, 2020, 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 FY 2020 actual, FY 2021 estimated and FY 2022 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 Appropriation Act footnote)
- 9/ On or before November 1, 2020, the Administrative Office of the Courts shall submit a report for review by the Joint Legislative Budget Committee on the county-approved salary adjustments provided to probation officers since the last report on ~~February 1, 2019~~ NOVEMBER 1, 2019. 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 Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- D/ ~~Included in the total appropriation for the Superior Court in FY 2020 is \$257,800 for state court employee salary increases. The Legislature intends that this amount will not be annualized in future years. (General Appropriation Act footnote)~~

Operating Budget

The Baseline includes \$4,754,400 and 55.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$4,406,300
Criminal Justice Enhancement Fund (CJEF)	332,200
Drug Treatment and Education Fund	2,700
Judicial Collection Enhancement Fund (JCEF)	13,200

These amounts are unchanged from FY 2020.

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. In prior years, these monies were included in the individual line items. In order to increase the clarity of expenditure sourcing, these monies have been shifted to a centralized operating budget leaving the monies passed through to the county Superior Courts in their respective line items.

Centralized Service Payments

The Baseline includes \$3,575,100 in FY 2021 for centralized service payments. This amount consists of:

General Fund	3,125,200
JCEF	449,900

These amounts are unchanged from FY 2020.

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.

Judges Compensation

The Baseline includes \$23,811,000 and 180 FTE Positions from the General Fund in FY 2021 for Judges Compensation. FY 2021 adjustments are as follows:

Maricopa County Judges Salary Phase-In

The Baseline includes an increase of \$6,019,400 from the General Fund in FY 2021 for the second year of a 2-year phase-in of Maricopa County judges salaries.

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 cost.

A.R.S. § 12-128 previously required the state General Fund to pay for one-half of Superior Court Judges’ salaries, except for Maricopa County judges. As permanent law, the FY 2019 Criminal Justice Budget Reconciliation Bill amended A.R.S § 12-128 to phase in state funding for Maricopa County judges at 25% in FY

2020 and 50% in FY 2021. The cost to pay for the state’s share of costs will total \$6,972,000 in FY 2020 and \$12,991,400 in FY 2021.

A.R.S § 12-128 only mentions salary and does not specifically address benefits. AOC believes that case law has established that salary includes benefits, and therefore also pays benefits from this line.

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.

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. (*Please see the Other Issues section for more information on probation funding.*)

Adult Standard Probation

The Baseline includes \$19,209,400 in FY 2021 for Adult Standard Probation. This amount consists of:

General Fund	15,435,300
JCEF	3,774,100

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(1,032,500) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

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.

As required by a General Appropriation Act footnote, the monies in the Adult Standard Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Adult Intensive Probation

The Baseline includes \$11,115,300 in FY 2021 for Adult Intensive Probation. This amount consists of:

General Fund	9,580,100
JCEF	1,535,200

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(505,000) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

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.

As required by a General Appropriation Act footnote, the monies in the Adult Intensive Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Community Punishment

The Baseline includes \$2,310,300 in FY 2021 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2020.

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.

As required by a General Appropriation Act footnote, the monies in the Community Punishment line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Interstate Compact

The Baseline includes \$451,800 in FY 2021 for Interstate Compact. This amount consists of:

General Fund	359,000
JCEF	92,800

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(26,800) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

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.

As required by a General Appropriation Act footnote, the monies in the Interstate Compact line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Drug Court

The Baseline includes \$1,018,400 from the General Fund in FY 2021 for Drug Court programs. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(18,000) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

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. Superior Court divisions in 12 counties have implemented or are planning the implementation of drug courts. These

programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Juvenile Standard Probation

The Baseline includes \$3,538,700 in FY 2021 for Juvenile Standard Probation. This amount consists of:

General Fund	3,388,700
JCEF	150,000

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(165,900) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

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.

As required by a General Appropriation Act footnote, the monies in the Juvenile Standard Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Juvenile Intensive Probation

The Baseline includes \$5,424,000 from the General Fund in FY 2021 for Juvenile Intensive Probation. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(258,000) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

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.

As required by a General Appropriation Act footnote, the monies in the Juvenile Intensive Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Juvenile Treatment Services

The Baseline includes \$20,073,100 from the General Fund in FY 2021 for Juvenile Treatment Services. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(74,900) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

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.

As required by a General Appropriation Act footnote, the monies in the Juvenile Treatment Services line item shall be used only as pass-through monies to the counties for their treatment programs and central treatment service payments made by AOC on behalf of the counties and are not available for AOC expenses.

Juvenile Family Counseling

The Baseline includes \$500,000 from the General Fund in FY 2021 for Juvenile Family Counseling. This amount is unchanged from FY 2020.

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 Baseline includes \$8,336,100 from the General Fund in FY 2021 for Juvenile Diversion Consequences. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The Baseline includes a decrease of \$(272,900) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The FY 2020 budget plan included funding for this increase but designated it as one-time.

Background – This program diverts youth from formal court proceedings in order 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 Juvenile Court Annual Report, there were approximately 8,572 juveniles diverted from formal court proceedings in FY 2018. Monies in this line item are distributed to all counties.

As required by a General Appropriation Act footnote, the monies in the Juvenile Diversion Consequences line item shall be used only as pass-through monies to the counties for their diversion programs and central treatment service payments made by AOC on behalf of the counties and are not available for AOC expenses.

Juvenile Crime Reduction

The Baseline includes \$3,312,800 from CJEF in FY 2021 for Juvenile Crime Reduction. This amount is unchanged from FY 2020.

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.

As required by a General Appropriation Act footnote, the monies in the Juvenile Crime Reduction line item shall be used only as pass-through monies to the counties for their crime reduction programs and are not available for AOC expenses.

Special Water Master

The Baseline includes \$239,700 from the General Fund in FY 2021 for the Special Water Master line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2021 to remove one-time funding for document digitization and the creation of an electronic case management system.

Background – This line item provides funding for the Special Water Master assigned by the court in 1990 to the Little Colorado River and Gila River water rights adjudications. The adjudication of water rights for the Little Colorado River and Gila River were petitioned in 1978 and 1980, respectively. In FY 2019, 663 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 2019 Actual	FY 2020 Estimated ^{1/}	FY 2021 Estimated ^{1/}
Gila River			
Beginning Balance	\$228,700	\$205,700	\$213,600
Revenues ^{2/}	141,300	470,100	141,300
Expenditures	<u>164,300</u>	<u>462,200</u>	<u>201,800</u>
Ending Balance	\$205,700	\$213,600	\$153,100
Little Colorado River			
Beginning Balance	\$89,600	\$125,600	\$127,800
Revenues ^{2/}	66,900	32,600	66,900
Expenditures	<u>30,900</u>	<u>30,400</u>	<u>37,900</u>
Ending Balance	\$125,600	\$127,800	\$156,800

^{1/} As reported by the Administrative Office of the Courts and adjusted by the JLBC.

^{2/} Includes annual General Fund appropriation plus interest.

Court-Ordered Removals

The Baseline includes \$315,000 from the General Fund in FY 2021 for Court-Ordered Removals. This amount is unchanged from FY 2020.

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

Probation Caseloads

The JLBC Staff estimates FY 2020 and FY 2021 probation caseloads of 19,684 and 19,931 from all categories, respectively. This would represent growth of 2.1% in FY 2020 and 1.3%, in FY 2021. Adult Standard probation is the largest category, about 84% of total caseloads at the end of FY 2019. The JLBC Staff estimates Adult Standard growth in FY 2020 and FY 2021 at 3.2% and 1.9%, respectively. At those rates, total Adult Standard caseloads would be 17,049 at the end of FY 2021. As of July 2019, Adult Standard caseloads for non-Maricopa counties were 16,354. The FY 2020 funding level was sufficient for Adult Standard caseloads of 17,745.

Please see *Table 2* below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2020 and FY 2021. (For more information, please see the [*Judiciary – Probation Programs program summary on the JLBC website.*](#))

FY 2021 AOC Probation Funding Request

In FY 2021 AOC is requesting funding for 13 additional Adult Standard probation officers and 6 Adult Intensive probation officers to address projected caseload increases.

AOC attributes this growth to policy changes in the Arizona Code of Judicial Administration. Currently, only active probationers are counted in probation caseloads. Beginning January 1, 2020, the Courts will include pre-release population in their caseloads. The pre-release population is defined as an inmate who will be released from prison directly into probation supervision within 90 days. The time inmates spend in probation supervision post-release is commonly known as a "probation tail."

The Arizona Code of Judicial Administration requires that the pre-release population be visited at least once within 90 days of release. AOC has not yet provided information on the level of workload associated with these pre-release visits.

Additionally, beginning July 1, 2020 AOC intends to count these recently released inmates (now known as the "reentry" population) as 2 cases to reflect a potential higher risk to the community and additional supervision burden.

In the current system, greater workload is measured by caseload ratios. For example, statute sets caps on how many probationers an officer can supervise based on the level of security. For Adult Standard probation, the average officer is to supervise no more than 65 probationers. For Adult Intensive probation, a 2-person team is to supervise no more than 25 probationers, and a 3-person team is to supervise no more than 40 persons at one time.

State-Funded Probation Officer Salary and Benefits

As discussed above, the state funds probation officers in all counties except Maricopa. While these officers are funded with state monies, they are county employees and statute requires the county board of supervisors in each county to set the salary for probation officers.

Counties regularly award salary increases to probation officers, which can create a funding deficit relative to the appropriation. AOC annually evaluates these salary increases and requests an appropriation increase in the following fiscal year to pay for these deficits.

In FY 2021, AOC is requesting a total of \$1,244,400 for unfunded probation salary increases approved in FY 2019 by the counties.

A General Appropriation Act footnote requires AOC to submit a report by November 1 of each year detailing county-approved salary increases. The most recent report indicates the total FY 2019 payroll increase for salary was 2.68% for Adult probation officers and 2.86% for Juvenile probation officers. AOC projects total payroll increase for salary in FY 2020 will be 1.45% for both Adult and Juvenile probation officers. As a result, of the \$1,244,400 requested by AOC for FY 2021, about 77% would go to Adult Probation salary increases and 23% would go to Juvenile Probation salary increases.

Table 2

End of Year Non-Maricopa Probation Caseloads ^{1/}

	<u>FY 2017</u> <u>Actual</u>	<u>FY 2018</u> <u>Actual</u>	<u>FY 2019</u> <u>Actual</u>	<u>FY 2020</u> <u>Estimate</u>	<u>FY 2021</u> <u>Estimate</u>
Probation Category					
Adult Standard ^{2/}	16,047	16,187	16,215	16,733	17,049
Adult Intensive	1,211	1,149	1,255	1,180	1,160
Juvenile Standard	1,483	1,506	1,439	1,411	1,380
Juvenile Intensive	398	414	374	360	342
Total Caseload	19,139	19,256	19,283	19,684	19,931

^{1/} Numbers represent June probation caseloads. FY 2020 and FY 2021 represent JLBC Staff estimates.

^{2/} Does not include Interstate Compact participants.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)		Non-Appropriated
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	129,500	125,000
Year-End Fund Balance	219,500	162,600
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 10.66% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.86% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.43% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	2,327,500	5,455,100
Year-End Fund Balance	3,615,800	2,920,000
Drug and Gang Enforcement Fund (SPA2074/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	951,800	951,800
Year-End Fund Balance	0	0
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: The Community Punishment Program receives an annual appropriation from the fund. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	500,200	502,900
Year-End Fund Balance	755,600	772,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	3,910,100	3,719,300
Year-End Fund Balance	755,600	772,000
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	633,400	638,400
Year-End Fund Balance	85,400	165,800
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	3,965,500	6,015,200
Year-End Fund Balance	1,380,500	1,879,300
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	4,198,200	1,872,400

Department of Juvenile Corrections

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	18,232,600	22,871,000	22,871,000
Employee Related Expenditures	12,678,000	14,753,100	14,753,100
Professional and Outside Services	678,100	994,000	994,000
Travel - In State	302,700	320,700	320,700
Travel - Out of State	13,600	13,600	13,600
Other Operating Expenditures	4,373,600	3,923,400	3,923,400
Equipment	497,800	456,300	456,300
AGENCY TOTAL	36,776,400	43,332,100	43,332,100 ^{1/2/}
FUND SOURCES			
General Fund	21,308,800	36,926,500	28,475,600
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	466,000	531,500	531,500
Department of Juvenile Corrections Local Cost Sharing Fund	11,260,000	0	8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	2,969,000	4,012,400	4,012,400
State Education Fund for Committed Youth	772,600	1,861,700	1,861,700
SUBTOTAL - Other Appropriated Funds	15,467,600	6,405,600	14,856,500
SUBTOTAL - Appropriated Funds	36,776,400	43,332,100	43,332,100
Other Non-Appropriated Funds	171,800	171,800	171,800
Federal Funds	1,024,500	954,800	954,800
TOTAL - ALL SOURCES	37,972,700	44,458,700	44,458,700

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/ 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 the state juvenile institutions and reformatories. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$43,332,100 and 738.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$28,475,600
Criminal Justice Enhancement Fund (CJEF)	531,500
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900

State Charitable, Penal and Reformatory Institutions Land Fund	4,012,400
State Education Fund for Committed Youth	1,861,700

FY 2021 adjustments are as follows:

Remove One-Time Offset for Local Cost Sharing

The Baseline includes a decrease of \$(8,450,900) from the General Fund and a corresponding increase of \$8,450,900 from the Department of Juvenile Corrections Local Cost Sharing Fund in FY 2021 to remove one-time funding to offset local cost sharing for Maricopa and Pima Counties.

Other Issues

(Please see the County Funding narrative for more information on state distributions to counties.)

Local Cost Sharing

The FY 2016 Criminal Justice Budget Reconciliation Bill (BRB) created the DJC Local Cost Sharing Fund with annual deposits from each county for their share of a portion of the operational costs of DJC. The FY 2020 Criminal Justice BRB repealed the requirement in statute for all counties (except Maricopa and Pima) to pay their proportional share of \$11,260,000 according to their population. The FY 2020 Criminal Justice BRB also suspends the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020.

Population Counts

Table 2 lists the DJC population by category. The housed and parole populations within DJC have seen significant decreases in the past 10 years but the housed population has increased in recent years. As illustrated in Table 2, the housed population within DJC has increased significantly from 179 to 237, or 32.4%, from FY 2017 through November 2019. During this time period, the total parole population has decreased significantly, realizing a reduction of (33.0)% over the same period.

Table 2

DJC Census				
	FY 2017 Average Population	FY 2018 Average Population	FY 2019 Average Population	Population as of November 30, 2019
Housed Population				
Adobe Mountain	179	172	197	237
Parole Population				
Parole	68	45	37	41
Interstate Compact (Inside Arizona) ^{1/}	<u>108</u>	<u>87</u>	<u>78</u>	<u>77</u>
Total Parole Population	<u>176</u>	<u>132</u>	<u>115</u>	<u>118</u>
Total DJC Population	355	304	312	355

^{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. There was an average of 1 Arizona parolee outside of Arizona in FY 2019 and 2 parolees on November 30, 2019.

SUMMARY OF FUNDS

	FY 2019 Actual	FY 2020 Estimate
Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Receives 1.61% of state Criminal Justice Enhancement Fund (CJEF) revenues. CJEF consists of a 47% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.		
Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.		
Funds Expended	466,000	531,500
Year-End Fund Balance	552,700	493,100
Department of Juvenile Corrections Local Cost Sharing Fund (DJA3007/A.R.S. § 41-2833)		Appropriated
Source of Revenue: Maricopa and Pima Counties are required to pay a proportional share of \$8,450,900 based on their share of the state population according to the 2010 decennial census. In 2019, all 15 counties paid a total of \$11,260,000.		
Purpose of Fund: To fund the operational costs of DJC.		
Funds Expended	11,260,000	0
Year-End Fund Balance	118,700	118,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)		Non-Appropriated
Source of Revenue: Federal, state, and local appropriations distributed by the director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.		
Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.		
Funds Expended	53,300	53,300
Year-End Fund Balance	128,800	93,000
Employee Recognition Fund (DJA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	2,700	2,700
Year-End Fund Balance	900	800
Federal Funds (DJA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Grants.		
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Career Technology Education, substance abuse, and other federal programs.		
Funds Expended	1,024,500	954,800
Year-End Fund Balance	251,200	251,200
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	0	0
Year-End Fund Balance	206,600	206,600
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		Non-Appropriated
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	27,700	27,700
Year-End Fund Balance	33,900	28,400
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund. As approved by voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the Permanent Land Fund from 2.5% to 6.9% from FY 2016 to FY 2025.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	2,969,000	4,012,400
Year-End Fund Balance	2,862,800	1,665,500
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		Appropriated
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	772,600	1,861,700
Year-End Fund Balance	313,900	(592,900)

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		Non-Appropriated
Source of Revenue: Classroom Site Fund monies received from the ADE, pursuant to A.R.S. § 15-977. The Classroom Site Fund receives monies from a 0.6% sales tax approved by the voters in the November 2000 General Election (Proposition 301).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	87,500	87,500
Year-End Fund Balance	337,700	332,600
Statewide Donations Fund (DJA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	600	600
Year-End Fund Balance	1,500	900

State Land Department

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	6,225,800	8,639,900	8,639,900
Employee Related Expenditures	2,380,100	1,896,000	1,896,000
Professional and Outside Services	3,034,200	3,370,000	3,370,000
Travel - In State	122,900	129,000	129,000
Travel - Out of State	9,100	9,500	9,500
Other Operating Expenditures	3,145,800	2,127,000	2,127,000
Equipment	54,800	40,000	40,000
OPERATING SUBTOTAL	14,972,700	16,211,400	16,211,400
SPECIAL LINE ITEMS			
CAP User Fees	1,315,200	1,315,200	1,796,300 ^{1/}
Due Diligence Fund Deposit	40,000	500,000	500,000
Fire Suppression	0	800,000	800,000
Natural Resource Conservation Districts	529,300	650,000	650,000 ^{2/}
Streambed Navigability Litigation	42,200	220,000	220,000
AGENCY TOTAL	16,899,400	19,696,600	20,177,700 ^{3/}
FUND SOURCES			
General Fund	10,932,800	11,654,300	12,135,400
<u>Other Appropriated Funds</u>			
Due Diligence Fund	40,000	500,000	500,000
Environmental Special Plate Fund	139,900	260,600	260,600
Trust Land Management Fund	5,786,700	7,281,700	7,281,700
SUBTOTAL - Other Appropriated Funds	5,966,600	8,042,300	8,042,300
SUBTOTAL - Appropriated Funds	16,899,400	19,696,600	20,177,700
Other Non-Appropriated Funds	634,700	748,900	748,900
TOTAL - ALL SOURCES	17,534,100	20,445,500	20,926,600

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 \$1,796,300 for Central Arizona Project User Fees in FY 2021. For FY 2021, from municipalities that assume their allocation of Central Arizona Project water for every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- 2/ Of the amount appropriated for Natural Resource Conservation Districts in FY 2021, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$16,211,400 and 129.7 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$9,729,100
Environmental Special Plate Fund	600
Trust Land Management Fund	6,481,700
These amounts are unchanged from FY 2020.	

CAP User Fees

The Baseline includes \$1,796,300 from the General Fund in FY 2021 for Central Arizona Project (CAP) User Fees. FY 2021 adjustments are as follows:

CAP Rate Adjustment

The Baseline includes an increase of \$481,100 from the General Fund in FY 2021 for revised FY 2020 CAP rates. This assumes that the department will be billed "capital charges" of \$56 per acre foot on 32,076 acre feet of water in FY 2021 for a total annual charge of \$1,796,300. This amount would be \$481,100 above the FY 2020 appropriation of \$1,315,200.

The original FY 2020 appropriation reflected capital charges of \$41 per acre foot, but CAP rates are not determined until June 15 of each year. The final rate for FY 2020 ended up being \$56 per acre-foot. As a result, the Baseline also includes a \$481,100 supplemental from the General Fund to cover the higher-than-budgeted FY 2020 rates. *(Please see FY 2020 Supplemental section in Other Issues for more information.)*

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 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. 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 Appropriation Act footnote.)*

Due Diligence Fund Deposit

The Baseline includes \$500,000 from the Due Diligence Fund in FY 2021 for this line item. This amount is unchanged from FY 2020.

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.

Fire Suppression

The Baseline includes \$800,000 from the Trust Land Management Fund in FY 2021 for the Fire Suppression line item. This amount is unchanged from FY 2020.

In accordance with an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management, \$800,000 of fire suppression activity on state trust lands will be funded by the Trust Land Management Fund. *(Please see the Arizona Department of Forestry and Fire Management narrative for more information.)*

Natural Resource Conservation Districts

The Baseline includes \$650,000 in FY 2021 for Natural Resource Conservation Districts (NRCDS). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2020.

This line item funds natural resource research, activities, and staff at the state's 30 NRCDS. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$40,000 for each NRCDS and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCDS be used to provide grants to NRCDS environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCDS. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates. Current levels of Environmental Special Plate Fund revenue do not permit expenditure of the full appropriation. Revenue for FY 2019 totaled \$134,700 and will not be able to fund the appropriated amount, which is set at \$260,000. The revenue generated from the Environmental Special Plate Fund has trended downward and license plate sales have not reached \$260,000 since FY 2007.

Streambed Navigability Litigation

The Baseline includes \$220,000 from the General Fund in FY 2021 for Streambed Navigability Litigation. This amount is unchanged from FY 2020.

Pursuant to A.R.S. §§ 37-1123 and 37-1124, the Land Department is required to provide evidence to the Arizona Navigable Stream Adjudication Commission (ANSAC) to help resolve litigation regarding the navigability of watercourses in the state. *(Please see the Arizona Navigable Stream Adjudication Commission narrative for more information.)*

The Land Department uses this line item to fund expert witness services, technical examinations, and associated legal costs incurred in connection with ongoing hearings and appeals processes.

Other Issues

FY 2020 Supplemental

The Baseline includes an FY 2020 supplemental of \$481,100 in General Fund monies for CAP User Fees to realign funding with the FY 2020 final CAP User Fee rate of \$56 per acre foot. *(Please see the CAP User Fees line item for more information.)*

Proposition 123

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1st Special Session, Chapters 1 and 2 and HCR 2001) to increase 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 provided \$204,852,300 in incremental land trust funds to K-12 schools in FY 2019 and \$218,226,100 in FY 2020. The 4.4% incremental funding increase will provide \$227,810,300 in incremental funds in FY 2021. *(Please see the October 2015 Special Session and Proposition 123 section of the Department of Education narrative in the FY 2017 Appropriations Report for more information on Proposition 123.)*

Proposition 123 also increases distributions to other public institutions. Non-K-12 beneficiaries received \$5,745,100 in total distributions under the 2.5% rate in FY 2015. The 6.9% distribution rate under Proposition 123 increased this amount to \$24,178,400 in FY 2019 and \$25,756,600 in FY 2020. In FY 2021 non-K-12 beneficiaries

will receive \$26,746,700. In addition to the distributions from the Treasurer, each beneficiary continues to receive lease revenues generated from their land parcels. Including lease revenues, non-K-12 beneficiaries received \$15,845,800 in total land trust monies in FY 2015. These beneficiaries will receive an estimated \$34,108,200 in FY 2021. *(Please see Table 1.)*

K-12 schools, the universities, and the Arizona State Schools for the Deaf and the Blind may expend the additional revenues generated by Proposition 123 without further legislative action. In order for the remaining beneficiaries to expend their increased revenues, however, additional appropriation authority is required.

Table 1

State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority

<u>Beneficiary/Fund</u>	<u>FY 2015 Total Revenue</u> ^{1/}	<u>FY 2020 Ending Balance</u>	<u>FY 2021 Total Revenue</u> ^{2/}	<u>FY 2021 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 118,000	
Normal Schools ASU/NAU	296,600		589,800	
A & M Colleges	445,100		1,208,500	
School of Mines	499,800		1,192,700	
University Fund	2,175,400		2,589,400	
U of A Land - 1881	<u>1,659,400</u>		<u>7,287,800</u>	
Subtotal	\$ 5,160,100		\$12,986,200	
Schools for the Deaf and the Blind ^{4/}	\$ 424,400		\$ 703,300	
State Hospital	\$ 701,000	\$ 1,636,300	\$ 996,000	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 1,207,000	\$ 874,300	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 2,887,800	\$ 2,614,000	\$ 2,780,300
State Charitable (25%)	<u>1,452,500</u>	<u>2,661,800</u>	<u>2,994,600</u>	<u>2,661,800</u>
Subtotal	\$ 2,835,100	\$ 5,549,600	\$ 5,608,600	\$ 5,442,100
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 6,527,100	\$ 3,956,000	\$ 2,059,200
State Charitable (50%)	<u>2,905,000</u>	<u>9,061,500</u>	<u>5,989,200</u>	<u>4,515,000</u>
Subtotal	\$ 4,886,400	\$ 15,588,600	\$ 9,945,200	\$ 6,574,200
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 1,665,500	\$ 2,994,600	\$ 4,012,400
Non-K-12 Beneficiaries Total	\$15,845,800		\$34,108,200	

^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2015 revenues reflect the 2.5% Treasurer's distribution rate in effect prior to Proposition 123.

^{2/} Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2021 lease revenues are based on actual FY 2019 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.)

^{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 2021 General Appropriation Act 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 Appropriation 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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	9,900	9,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits.		
Funds Expended	40,000	500,000
Year-End Fund Balance	281,500	113,800
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRC that sponsors an education center. Additionally, funds are distributed to NRCs and education centers based on appropriation.		
Funds Expended	139,900	260,600
Year-End Fund Balance	33,400	(123,100)
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	0	0
Year-End Fund Balance	45,800	46,300
IGA and ISA Fund (LDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	24,000	24,000
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Revenue comes from other agencies that use Land Department services or products and is used for services or products provided by other agencies.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	0	0
Year-End Fund Balance	136,200	136,200
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	378,300	410,900
Year-End Fund Balance	368,600	486,100
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	16,700	85,800
Year-End Fund Balance	141,600	135,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
State Land Department Fund (LDA2451/A.R.S. § 37-107)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	239,200	251,200
Year-End Fund Balance	2,826,000	2,926,400
Statewide Employee Recognition Gifts/Donations Fund (LDA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: This fund receives monies through gifts and donations.		
Purpose of Fund: This fund is used to conduct employee recognition programs.		
Funds Expended	500	1,000
Year-End Fund Balance	300	300
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Fees charged by the department. The total balance of the fund is capped at 2 times the trust land management budget for the following fiscal year.		
Purpose of Fund: To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
Funds Expended	5,786,700	7,281,700
Year-End Fund Balance	12,737,600	12,278,300

Legislature - Auditor General

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	195.8	200.8	200.8
Personal Services	13,271,400	13,622,400	13,622,400
Employee Related Expenditures	4,430,600	4,617,100	4,617,100
Professional and Outside Services	371,500	320,300	320,300
Travel - In State	140,000	138,300	138,300
Travel - Out of State	16,500	20,100	20,100
Other Operating Expenditures	1,157,500	1,210,900	1,210,900
Equipment	322,100	300,200	300,200
OPERATING SUBTOTAL	19,709,600	20,229,300	20,229,300 ^{1/}
SPECIAL LINE ITEMS			
Career Technical Education District Study	0	400,000	0 ^{D/}
AGENCY TOTAL	19,709,600	20,629,300	20,229,300 ^{2/}
FUND SOURCES			
General Fund	19,709,600	20,629,300	20,229,300
SUBTOTAL - Appropriated Funds	19,709,600	20,629,300	20,229,300
Other Non-Appropriated Funds	1,081,000	900,800	900,800
TOTAL - ALL SOURCES	20,790,600	21,530,100	21,130,100

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/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{D/} A. In addition to any other appropriation made in FY 2020, the sum of \$400,000 is appropriated from the state General Fund in FY 2020 to the Auditor General in the following purposes:
1. In collaboration with the Arizona Commerce Authority and business, industry and higher education leaders, to identify, on or before January 1, 2020, the industry certifications earned by career technical education students that are most associated with multiyear career technical education programs that successfully prepare students for jobs in high-demand technical fields.
 2. To evaluate, on or before December 1, 2020, the effectiveness of career technical education districts in preparing students for jobs in high-demand technical fields.
- B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$20,229,300 and 200.8 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Career Technical Education District Study

The Baseline includes no funding from the General Fund in FY 2021 for a study of career technical education districts. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(400,000) from the General Fund in FY 2021 to remove one-time funding for a study of career technical education districts.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	1,081,000	900,800
Year-End Fund Balance	800,800	1,500,000

Legislature - House of Representatives

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	14,774,400	16,407,500	16,407,500
AGENCY TOTAL	14,774,400	16,407,500	16,407,500 ^{1/2/3/}
FUND SOURCES			
General Fund	14,774,400	16,407,500	16,407,500
SUBTOTAL - Appropriated Funds	14,774,400	16,407,500	16,407,500
TOTAL - ALL SOURCES	14,774,400	16,407,500	16,407,500

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the Lump Sum appropriation of \$16,407,500 for FY 2021 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$16,407,500 from the General Fund in FY 2021 for the operating budget. This amount is unchanged from FY 2020.

Legislature - Joint Legislative Budget Committee

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,666,600	1,898,400	1,898,400
Employee Related Expenditures	518,400	709,100	709,100
Professional and Outside Services	90,700	125,000	125,000
Travel - In State	500	500	500
Travel - Out of State	1,000	0	0
Other Operating Expenditures	24,400	99,200	99,200
Equipment	5,800	2,000	2,000
AGENCY TOTAL	2,307,400	2,834,200	2,834,200 ^{1/2/}

FUND SOURCES

General Fund	2,307,400	2,834,200	2,834,200
SUBTOTAL - Appropriated Funds	2,307,400	2,834,200	2,834,200
TOTAL - ALL SOURCES	2,307,400	2,834,200	2,834,200

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,834,200 and 29 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Legislature - Legislative Council

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	55.0	55.0 ^{1/}
Personal Services	2,949,400	3,260,600	3,260,600
Employee Related Expenditures	1,026,200	1,165,200	1,165,200
Professional and Outside Services	23,300	110,000	110,000
Travel - In State	7,200	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	161,100	860,700	860,700
Equipment	1,469,300	2,527,000	2,527,000
OPERATING SUBTOTAL	5,636,500	7,942,000	7,942,000
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	888,500	872,900	872,900 ^{2/}
AGENCY TOTAL	6,525,000	8,814,900	8,814,900 ^{3/4/5/}
FUND SOURCES			
General Fund	6,525,000	8,814,900	8,814,900
SUBTOTAL - Appropriated Funds	6,525,000	8,814,900	8,814,900
TOTAL - ALL SOURCES	6,525,000	8,814,900	8,814,900

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/ Includes 9 GF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The Legislature intends that the Ombudsman-Citizens Aide prioritize investigating and processing complaints relating to the Department of Child Safety. (General Appropriation Act footnote)
- 3/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 4/ Dues for the Council of State Governments may be expended only on an affirmative vote of the Legislative Council. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,942,000 and 46 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Ombudsman-Citizens Aide Office

The Baseline includes \$872,900 and 9 FTE Positions from the General Fund in FY 2021 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2020.

Legislature - Senate

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	9,708,500	12,948,900	12,948,900
AGENCY TOTAL	9,708,500	12,948,900	12,948,900 ^{1/2/3/}
FUND SOURCES			
General Fund	9,708,500	12,948,900	12,948,900
SUBTOTAL - Appropriated Funds	9,708,500	12,948,900	12,948,900
TOTAL - ALL SOURCES	9,708,500	12,948,900	12,948,900

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the Lump Sum appropriation of \$12,948,900 for FY 2021 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$12,948,900 from the General Fund in FY 2021 for the operating budget. This amount is unchanged from FY 2020.

Department of Liquor Licenses and Control

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,337,800	1,380,100	1,380,100
Employee Related Expenditures	868,100	1,016,800	1,016,800
Professional and Outside Services	204,000	265,700	265,700
Travel - In State	78,400	78,400	78,400
Travel - Out of State	6,200	1,900	1,900
Other Operating Expenditures	553,300	580,900	580,900
Equipment	22,800	50,000	8,000
AGENCY TOTAL	3,070,600	3,373,800	3,331,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,070,600	3,373,800	3,331,800
SUBTOTAL - Other Appropriated Funds	3,070,600	3,373,800	3,331,800
SUBTOTAL - Appropriated Funds	3,070,600	3,373,800	3,331,800
Other Non-Appropriated Funds	1,071,500	1,108,500	1,108,500
Federal Funds	278,800	0	0
TOTAL - ALL SOURCES	4,420,900	4,482,300	4,440,300

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$3,331,800 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Remove One-Time Costs

The Baseline includes a decrease of \$(42,000) from the Liquor Licenses Fund in FY 2021 to remove one-time costs for information technology equipment.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	24,300	1,500
Year-End Fund Balance	4,600	3,100
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	153,700	121,300
Year-End Fund Balance	93,000	159,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B)		Non-Appropriated
<i>Source of Revenue:</i> Fees charged by the director for the issuance of a direct shipment license.		
<i>Purpose of Fund:</i> Administrative costs associated with the direct shipment license.		
Funds Expended	28,800	49,400
Year-End Fund Balance	205,300	214,000
Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D)		Non-Appropriated
<i>Source of Revenue:</i> Fees charged by the director for the renewal of a direct shipment license.		
<i>Purpose of Fund:</i> Administrative costs associated with the direct shipment licensing, auditing, and enforcement.		
Funds Expended	0	98,600
Year-End Fund Balance	236,100	260,900
DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112)		Non-Appropriated
<i>Source of Revenue:</i> Fingerprint fees collected as part of the application process.		
<i>Purpose of Fund:</i> Fingerprint fees are transferred to the Department of Public Safety.		
Funds Expended	0	0
Year-End Fund Balance	14,000	14,000
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
<i>Source of Revenue:</i> A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
<i>Purpose of Fund:</i> For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	328,900	418,400
Year-End Fund Balance	103,400	59,400
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
<i>Source of Revenue:</i> A \$35 surcharge on liquor license renewals.		
<i>Purpose of Fund:</i> To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	480,000	419,300
Year-End Fund Balance	141,700	184,400
Federal Grants (LLA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal revenues received through the Governor's Office of Highway Safety.		
<i>Purpose of Fund:</i> To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	278,800	0
Year-End Fund Balance	2,300	2,300
Growlers Fund (LLA1997/A.R.S. § 4-116.01)		Non-Appropriated
<i>Source of Revenue:</i> Fees received from growler permit applications.		
<i>Purpose of Fund:</i> To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	5,800	0
Year-End Fund Balance	25,500	56,800
IGA and ISA Fund (LLA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Monies received through intergovernmental and interagency agreements.		
<i>Purpose of Fund:</i> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	50,000	0
Year-End Fund Balance	67,200	67,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)		Appropriated
Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year.		
Funds Expended	3,070,600	3,373,800
Year-End Fund Balance	15,400	15,400
Sampling Privileges Fund (LLA1998/A.R.S. § 4-116.01)		Non-Appropriated
Source of Revenue: Fees received from sampling privilege permit applications.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	0	0
Year-End Fund Balance	31,400	62,800

Arizona State Lottery Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,358,900	4,812,000	4,812,000
Employee Related Expenditures	1,777,100	1,775,300	1,775,300
Professional and Outside Services	461,600	386,800	386,800
Travel - In State	287,500	271,600	271,600
Travel - Out of State	60,000	16,800	16,800
Other Operating Expenditures	1,479,700	1,958,900	1,958,900
Equipment	217,200	0	0
OPERATING SUBTOTAL	8,642,000	9,221,400	9,221,400
SPECIAL LINE ITEMS			
Advertising	13,584,600	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,477,600	1,538,800	1,643,000 ^{2/}
Instant Tickets	21,115,700	28,883,800	30,492,400 ^{3/}
On-Line Vendor Fees	11,994,600	12,049,400	12,070,100 ^{4/}
Retailer Commissions	70,684,900	75,200,700	78,960,700 ^{5/}
AGENCY TOTAL	127,499,400	142,394,100	147,887,600 ^{6/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	127,499,400	142,394,100	147,887,600
SUBTOTAL - Other Appropriated Funds	127,499,400	142,394,100	147,887,600
SUBTOTAL - Appropriated Funds	127,499,400	142,394,100	147,887,600
Other Non-Appropriated Funds	723,309,400	719,502,400	751,160,300
TOTAL - ALL SOURCES	850,808,800	861,896,500	899,047,900

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 20% of Tab Ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,643,000 in FY 2021. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6% 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 \$30,492,400 in FY 2021. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual on-line game sales as determined by contract is appropriated to pay on-line vendor fees. This amount is currently estimated to be \$12,070,100, or 4.256% of actual on-line ticket sales in FY 2021. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5% 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% of gross lottery game sales is appropriated to pay sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7% of total ticket sales, or \$78,960,700 in FY 2021. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$9,221,400 and 98.8 FTE Positions from the State Lottery Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Advertising

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2021 for Advertising. This amount is unchanged from FY 2020.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The Baseline includes \$1,643,000 from the State Lottery Fund in FY 2021 for Charitable Commissions. FY 2021 adjustments are as follows:

Tab Ticket Increase

The Baseline includes an increase of \$104,200 from the State Lottery Fund in FY 2021 to realign spending with projected revenues. (See Table 1 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 Baseline includes \$30,492,400 from the State Lottery Fund in FY 2021 for Instant Tickets. FY 2021 adjustments are as follows:

Instant Ticket Sales Increase

The Baseline includes an increase of \$1,608,600 from the State Lottery Fund in FY 2021 for Instant Tickets due to higher projected sales. (See Table 1 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 Baseline includes \$12,070,100 from the State Lottery Fund in FY 2021 for On-Line Vendor Fees. FY 2021 adjustments are as follows:

On-Line Sales Decrease

The Baseline includes an increase of \$20,700 from the State Lottery Fund in FY 2021 for On-Line Vendor Fees due to higher projected sales. (See Table 1 for more information.)

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor, which is 4.256%.

Retailer Commissions

The Baseline includes \$78,960,700 from the State Lottery Fund in FY 2021 for Retailer Commissions. FY 2021 adjustments are as follows:

Retailer Commissions Increase

The Baseline includes an increase of \$3,760,000 from the State Lottery Fund in FY 2021 for Retailer Commissions due to higher projected sales. (See Table 1 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. 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

Lottery Forecast and Distributions

The Baseline assumes a 0.8% increase in overall Lottery ticket sales in FY 2020, followed by a 4.1% increase in FY 2021. For FY 2020 and FY 2021, the Baseline assumes Lottery ticket sales of \$1,085,443,700 and \$1,130,613,600, respectively.

The FY 2020 forecasted sales and Special Line Items expenditures are higher than the amounts included as part of the *FY 2020 Appropriations Report*. This increase is due to a revised FY 2020 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2020 General Appropriation Act footnotes. The final FY 2020 expenditures will be determined by the actual Lottery ticket sales during FY 2020.

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 2019 and the JLBC Staff projected distributions for FY 2020 and FY 2021. 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.

State Lottery Revenue Bond Debt Service Fund

Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments are made from Lottery revenues that would have otherwise been deposited into the General Fund.

In December 2018, the Arizona Department of Administration (ADOA) refinanced these bonds. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Fund.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,473,200 in each FY 2020 and FY 2021. (*See FY 2020 Appropriations Report for additional background.*)

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 2020 and FY 2021 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$34,511,900 in FY 2020 and \$34,509,800 in FY 2021

account towards the \$84,150,000 General Fund - Part 1 requirement.

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 2020 and FY 2021, 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 \$21,882,600 in FY 2020 and \$22,432,400 in FY 2021. 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 2020 and FY 2021.

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 2020 and FY 2021.

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 2020 and FY 2021, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. 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 its full allocation in both FY 2020 and FY 2021.

University Capital Improvement (UCI) Fund

This fund serves as the source for up to 80% of the annual debt service associated with \$800,000,000 of University Capital construction Stimulus Plan for Economic and Educational Development (SPEED) bonds. This fund received \$39,819,400 in FY 2019. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$40,642,800 in FY 2020 and \$40,624,800 in FY 2021 to make the expected 80% level of debt service payments. *(Please see the FY 2021 Arizona Board of Regents Capital Outlay section for more details.)*

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, the Deferred General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. In the example of the FY 2021 deferred General Fund - Part 3 allocation of \$42,128,400, that will be transferred to the General Fund in FY 2022.

Total Distributions to the General Fund

Total FY 2021 distributions to the General Fund consist of the FY 2021 General Fund Part 1 and Part 2 profit transfers plus the delayed prior year Part 3 transfer from FY 2020. With a FY 2021 Part 1 transfer of \$49,640,200, a Part 2 FY 2021 transfer of \$15,490,000 and a delayed FY 2020 Part 3 transfer of \$34,687,900, total FY 2021 distributions to the General Fund are forecast to be \$99,818,100. *(See Table 1 for more information.)*

Table 1

**Forecast of Lottery Revenue Distribution
(\$ in Millions)**

<u>Sales</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Instant Sales	\$760.2	\$802.3	\$847.0
On-Line Sales	<u>316.6</u>	<u>283.1</u>	<u>283.6</u>
Total Sales	\$1,076.8	\$1,085.4	\$1,130.6
<i>Less:</i>			
Operating Budget	\$ 127.5	\$ 142.4	\$ 147.9
Gaming Distribution	0.3	0.3	0.3
ICACF/VREF Sales Transfer ^{1/}	0.4	0.4	0.5
Prizes ^{2/}	<u>723.3</u>	<u>719.5</u>	<u>751.2</u>
Net Profit ^{3/ 4/}	\$225.3	\$222.8	\$230.7
 <u>Profit Transfers ^{4/}</u>			
Debt Service Fund	\$ 37.5	\$ 34.5	\$ 34.5
Maricopa County Mass Transit	11.5	11.5	11.5
General Fund - Part 1	46.6	49.6	49.6
Heritage	10.0	10.0	10.0
Health and Welfare Programs	21.4	21.9	22.4
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	39.8	40.6	40.6
Deferred General Fund - Part 3	<u>38.5</u>	<u>34.7</u>	<u>42.1</u>
Total Transfers	\$225.3	\$222.8	\$230.7
 <u>General Fund</u>			
Delayed Prior Year Transfer ^{5/}	20.8	38.5	34.7
General Fund - Part 1	46.6	49.6	49.6
General Fund - Part 2	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>
Total General Fund ^{5/}	\$ 82.9	\$103.6	\$ 99.8

^{1/} 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 (ICACF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICAC 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 ICACF and VREF from unclaimed prize monies in the State Lottery Fund. In FY 2019, \$379,400 was distributed to the ICACF/VREF from the sale of tab tickets. An estimated \$420,900 and \$467,000 will be distributed in FY 2020 and FY 2021, respectively. (See Footnote 4.)

^{2/} Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICAC/VREF sales transfer from total Lottery sales.

^{3/} To derive the profit transfer amounts, the historical rate of return for each game was applied to the current budget forecast. The total rate of return on all games in FY 2019 was 20.99%. The estimated total profit margin is 20.60% in FY 2020 and 20.48% in FY 2021.

^{4/} 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 \$250,000 to the Tribal College Dual Enrollment Program Fund (This distribution was \$160,000 in FY 2016, but was increased pursuant to Laws 2016, Chapter 124).
- An estimated \$579,100 in FY 2020 and \$533,000 in FY 2021 of unclaimed prizes to ICACF and VREF.

^{5/} 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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Non-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: A portion of the fund is appropriated to pay for all costs of the Arizona State Lottery Commission. After all expenses are paid including the prize monies displayed below in the Non-Appropriated Funds Expended line, Lottery profits are distributed to a number of different functions.		
Appropriated Funds Expended	127,499,400	142,394,100
Non-Appropriated Funds Expended	723,309,400	719,502,400
Year-End Fund Balance	38,994,100	14,824,700

Board of Massage Therapy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	237,100	234,400	234,400
Employee Related Expenditures	104,900	104,900	104,900
Professional and Outside Services	12,700	30,800	30,800
Travel - In State	1,400	1,500	1,500
Travel - Out of State	2,900	0	0
Other Operating Expenditures	74,500	100,000	100,000
Equipment	3,500	0	0
AGENCY TOTAL	437,000	471,600	471,600 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Massage Therapy Fund	437,000	471,600	471,600
SUBTOTAL - Other Appropriated Funds	437,000	471,600	471,600
SUBTOTAL - Appropriated Funds	437,000	471,600	471,600
TOTAL - ALL SOURCES	437,000	471,600	471,600

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

Operating Budget

The Baseline includes \$471,600 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of massage therapists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate massage therapists, and for board administration.		
Funds Expended	437,000	471,600
Year-End Fund Balance	1,492,900	1,598,000

Arizona Medical Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,034,200	3,337,200	3,337,200
Employee Related Expenditures	1,061,200	1,298,900	1,298,900
Professional and Outside Services	885,100	973,600	973,600
Travel - In State	14,500	22,500	22,500
Travel - Out of State	16,100	29,000	29,000
Other Operating Expenditures	985,100	933,800	933,800
Equipment	175,500	276,300	276,300
OPERATING SUBTOTAL	6,171,700	6,871,300	6,871,300
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	154,200	165,600	165,600
AGENCY TOTAL	6,325,900	7,036,900	7,036,900 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	6,325,900	7,036,900	7,036,900
SUBTOTAL - Other Appropriated Funds	6,325,900	7,036,900	7,036,900
SUBTOTAL - Appropriated Funds	6,325,900	7,036,900	7,036,900
TOTAL - ALL SOURCES	6,325,900	7,036,900	7,036,900

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$6,871,300 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Employee Performance Incentive Program

The Baseline includes \$165,600 from the Arizona Medical Board Fund in FY 2021 for the Employee Performance Incentive Program line item. This amount is unchanged from FY 2020.

The program was previously funded by a footnote allowing the Medical Board to use up to 7% of the prior year balance from the Medical Board Fund. The FY 2019 General Appropriation 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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs. The board uses up to 7% of the fund balance at the end of each fiscal year for a performance based incentive program the following fiscal year.		
Funds Expended	6,325,900	7,036,900
Year-End Fund Balance	14,891,500	15,111,300

State Mine Inspector

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	410,400	520,000	520,000
Employee Related Expenditures	196,800	259,100	259,100
Professional and Outside Services	10,000	7,500	7,500
Travel - In State	70,200	62,400	62,400
Travel - Out of State	0	7,500	7,500
Other Operating Expenditures	188,400	214,600	214,600
Equipment	20,900	3,500	3,500
OPERATING SUBTOTAL	896,700	1,074,600	1,074,600
SPECIAL LINE ITEMS			
Abandoned Mines	187,700	194,700	194,700
Aggregate Mining Land Reclamation	49,300	112,900	112,900 ^{1/}
AGENCY TOTAL	1,133,700	1,382,200	1,382,200^{2/}
FUND SOURCES			
General Fund	1,084,400	1,269,300	1,269,300
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	49,300	112,900	112,900
SUBTOTAL - Other Appropriated Funds	49,300	112,900	112,900
SUBTOTAL - Appropriated Funds	1,133,700	1,382,200	1,382,200
Federal Funds	317,500	539,100	539,100
TOTAL - ALL SOURCES	1,451,200	1,921,300	1,921,300

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 \$112,900 in FY 2021 are appropriated to the Aggregate Mining Land Reclamation line item. Before spending any Aggregate Mining Reclamation Fund monies in excess of \$112,900 in FY 2021, 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 Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,074,600 and 14 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Abandoned Mines

The Baseline includes \$194,700 from the General Fund in FY 2021 for the Abandoned Mines line item. This amount is unchanged from FY 2020.

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 Baseline includes \$112,900 from the Aggregate Mining Reclamation Fund in FY 2021 for the Aggregate

Mining Land Reclamation line item. This amount is unchanged from FY 2020.

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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
<i>Source of Revenue:</i> Gifts, grants and contributions. The Legislature may appropriate matching monies.		
<i>Purpose of Fund:</i> To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	0	0
Year-End Fund Balance	134,800	134,800
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
<i>Source of Revenue:</i> Fees collected from exploration and aggregate mining operations.		
<i>Purpose of Fund:</i> To review aggregate mining land reclamation plans and to enforce compliance with the plans.		
Funds Expended	49,300	112,900
Year-End Fund Balance	141,000	47,100
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		Non-Appropriated
<i>Source of Revenue:</i> Fees for education and training of mine employees required under federal regulation.		
<i>Purpose of Fund:</i> To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	53,600	44,100
Year-End Fund Balance	308,200	315,700
Federal Grants (MIA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
<i>Purpose of Fund:</i> To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	263,900	495,000
Year-End Fund Balance	232,400	238,800

Naturopathic Physicians Medical Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	66,000	90,000	90,000
Employee Related Expenditures	36,100	50,000	50,000
Professional and Outside Services	2,000	22,000	22,000
Travel - In State	0	2,000	2,000
Other Operating Expenditures	17,500	17,400	17,400
Equipment	1,000	12,000	12,000
AGENCY TOTAL	122,600	193,400	193,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	122,600	193,400	193,400
SUBTOTAL - Other Appropriated Funds	122,600	193,400	193,400
SUBTOTAL - Appropriated Funds	122,600	193,400	193,400
TOTAL - ALL SOURCES	122,600	193,400	193,400

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

Operating Budget

The Baseline includes \$193,400 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, and naturopathic medical assistants and for board administration.		
Funds Expended	122,600	193,400
Year-End Fund Balance	1,355,600	1,530,400

Arizona Navigable Stream Adjudication Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	71,000	70,900	70,900
Employee Related Expenditures	30,200	30,100	30,100
Professional and Outside Services	200,000	200,000	200,000
Other Operating Expenditures	17,500	28,000	28,000
Equipment	100	0	0
AGENCY TOTAL	318,800	329,000	329,000^{1/}
FUND SOURCES			
General Fund	118,800	129,000	129,000
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	200,000	200,000	200,000
SUBTOTAL - Other Appropriated Funds	200,000	200,000	200,000
SUBTOTAL - Appropriated Funds	318,800	329,000	329,000
TOTAL - ALL SOURCES	318,800	329,000	329,000

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

Operating Budget

The Baseline includes \$329,000 and 2 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$129,000
Arizona Water Banking Fund	200,000

These amounts are unchanged from FY 2020.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

Background

The commission is responsible for determining the navigability of state watercourses at the time of statehood. If navigable, 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. *(Please see the [ANSAC Program Summary](#) located on the JLBC website for additional information on ANSAC related litigation.)*

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Water Banking Fund (NSA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users (see Department of Water Resources narrative for more information).		
Purpose of Fund: To fund outside legal counsel and court reporters for court hearings.		
Funds Expended	200,000	200,000
Year-End Fund Balance	0	0

State Board of Nursing

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.2	48.5	48.5
Personal Services	2,556,800	2,327,800	2,327,800
Employee Related Expenditures	1,015,800	958,200	958,200
Professional and Outside Services	244,600	341,700	341,700
Travel - In State	4,900	10,000	10,000
Travel - Out of State	6,900	8,000	8,000
Other Operating Expenditures	355,200	544,500	544,500
Equipment	8,600	42,400	42,400
OPERATING SUBTOTAL	4,192,800	4,232,600	4,232,600
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	536,700	538,400	538,400
AGENCY TOTAL	4,729,500	4,771,000	4,771,000 ^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Nursing Fund	4,729,500	4,771,000	4,771,000
SUBTOTAL - Other Appropriated Funds	4,729,500	4,771,000	4,771,000
SUBTOTAL - Appropriated Funds	4,729,500	4,771,000	4,771,000
Federal Funds	414,700	414,700	414,700
TOTAL - ALL SOURCES	5,144,200	5,185,700	5,185,700

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$4,232,600 and 48.5 FTE Positions from the Board of Nursing Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Certified Nursing Assistant Credentialing Program

The Baseline includes \$538,400 from the Board of Nursing Fund in FY 2021 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2020.

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.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	4,729,500	4,771,000
Year-End Fund Balance	3,314,900	4,455,600
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	414,700	414,700
Year-End Fund Balance	0	0
Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)		Non-Appropriated
Source of Revenue: Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
Purpose of Fund: To assist in carrying out the purposes of the agency.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	246,200	256,900	256,900
Employee Related Expenditures	106,000	107,900	107,900
Professional and Outside Services	1,600	4,000	4,000
Travel - In State	4,100	7,000	7,000
Travel - Out of State	400	4,000	4,000
Other Operating Expenditures	61,500	67,300	67,300
Equipment	800	7,900	7,900
AGENCY TOTAL	420,600	455,000	455,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certificate	420,600	455,000	455,000
SUBTOTAL - Other Appropriated Funds	420,600	455,000	455,000
SUBTOTAL - Appropriated Funds	420,600	455,000	455,000
TOTAL - ALL SOURCES	420,600	455,000	455,000

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

Operating Budget

The Baseline includes \$455,000 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certificate (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	420,600	455,000
Year-End Fund Balance	460,400	411,200

Board of Occupational Therapy Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	92,300	96,800	96,800
Employee Related Expenditures	42,500	49,500	49,500
Travel - In State	1,000	1,300	1,300
Other Operating Expenditures	37,300	49,400	49,400
Equipment	100	2,000	2,000
AGENCY TOTAL	173,200	199,000	199,000^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	173,200	199,000	199,000
SUBTOTAL - Other Appropriated Funds	173,200	199,000	199,000
SUBTOTAL - Appropriated Funds	173,200	199,000	199,000
TOTAL - ALL SOURCES	173,200	199,000	199,000

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

Operating Budget

The Baseline includes \$199,000 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	173,200	199,000
Year-End Fund Balance	760,200	865,400

State Board of Dispensing Opticians

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	78,400	78,800	78,800
Employee Related Expenditures	24,000	25,000	25,000
Professional and Outside Services	400	1,000	1,000
Travel - In State	3,500	8,500	8,500
Travel - Out of State	400	2,000	2,000
Other Operating Expenditures	26,700	40,600	40,600
Equipment	1,400	0	0
AGENCY TOTAL	134,800	155,900	155,900 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	134,800	155,900	155,900
SUBTOTAL - Other Appropriated Funds	134,800	155,900	155,900
SUBTOTAL - Appropriated Funds	134,800	155,900	155,900
TOTAL - ALL SOURCES	134,800	155,900	155,900

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

Operating Budget

The Baseline includes \$155,900 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	134,800	155,900
Year-End Fund Balance	329,800	345,500

State Board of Optometry

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	124,900	131,200	131,200
Employee Related Expenditures	46,600	48,000	48,000
Professional and Outside Services	900	1,000	1,000
Travel - In State	600	600	600
Travel - Out of State	1,400	3,000	3,000
Other Operating Expenditures	42,100	56,900	56,900
Equipment	1,300	0	0
AGENCY TOTAL	217,800	240,700	240,700 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Optometry Fund	217,800	240,700	240,700
SUBTOTAL - Other Appropriated Funds	217,800	240,700	240,700
SUBTOTAL - Appropriated Funds	217,800	240,700	240,700
TOTAL - ALL SOURCES	217,800	240,700	240,700

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

Operating Budget

The Baseline includes \$240,700 and 2 FTE Positions from the Board of Optometry Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	217,800	240,700
Year-End Fund Balance	371,000	426,300

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.2	8.0	8.0
Personal Services	436,700	485,900	485,900
Employee Related Expenditures	144,200	203,500	203,500
Professional and Outside Services	144,000	158,700	158,700
Travel - In State	600	2,500	2,500
Travel - Out of State	4,600	5,500	5,500
Other Operating Expenditures	142,200	156,200	156,200
Equipment	21,800	0	0
AGENCY TOTAL	894,100	1,012,300	1,012,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	894,100	1,012,300	1,012,300
SUBTOTAL - Other Appropriated Funds	894,100	1,012,300	1,012,300
SUBTOTAL - Appropriated Funds	894,100	1,012,300	1,012,300
TOTAL - ALL SOURCES	894,100	1,012,300	1,012,300

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,012,300 and 8 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	894,100	1,012,300
Year-End Fund Balance	2,430,500	2,577,200

Arizona Parents Commission on Drug Education and Prevention

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	4,472,100	4,957,500	4,957,500
TOTAL - ALL SOURCES	4,472,100	4,957,500	4,957,500

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission typically does not receive an appropriation from the Legislature.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	4,472,100	4,957,500
Year-End Fund Balance	798,200	798,200

Arizona State Parks Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	4,707,000	5,878,000	5,878,000
Employee Related Expenditures	2,314,000	3,101,900	3,101,900
Professional and Outside Services	232,000	232,900	232,900
Travel - In State	16,000	8,200	8,200
Other Operating Expenditures	4,556,000	4,251,600	4,251,600
Equipment	63,000	46,400	46,400
OPERATING SUBTOTAL	11,888,000	13,519,000	13,519,000 ^{2/}
SPECIAL LINE ITEMS			
Arizona Trail	0	250,000	0 ^{D/}
Buckskin Fire District	0	225,000	0
Great Western Trail	0	692,100	0
Kartchner Caverns State Park	2,067,000	2,296,700	2,296,700
AGENCY TOTAL	13,955,000	16,982,800	15,815,700 ^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Off-Highway Vehicle Recreation Fund	0	692,100	0
State Lake Improvement Fund	0	225,000	0
State Parks Revenue Fund	13,955,000	16,065,700	15,815,700
SUBTOTAL - Other Appropriated Funds	13,955,000	16,982,800	15,815,700
SUBTOTAL - Appropriated Funds	13,955,000	16,982,800	15,815,700
Other Non-Appropriated Funds	8,754,500	13,846,100	13,846,100
Federal Funds	2,536,500	5,812,100	5,812,100
TOTAL - ALL SOURCES	25,246,000	36,641,000	35,473,900

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/} Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} All Other Operating Expenditures include \$26,000 from the State Parks Revenue Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in FY 2021, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Revenue Fund established by A.R.S. § 41-511.21 to meet the revenue sharing agreement with the City of Show Low and the United States Forest Service. (General Appropriation Act footnote)
- ^{D/} ~~The appropriation for the Arizona Trail line item shall be used to employ Youth Conservation Corps members to maintain the Arizona Trail. Before spending any monies appropriated in FY 2020 for the Arizona Trail line item, the board shall submit an expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)~~
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

The Baseline includes \$13,519,000 and 127.2 FTE Positions from the State Parks Revenue Fund (SPRF) in

Arizona Trail

The Baseline includes no funding in FY 2021 for the Arizona Trail. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the State Parks Revenue Fund in FY 2021 to remove one-time funding for the Arizona Trail line item.

Monies in this line item are used to employ Youth Conservation Corps members to maintain the Arizona Trail. The 800 mile-long, non-motorized trail begins at the U.S.-Mexican border and runs north-south through Arizona into Utah.

Buckskin Fire District

The Baseline includes no funding in FY 2021 for the Buckskin Fire District line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(225,000) from the State Lake Improvement Fund in FY 2021 to remove one-time funding for the Buckskin Fire District line item.

Monies in this line item were distributed to the Buckskin Fire District for the purchase of marine fire suppression equipment.

Great Western Trail

The Baseline includes no funding in FY 2021 for the Great Western Trail. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(692,100) from the Off-Highway Vehicle Recreation Fund in FY 2021 to remove one-time funding for the Great Western Trail line item.

Monies in this line item are used to connect the fragmented sections of the Great Western Trail into a single unified trail. The 4,455 mile-long, motorized trail begins near the U.S.-Canada border and runs through Idaho, Wyoming, Utah, and Arizona. The trail could potentially run 800 miles north-south through Arizona if the trail were fully connected, however the current traversable sections of the trail total to only 360 miles.

Kartchner Caverns State Park

The Baseline includes \$2,296,700 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2021 for Kartchner Caverns State Park. These amounts are unchanged from FY 2020.

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.

Other Issues

Status of Capital Projects

For FY 2017 through FY 2019, ASPB developed capital plans at a cost of \$21.3 million, of which \$14.8 million has received JCCR review. Of the amount reviewed, \$11.0 million was allocated for major capital projects and the remaining \$3.8 million was allocated for smaller projects. In June 2019, ASPB provided an update on unfinished capital projects. In the June report, ASPB stated that as of April 2019, of the \$14.8 million, \$5.2 million had been expended on major projects, \$2.6 million on small projects, and an additional \$300,000 on statewide park maintenance. ASPB is required to provide an updated report on the status of all capital projects to the JLBC on January 31 and July 31 of each year. *Table 1* provides the status of the agency's major capital projects as of the most recent ASPB report.

The FY 2019 budget included \$400,000 from SPRF for 6 months of operational costs at Rockin' River Ranch State Park and at Cattail Cove State Park. The staff were to be hired under the agency's existing FTE authority. The adjustment funded \$200,000 for 5 park rangers, as well as utilities, equipment, and repairs at Cattail Cove, and \$200,000 for a park ranger, assistant manager, and 2 seasonal staff, utilities, equipment, and repairs at Rockin' River Ranch.

While the Cattail Cove State Park is open to the public, certain sections of the park are still undergoing repairs and remain closed for visitation and therefore does not need the full operating cost. The Rockin' River Ranch State Park is not expected to be operational in FY 2020. The FY 2021 Baseline retains the 6-month operational costs for Rockin' River Ranch and Cattail Cove.

State Parks Operations

As of January 2020, 29 state parks are open to the public. Twenty-three parks are funded and operated by the state with existing state funds. Six open parks are funded and operated through agreements between the State Parks Board and local governments. *(Please see the [ASPB Visitation and Revenue Program Summary](#) available on the JLBC website for additional information on the parks, visitation, and operations.)*

Off-Highway Vehicle Recreation Fund Use

The Baseline continues an FY 2020 increase of \$692,100 from the State Parks Revenue Fund (SPRF) for ASPB's operating budget in FY 2021. The FY 2020 increase was part of a fund shift which redirected \$692,100 from the Off-Highway Vehicle Recreation Fund (OHVRF) to the Great Western Trail line item and provided a corresponding increase in SPRF funding to ASPB's operating budget.

Since the Great Western Trail appropriation was one-time for FY 2020, the overall amount of non-appropriated OHVRF monies distributed to statutory recipients in accordance with A.R.S. § 28-1176 is expected to increase by \$692,100 in FY 2021.

Table 1

Status of Major Projects as of April 2019

<u>Park Projects</u>	<u>FY Funded</u>	<u>JCCR Review</u>	<u>Appropriated/ Budgeted</u>	<u>Total Expenditures Through April 2019</u>	<u>Status</u>
Statewide Parks Maintenance	'17/'18	9/16 & 9/17	\$1,700,000	\$1,567,100	Maintenance in progress
Cabin Installation	'17/'18	9/16 & 9/17	\$3,800,000	\$1,668,600 ^{1/}	Installations Completed ^{2/}
Cattail Cove Renovations	'17	9/16	\$5,307,500	\$3,224,100	Renovations in Progress
Rockin' River Ranch Renovations ^{3/}	'18	9/17	\$4,000,000	\$697,200	Renovations in Progress
Buckskin Mountain Renovations ^{3/}	'19	No ^{4/}	\$2,500,000 ^{5/}	\$0	Developing Renovation Plan
Oracle Renovations ^{3/}	'19	No ^{4/}	\$4,000,000	\$9,900	Developing Renovation Plan

- ^{1/} ASPB also used a portion of its FY 2017 operating budget to supplement funding for the cabin installation project.
- ^{2/} ASPB ended the cabin installation project after completion of 25 cabins.
- ^{3/} ASPB has requested the lapsing date of these appropriations be extended to the end of FY 2021.
- ^{4/} \$150,000 of the appropriated amount was reviewed for the use of developing a master plan for the park. The remaining monies of the appropriation still require JCCR review before expenditure.
- ^{5/} Includes \$1.0 million from the non-appropriated State Lake Improvement Fund.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona State Parks' Heritage Fund (PRA2296/A.R.S. § 41-502)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants and donations.		
Purpose of Fund: Monies in the Heritage Fund are to be used as follows: 50% on parks for outdoor recreation and open space development, restoration or renovation; 30% on historic preservation, administered through the State Historic Preservation Officer; 10% on nonmotorized trails; and 10% on outdoor and environmental education.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona trail.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	2,536,500	5,812,100
Year-End Fund Balance	363,300	409,700
Land Conservation Fund - Administration Account - NA (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Interest earnings from the Public Conservation Account, which received \$20,000,000 annually from the General Fund in FY 2001 through FY 2011, as approved by Arizona voters in November 1998. Unobligated amounts at the end of each fiscal year revert to the Public Conservation Account.		
Purpose of Fund: For operating expenses.		
Funds Expended	21,000	0
Year-End Fund Balance	95,200	95,200
Land Conservation Fund - Donation Account (PRA2432 B/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Donations from public and private entities.		
Purpose of Fund: To match grants made to purchase state trust lands for conservation purposes. There are currently no estimates of donations that will be deposited to the account.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Land Conservation Fund - Public Conservation Account (PRA2432 C/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: As approved by Arizona voters in November 1998, the fund received \$20,000,000 annually from the General Fund in FY 2001 through 2011. Beginning in FY 2004, \$2,000,000 of this amount was deposited into the Livestock and Crop Conservation Fund, administered by the Department of Agriculture.		
Purpose of Fund: For grants to the state or any of its political subdivisions, non-profit organizations, individual landowners, and agricultural lessees of state or federal land. Grants are made to purchase or lease state trust lands that are classified as suitable for conservation purposes. The Conservation Acquisition Board will recommend appropriate grants to the Arizona State Parks Board.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: Appropriated monies are used to fund the Great Western Trail line item. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	692,100
Year-End Fund Balance	8,524,600	769,900
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,381,000	2,617,500
Year-End Fund Balance	8,524,600	769,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; to operate the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	594,000	2,618,900
Year-End Fund Balance	2,232,800	2,310,700
State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)		Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: Appropriated monies are used to fund the Buckskin Fire District line item. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	225,000
Year-End Fund Balance	8,088,200	4,902,400
State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: 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. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review (JCCR). Please see the Appropriated portion of the fund for additional information. Funds Expended totals exclude capital spending.		
Funds Expended	6,615,500	8,419,700
Year-End Fund Balance	8,088,200	4,902,400
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	52,000	0
Year-End Fund Balance	468,100	548,100
State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21)		Appropriated
Source of Revenue: State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
Purpose of Fund: To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. Funds Expended totals exclude capital spending.		
Funds Expended	13,955,000	16,065,700
Year-End Fund Balance	15,610,900	19,075,200
Sustainable State Parks and Roads Fund (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)		Non-Appropriated
Source of Revenue: Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
Purpose of Fund: To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
Funds Expended	88,000	190,000
Year-End Fund Balance	261,500	150,300

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Yarnell Hill Memorial Fund (PRA3124/A.R.S. § 41-519.02)		Non-Appropriated
<p>Source of Revenue: Legislative appropriations and donations to the fund. The FY 2015 Environment Budget Reconciliation Bill included a one-time appropriation of \$500,000 from the General Fund in FY 2015 to establish Yarnell Hill Memorial State Park.</p> <p>Purpose of Fund: The park was created to honor 19 Prescott firefighters who were killed fighting a wildfire near Yarnell, Arizona. The FY 2015 Environment Budget Reconciliation Bill established Yarnell Hill Memorial State Park, which opened in November 2016.</p>		
Funds Expended	3,000	0
Year-End Fund Balance	0	0

State Personnel Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	2.0
Personal Services	56,800	129,500	104,500
Employee Related Expenditures	27,200	53,700	36,500
Professional and Outside Services	41,000	132,600	132,600
Travel - In State	600	600	600
Other Operating Expenditures	15,900	46,700	46,700
Equipment	100	5,000	5,000
AGENCY TOTAL	141,600	368,100	325,900^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Personnel Board Subaccount of the Personnel Division Fund	141,600	368,100	325,900
SUBTOTAL - Other Appropriated Funds	141,600	368,100	325,900
SUBTOTAL - Appropriated Funds	141,600	368,100	325,900
TOTAL - ALL SOURCES	141,600	368,100	325,900

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

Operating Budget

The Baseline includes \$325,900 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Reduction in FTE Position

The Baseline includes a decrease of \$(42,200) and (1) FTE Position from the Personnel Board Subaccount of the Personnel Division Fund for FY 2021. The removed FTE Position has remained vacant for over 10 years. Due to Personnel Reform in 2012, the total number of appeals has decreased. The board no longer requires 3 FTE Positions to maintain the current level of work.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)		Appropriated
<p>Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System. Only Personnel Division Fund monies in excess of \$500,000 revert to the State General Fund at the end of each fiscal year. The state comptroller pays any monies owed to the federal government from the Personnel Division Fund before calculating the reversion. Monies contributed by the Arizona State Retirement System and by the Public Safety Personnel Retirement System are separately accounted for, do not revert to the state General Fund, and are reverted to the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Officials Retirement Plan or the Corrections Officer Retirement Plan, as applicable.</p> <p>Purpose of Fund: To fund Personnel Board operations.</p>		
Funds Expended	141,600	368,100
Year-End Fund Balance	376,600	377,300

Arizona State Board of Pharmacy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	19.0	22.4	22.4
Personal Services	1,175,600	1,447,300	1,447,300
Employee Related Expenditures	445,900	538,300	538,300
Professional and Outside Services	97,100	157,000	157,000
Travel - In State	37,000	65,200	65,200
Travel - Out of State	2,900	4,200	4,200
Other Operating Expenditures	336,100	344,300	344,300
Equipment	19,100	59,000	4,000
OPERATING SUBTOTAL	2,113,700	2,615,300	2,560,300
SPECIAL LINE ITEMS			
Prescriber Report Card	0	50,000	50,000
AGENCY TOTAL	2,113,700	2,665,300	2,610,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona State Board of Pharmacy Fund	2,113,700	2,665,300	2,610,300
SUBTOTAL - Other Appropriated Funds	2,113,700	2,665,300	2,610,300
SUBTOTAL - Appropriated Funds	2,113,700	2,665,300	2,610,300
Other Non-Appropriated Funds	1,636,700	1,773,100	1,773,100
TOTAL - ALL SOURCES	3,750,400	4,438,400	4,383,400

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 Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,560,300 and 22.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(55,000) from the Arizona State Board of Pharmacy Fund in FY 2021 for elimination of one-time funding to replace 17 desktop computers and 4 laptop computers. Part of the funding was also used to purchase 5 new computers to support the Controlled Substances Prescription Monitoring Program (CSPMP).

Prescriber Report Card

The Baseline includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2021 for the Prescriber Report Card program. This amount is unchanged from FY 2020.

This line item funds the development of opioid prescriber report cards as part of the CSPMP. The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 up to \$1,000,000 may be transferred to the Arizona Poison and Drug Information Center. Additionally, \$500,000 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. These transfers are a "transfer out" and are not displayed in expenditures to avoid double counting.		
Funds Expended	2,113,700	2,665,300
Year-End Fund Balance	8,156,800	8,478,000
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Includes a distribution of CDC grant monies received through the Arizona Department of Health Services. Up to \$500,000 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907. The transfer is not displayed in the Arizona State Board of Pharmacy Fund expenditures to avoid double counting.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	1,636,700	1,773,100
Year-End Fund Balance	585,100	1,002,300
Federal Grants (PMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Direct federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government.		
Funds Expended	0	0
Year-End Fund Balance	4,800	4,800

Board of Physical Therapy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	183,200	200,800	200,800
Employee Related Expenditures	73,300	97,900	97,900
Professional and Outside Services	65,900	68,600	68,600
Travel - In State	2,100	2,100	2,100
Other Operating Expenditures	89,800	129,300	129,300
Equipment	4,800	5,000	5,000
AGENCY TOTAL	419,100	503,700	503,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	419,100	503,700	503,700
SUBTOTAL - Other Appropriated Funds	419,100	503,700	503,700
SUBTOTAL - Appropriated Funds	419,100	503,700	503,700
TOTAL - ALL SOURCES	419,100	503,700	503,700

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

Operating Budget

The budget includes \$503,700 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	419,100	503,700
Year-End Fund Balance	1,383,000	983,400

Arizona Pioneers' Home

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,709,800	3,550,000	3,550,000
Employee Related Expenditures	1,725,100	1,583,800	1,583,800
Professional and Outside Services	117,400	95,800	95,800
Travel - In State	20,900	26,700	26,700
Other Operating Expenditures	816,500	1,097,800	1,097,800
Equipment	76,400	20,100	20,100
OPERATING SUBTOTAL	6,466,100	6,374,200	6,374,200
SPECIAL LINE ITEMS			
Prescription Drugs	123,200	200,000	200,000
AGENCY TOTAL	6,589,300	6,574,200	6,574,200 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Miners' Hospital for Miners with Disabilities Land Fund	2,159,700	2,059,200	2,059,200
State Charitable Fund	4,429,600	4,515,000	4,515,000
SUBTOTAL - Other Appropriated Funds	6,589,300	6,574,200	6,574,200
SUBTOTAL - Appropriated Funds	6,589,300	6,574,200	6,574,200
Other Non-Appropriated Funds	58,000	0	0
TOTAL - ALL SOURCES	6,647,300	6,574,200	6,574,200

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, on average, 105 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 Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$6,374,200 and 106.3 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Miners' Hospital for Miners with Disabilities Land Fund	\$2,059,200
State Charitable Fund	4,315,000

These amounts are unchanged from FY 2020.

Prescription Drugs

The Baseline includes \$200,000 from the State Charitable Fund in FY 2021 for Prescription Drugs. This amount is unchanged from FY 2020.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

Other Issues

Proposition 123

As a beneficiary of the Arizona State Land Trust, the Arizona Pioneers' Home receives monies generated from lease revenues and the proceeds from land sales that are

invested into a “permanent fund,” pursuant to Article X, Section 7 of the Arizona Constitution. The Arizona Pioneers' Home has 2 land trust funds, the Miners' Hospital Fund and the State Charitable Fund.

As approved by the voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

The JLBC Staff projects that the Miners' Hospital Fund will have an FY 2020 ending balance of \$6,527,100. FY 2020 ongoing revenues are projected to be \$4,110,300 compared to an FY 2020 appropriation of \$2,059,200. Monies in the Miners' Hospital Fund may only be used for purposes related to the Pioneers' Home.

The JLBC Staff projects that the State Charitable Fund will have an FY 2020 ending balance of \$9,061,500. FY 2020 ongoing revenues are projected to be \$5,697,500 compared to an FY 2020 appropriation of \$4,515,000. The State Charitable Fund may be used for any charitable purpose within a state institution.

Selected Non-General Fund Budget Requests

The JLBC Staff suggests the Legislature consider the following budget issues in FY 2021:

Pioneers' Home Staffing

The Pioneers' Home requested \$342,800 from the State Charitable Fund for Personal Services and Employee Related Expenditures (ERE).

The Pioneers' Home reports the shortfall in Personal Services and ERE is due to recent salary increases, adjustments to the nursing wage step-plan, and training necessary to comply with Laws 2019, Chapter 190, which strikes the Pioneers' Home exemption from licensure under the Department of Health Services.

The State Charitable Fund has a sufficient ongoing balance for this issue through at least FY 2025.

Pioneers' Home Capital

The Pioneers' Home requested \$590,000 from the Miners' Hospital for Miners with Disabilities Land Fund for capital improvements. Of this amount, the department proposes using \$450,000 for kitchen renovations and \$140,000 for window replacements. The window project continues prior phases to completely replace the building's windows.

Although the physical building remains exempt from DHS licensure, the Pioneers' Home reports that kitchen is not in compliance with the Uniform Plumbing Code, the National Electrical Code, or the International Fire Code. The department intends to address all instances of noncompliance with the proposed repairs.

The Miners' Hospital Fund has a sufficient one-time balance for the cost of this issue.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)		Appropriated
<i>Source of Revenue:</i> Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
<i>Purpose of Fund:</i> To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	2,159,700	2,059,200
Year-End Fund Balance	5,860,000	6,527,100
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
<i>Source of Revenue:</i> Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
<i>Purpose of Fund:</i> To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	54,700	0
Year-End Fund Balance	259,700	294,700

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	600	0
Year-End Fund Balance	178,600	183,500
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
Purpose of Fund: For the operation of the Pioneers' Home.		
Funds Expended	4,429,600	4,515,000
Year-End Fund Balance	7,893,900	9,061,500
Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	2,700	0
Year-End Fund Balance	100	100

State Board of Podiatry Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	63,000	78,000	78,000
Employee Related Expenditures	19,300	30,000	30,000
Professional and Outside Services	700	5,500	5,500
Travel - In State	3,000	2,200	2,200
Travel - Out of State	200	1,500	1,500
Other Operating Expenditures	40,700	50,900	50,900
Equipment	100	0	0
AGENCY TOTAL	127,000	168,100	168,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Podiatry Fund	127,000	168,100	168,100
SUBTOTAL - Other Appropriated Funds	127,000	168,100	168,100
SUBTOTAL - Appropriated Funds	127,000	168,100	168,100
TOTAL - ALL SOURCES	127,000	168,100	168,100

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

Operating Budget

The Baseline includes \$168,100 and 1 FTE Position from the Podiatry Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	127,000	168,100
Year-End Fund Balance	160,700	142,000

Commission for Postsecondary Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	106,600	118,900	118,900
Employee Related Expenditures	27,600	53,900	53,900
Other Operating Expenditures	6,200	47,700	47,700
OPERATING SUBTOTAL	140,400	220,500	220,500
SPECIAL LINE ITEMS			
Arizona College and Career Guide	0	21,300	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	16,700	99,900	99,900 ^{2/}
Arizona Teacher Student Loan Program	426,000	426,000	426,000
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500 ^{3/}
Twelve Plus Partnership	6,000	130,400	130,400 ^{2/}
AGENCY TOTAL	2,908,600	3,217,600	3,217,600 ^{4/5/}
FUND SOURCES			
General Fund	1,646,800	1,680,900	1,680,900
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,261,800	1,536,700	1,536,700
SUBTOTAL - Other Appropriated Funds	1,261,800	1,536,700	1,536,700
SUBTOTAL - Appropriated Funds	2,908,600	3,217,600	3,217,600
Other Non-Appropriated Funds	979,600	1,091,200	1,091,200
Federal Funds	170,400	168,000	168,000
TOTAL - ALL SOURCES	4,058,600	4,476,800	4,476,800

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

FOOTNOTES

- ^{1/} Includes 0.5 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The appropriations for the Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to these programs, including balance forward, revenue and transfers, during FY 2021. The appropriations shall be adjusted as necessary to reflect actual final monies credited to the Postsecondary Education Fund. (General Appropriation Act footnote)
- ^{3/} In order to be eligible to receive state matching monies under the Leveraging Educational Assistance Partnership 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 the state to the institution for the Leveraging Educational Assistance Partnership. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching monies and may not exceed 12% of the monies in FY 2021. (General Appropriation Act footnote)
- ^{4/} Any unencumbered balance remaining in the Postsecondary Education Fund established by A.R.S § 15-1853 on June 30, 2020, and all grant monies and other revenues received by the Commission for Postsecondary Education, when paid into the State Treasury, are appropriated for the specific purposes designated by line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$220,500 and 4.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$34,100
Postsecondary Education Fund	186,400

These amounts are unchanged from FY 2020.

Arizona College and Career Guide

The Baseline includes \$21,300 from the Postsecondary Education Fund in FY 2021 for the Arizona College and Career Guide line item. This amount is unchanged from FY 2020.

This line item funds costs associated with the Arizona College and Career Guide, which is an annual publication that lists Arizona's public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The Baseline includes \$99,900 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2021 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. These amounts are unchanged from FY 2020.

AMEPAC promotes minority students' access to Arizona's postsecondary educational institutions.

Arizona Teacher Student Loan Program

The Baseline includes \$426,000 from the General Fund in FY 2021 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2020.

The program, previously known as the Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE), offers forgivable loans to resident students pursuing a teaching degree at a public or 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.

A.R.S. § 15-1784 allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program. (*Please see the Other Issues section for more information.*)

Leveraging Educational Assistance Partnership

The Baseline includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2021. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2020.

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). The federal portion of these funds was eliminated in FY 2012.

In FY 2018, awards were provided through 37 postsecondary institutions. Of the total funding distributed, 33% went to public universities, 51% to community colleges, and 16% to private institutions.

Twelve Plus Partnership

The Baseline includes \$130,400 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2021 for the Twelve Plus Partnership (TPP). These amounts are unchanged from FY 2020.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

Other Issues

ATA and ATSLP Comparison

The Arizona Board of Regents oversees the Arizona Teachers Academy (ATA), which offers tuition waivers for resident and non-resident students enrolled in education and non-education majors at one of the 3 in-state universities, community college, post-baccalaureate students seeking a teacher certification and national board certification students.

The Arizona Student Teacher Loan Program (ATSLP) offers up to \$7,000 in loans per student each year funded by a \$426,000 General Fund appropriation. The ATA offers scholarships of \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college students, and \$2,500 for national board certification students. The ATA receives an annual General Fund appropriation of \$15.0 million.

For each year that a student receives an ATA tuition waiver, they are required to teach 1 year in a public school in Arizona. For each year a student receives an ATSLP loan, they must teach 1 year in a rural, low-income, or tribal school in Arizona plus 1 additional year.

Students are eligible for the ATSLP for 5 years, while the ATA has a tuition waiver limit of 2 years for graduate students, 4 years for undergraduate students, 2 years for community college students, and one-time-only for national board certification.

As of FY 2018, there were 56 participants in the ATSLP and the average student age 29-30 years old. In FY 2018, 75% of ATSLP students were enrolled in public institutions in Arizona. In FY 2018 there were 221 students enrolled in the ATA. [\(See Arizona Teachers Academy Program Summary for more information.\)](#)

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Teacher Student Loan Program Fund (PEA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree or certificate in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. Laws 2017, Chapter 244 expanded the program to teachers practicing in rural, low-income, and tribal schools and re-named the fund from the Mathematics, Science, and Special Education Teacher Student Loan Fund to the Arizona Teacher Student Loan Fund. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	440,700	458,500
Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)		Non-Appropriated
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program. This program enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans).		
Funds Expended	957,800	995,400
Year-End Fund Balance	512,000	414,200
Federal Grant Fund (PEA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant revenue.		
Purpose of Fund: Federal grant revenues to be used by the commission as specified by the grant(s).		
Funds Expended	170,400	168,000
Year-End Fund Balance	36,500	56,300
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received from state agencies and political subdivisions of the state.		
Purpose of Fund: For designated purposes.		
Funds Expended	1,261,800	1,536,700
Year-End Fund Balance	55,900	55,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Private Donations Fund (PEA2402/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received from private gifts, grants and donations.		
Purpose of Fund: Monies are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Funds Expended	21,800	95,800
Year-End Fund Balance	105,200	66,700
Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature. Program is not currently funded.		
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor's degree at a private college or university in the state. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	8,200	10,700

Arizona Power Authority

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	22,081,000	23,098,000	23,098,000
TOTAL - ALL SOURCES	22,081,000	23,098,000	23,098,000

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. APA is not subject to appropriation.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Power Authority Fund (PAA9506/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	1,179,100	3,137,000
Year-End Fund Balance	4,054,600	4,089,800
Hoover Uprating Fund (PAA1113/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: The sale of hydro-electricity from Hoover Dam to APA customers.		
Purpose of Fund: To purchase hydro-electricity from Hoover Dam for APA customers.		
Funds Expended	20,796,300	19,881,000
Year-End Fund Balance	0	0
Interest Income Fund (PAA1112/A.R.S. § 30-203)		Non-Appropriated
Source of Revenue: Interest income from investments with the Arizona State Treasurer.		
Purpose of Fund: To pay for the operating expenses of the Power Authority.		
Funds Expended	105,600	80,000
Year-End Fund Balance	0	0

State Board for Private Postsecondary Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	216,100	234,500	234,500
Employee Related Expenditures	81,700	89,800	89,800
Professional and Outside Services	20,600	27,400	27,400
Travel - Out of State	300	2,000	2,000
Other Operating Expenditures	61,300	63,800	63,800
Equipment	1,300	5,800	5,800
AGENCY TOTAL	381,300	423,300	423,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	381,300	423,300	423,300
SUBTOTAL - Other Appropriated Funds	381,300	423,300	423,300
SUBTOTAL - Appropriated Funds	381,300	423,300	423,300
Other Non-Appropriated Funds	372,800	250,300	250,300
TOTAL - ALL SOURCES	754,100	673,600	673,600

AGENCY DESCRIPTION — The board licenses and regulates 203 private postsecondary education institutions that service approximately 236,510 students annually. 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 Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$423,300 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	381,300	423,300
Year-End Fund Balance	262,400	187,100

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
<p>Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.</p> <p>Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.</p>		
Funds Expended	372,800	250,300
Year-End Fund Balance	149,600	80,300

State Board of Psychologist Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	229,300	243,000	243,000
Employee Related Expenditures	93,500	99,100	99,100
Professional and Outside Services	23,000	47,000	47,000
Travel - In State	6,100	6,200	6,200
Travel - Out of State	5,700	5,000	5,000
Other Operating Expenditures	71,700	109,800	109,800
Equipment	5,000	6,000	6,000
AGENCY TOTAL	434,300	516,100	516,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Psychologist Examiners Fund	434,300	516,100	516,100
SUBTOTAL - Other Appropriated Funds	434,300	516,100	516,100
SUBTOTAL - Appropriated Funds	434,300	516,100	516,100
TOTAL - ALL SOURCES	434,300	516,100	516,100

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

Operating Budget

The Baseline includes \$516,100 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	434,300	516,100
Year-End Fund Balance	1,079,300	1,123,700

Department of Public Safety

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,966.7	2,014.7	2,014.7 ^{1/}
Personal Services	101,263,900	118,858,300	118,858,300
Employee Related Expenditures	89,583,100	110,506,200	110,506,200
Professional and Outside Services	2,092,500	2,111,400	2,111,400
Travel - In State	497,900	505,000	505,000
Travel - Out of State	514,800	522,500	522,500
Other Operating Expenditures	38,549,200	33,829,200	32,801,900
Equipment	11,639,300	17,064,200	10,405,600
OPERATING SUBTOTAL	244,140,700	283,396,800	275,710,900
SPECIAL LINE ITEMS			
ACTIC	1,400,600	1,450,000	1,450,000
Border Strike Task Force Local Support	1,127,900	1,261,700	1,261,700 ^{2/3/4/}
Border Strike Task Force Ongoing	6,672,900	7,916,400	7,916,400
Civil Air Patrol	150,000	150,000	150,000
GIITEM	23,175,700	24,938,800	24,938,800 ^{5/6/}
GIITEM Subaccount	2,066,100	2,396,100	2,396,100
Motor Vehicle Fuel	4,827,700	5,454,600	5,454,600
Peace Officer Training Equipment	197,800	1,047,800 ^{7/}	0 ^{D/}
Pharmaceutical Diversion and Drug Theft Task Force	630,100	631,200	631,200
Public Safety Equipment	2,798,000	2,890,000	2,890,000
Public Safety Interoperability Fund Deposit	0	1,500,000	0
AGENCY TOTAL	287,187,500	333,033,400	322,799,700 ^{8/9/}
FUND SOURCES			
General Fund	102,560,200	92,350,300	84,153,500
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	116,321,400	194,968,500	194,086,300
Concealed Weapons Permit Fund	3,372,500	2,719,700	2,757,900
Criminal Justice Enhancement Fund	2,377,400	2,936,800	2,936,800
DPS Forensics Fund	22,555,100	22,554,200	22,554,200
Drug and Gang Prevention Resource Center Fund	630,100	0	0
Fingerprint Clearance Card Fund	936,100	1,556,400	1,556,400
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	3,483,700	2,541,200	2,396,100
Highway User Revenue Fund	15,508,700	0	0
Motor Vehicle Liability Insurance Enforcement Fund	1,250,000	1,250,900	1,250,900
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	3,451,500	3,990,500	3,990,500
Peace Officer Training Equipment Fund	197,800	1,047,800	0
Public Safety Equipment Fund	2,798,000	2,893,700	2,893,700
Risk Management Revolving Fund	1,345,300	1,349,300	1,349,300
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	1,327,600	1,650,900	1,650,900
State Aid to Indigent Defense Fund	698,000	700,000	700,000
State Highway Fund	8,169,100	318,200	318,200
SUBTOTAL - Other Appropriated Funds	184,627,300	240,683,100	238,646,200
SUBTOTAL - Appropriated Funds	287,187,500	333,033,400	322,799,700

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
Other Non-Appropriated Funds	39,168,600	38,768,200	38,768,200
Federal Funds	58,711,900	76,473,100	76,473,100
TOTAL - ALL SOURCES	385,068,000	448,274,700	438,041,000

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/ Includes 173.8 GF FTE Positions and 3 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Of the \$1,261,700 appropriated for the Border Strike Task Force Local Support line item, \$761,700 shall be used to fund local law enforcement officer positions within the Border Strike Task Force. Any city, town, county or other entity that enters into an agreement with the department to participate in the Border Strike Task Force shall provide at least 25% of the cost of the services, and the department shall provide not more than 75% of Personal Services and Employee Related Expenditures for each agreement or contract. The department may fund all capital-related equipment. (General Appropriation Act footnote)
- 3/ On or before September 1, 2020, the Department of Public Safety shall submit an expenditure plan for the Border Strike Task Force Local Support line item to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (General Appropriation Act footnote)
- 4/ Of the \$1,261,700 appropriated for the Border Strike Task Force Local Support line item, \$500,000 shall be used for grants to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. (General Appropriation Act footnote)
- 5/ Of the \$24,938,800 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$1,403,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriation Act footnote)
- 6/ Of the \$24,938,800 appropriated to the GIITEM line item, \$10,356,900 shall be used for 100 Department of Public Safety GIITEM personnel. The additional staff shall include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including:
 - 1. Strictly enforcing of 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 of Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", 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 Appropriation Act footnote)
- 7/ **NEW** Notwithstanding Laws 2019, Chapter 263, Section 80, the \$1,047,500 appropriated to the Department of Public Safety by Laws 2019, Chapter 263, Section 80 for the Peace Officer Training Equipment line item is exempt from the provisions of A.R.S § 35-190 relating to lapsing of appropriations, until June 30, 2021. Any monies remaining unexpended on June 30, 2021 revert to the fund from which the monies were appropriated. (General Appropriation Act footnote)
- 8/ ~~Before spending any monies appropriated in FY 2021 for the Peace Officer Training Equipment line item, the department shall submit an expenditure plan for this line item for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)~~
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ Any monies remaining in the Department of Public Safety Joint Account on June 30, 2021 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$275,710,900 and 1,837.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$45,074,500
Arizona Highway Patrol Fund	192,196,900
Concealed Weapons Permit Fund	2,757,900
Criminal Justice Enhancement Fund (CJEF)	2,802,500
DPS Forensics Fund	22,554,200
Fingerprint Clearance Card Fund	1,556,400
Motorcycle Safety Fund	205,000
Motor Vehicle Liability Insurance Enforcement Fund	1,250,900
Parity Compensation Fund	3,990,500
Public Safety Equipment Fund	3,700
Risk Management Revolving Fund	1,349,300
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	1,650,900
State Highway Fund	318,200

FY 2021 adjustments are as follows:

Remove One-Time Loop 202 Freeway Extension Troopers Funding

The Baseline includes a decrease of \$(1,519,200) from the General Fund in FY 2021 to remove equipment and other one-time costs associated with additional highway patrol troopers. The new troopers patrol the extended Loop 202 South Mountain "Congressman Ed Pastor" Freeway.

Remove One-Time Maricopa County Troopers Funding

The Baseline includes a decrease of \$(379,800) from the General Fund in FY 2021 to remove equipment and other one-time costs associated with additional highway patrol troopers. The new troopers patrol during the "Night Watch" shift from 8 p.m. to 6 a.m. in the Maricopa County Metropolitan area.

Remove One-Time Southern Arizona Troopers Funding

The Baseline includes a decrease of \$(759,600) from the General Fund in FY 2021 to remove equipment and other one-time costs associated with expanding the highway patrol coverage in southern Arizona.

Salary Increase Budget Shift

The Baseline includes a decrease of \$(38,200) in FY 2021 from the General Fund and a corresponding increase of \$38,200 in FY 2021 from the Concealed Weapons Permit Fund for a budget shift.

The FY 2020 budget provided a 5% salary increase to all DPS civilian employees from the General Fund. Of the total amount appropriated, \$38,200 supports positions in the Concealed Weapons Permit Unit, which is funded from the Concealed Weapons Permit Fund. The Baseline would shift the salary increase funding from the General Fund to the Concealed Weapons Permit Fund so that the unit may be entirely funded from the same funding source.

Remove One-Time Vehicle Replacement Funding

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2021 to remove one-time funding for highway patrol vehicle replacement. The funding is expected to replace approximately 70 highway patrol vehicles.

Remove One-Time AZPOST Funding

The Baseline includes a decrease of \$(1,027,300) from the Highway Patrol Fund in FY 2021 to remove one-time funding for the Arizona Peace Officers Standards and Training Board (AZPOST) reimbursements. AZ POST provides reimbursements to law enforcement training academies throughout the state to assist with training costs, as well as provides direct law enforcement training.

AZ POST is funded through the DPS budget through the agencies' non-appropriated CJEF distribution. AZ POST provides curriculum and standards for all certified law enforcement training facilities (8 regional facilities and 4 community college academies). This includes state correctional officer training curriculum and standards for corrections officers. AZPOST also performs compliance audits, police officer misconduct investigations, and advanced in-service training.

ACTIC

The Baseline includes \$1,450,000 in FY 2021 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount consists of:

General Fund	750,000
State Aid to Indigent Defense Fund	700,000

These amounts are unchanged from FY 2020.

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.

Border Strike Task Force Local Support

The Baseline includes \$1,261,700 from the General Fund in FY 2021 for the costs of BSTF Local Support. This amount is unchanged from FY 2020.

The BSTF is a multi-agency task force established to target drug and human trafficking organizations and activities along the Arizona-Mexico border. Of the \$1,261,700 total appropriation, the budget requires that \$761,700 be used to fund 75% of the costs for 8 local law enforcement officers that will participate in the BSTF. The participating local law enforcement agency will be responsible for providing a 25% match to these amounts. The remaining \$500,000 shall be used for grants to local governments for the prosecution and imprisonment of individuals that are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes.

Border Strike Task Force Ongoing

The Baseline includes \$7,916,400 and 37 FTE Positions from the General Fund in FY 2021 for the Border Strike Task Force (BSTF). These amounts are unchanged from FY 2020.

The BSTF 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

The Baseline includes \$150,000 from the General Fund in FY 2021 for funding of the Civil Air Patrol (CAP). This amount is unchanged from FY 2020.

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 more information.)*

GIITEM

The Baseline includes \$24,938,800 and 136.8 FTE Positions in FY 2021 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

Arizona Highway Patrol Fund	393,500
General Fund	24,545,300
GIITEM Border Security and Law Enforcement Subaccount	0

FY 2021 adjustments are as follows:

PSPRS Employer Contribution Budget Shift

The Baseline includes a decrease of \$(145,100) in FY 2021 from the GIITEM Border Security and Law Enforcement Subaccount and a corresponding increase of \$145,100 in FY 2021 from the Arizona Highway Patrol Fund for a budget shift.

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) \$12,884,900 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) \$1,403,400 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 sanctions, 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 FY 2020 Criminal Justice Budget Reconciliation Bill (BRB) allocated \$400,000 to the Pima County Sheriff's Office in FY 2020. The remaining \$503,400 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. *(Please see the FY 2018 Appropriations Report for more information.)* The Baseline continues these same allocations in FY 2021.

A.R.S. § 41-1724C requires DPS to distribute the monies in the GIITEM Fund as soon after July 1 of every year as practicable. Prior to distribution, 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 Baseline includes \$2,396,100 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2021 for the GIITEM Subaccount, to be used for equipment and supplies for border security. These amounts are unchanged from FY 2020.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These

revenues are estimated to total \$2,061,700 in FY 2021. 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 authorizing legislation does not specify any particular distribution by county.

At its June 18, 2019 meeting, the JLBC gave a favorable review to a partial GIITEM Subaccount expenditure plan for FY 2020. The plan includes \$456,800 for detention liaison officers, \$539,000 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit, and \$350,000 for the Pima County Border Crimes Unit. At the September 25, 2019 JLBC Meeting, the Committee gave a favorable review of the remaining \$1,050,000 expenditure plan for grants to county sheriffs for border security. The expenditure plan consisted of \$250,000 for Cochise, Santa Cruz, and Yuma Counties and \$100,000 for Graham, Greenlee, and La Paz Counties. *(For more information, please see the [State Immigration Enforcement Assistance to Local Governments](#) program summary on the JLBC website.)*

Motor Vehicle Fuel

The Baseline includes \$5,454,600 in FY 2021 for Motor Vehicle Fuel. This amount consists of:

Arizona Highway Patrol Fund	936,100
General Fund	4,384,200
CJEF	134,300

These amounts are unchanged from FY 2020.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

Peace Officer Training Equipment

The Baseline includes no funding in FY 2021 for Peace Officer Training Equipment. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,047,800) from the Peace Officer Training Equipment Fund in FY 2021 to remove one-time funding for peace officer equipment.

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. This amount includes the following non-lapsing appropriations:

1. The first \$500,000 in revenue is appropriated to DPS for employee overtime pay;
2. The next \$2,300,000 in revenue is appropriated to DPS for 10 virtual firing ranges, 3 virtual training simulators (one for the Tucson Police Department, one for the Pinal County Sheriff's Office, and one for the Glendale Regional Training Academy); Laws 2019, Chapter 283 modified the appropriation by replacing Yuma County Sheriff's Office with the Glendale Regional Training Academy as the third recipient of the virtual training simulators.
3. The next \$203,000 in revenue is appropriated to DPS to maintain and service the 7 existing virtual training simulators;
4. The next \$50,000 in revenue is appropriated to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.
5. The next \$20,000 in revenue is appropriated to the Supreme Court to cover the programming costs of implementing the new fees.

The FY 2020 budget also appropriated \$1,047,800 from the fund.

The State Treasurer administers the fund and disburses the monies to the recipients listed above. These appropriations will be made in the above order as revenue is received in the fund. *(Please see the Supreme Court section for more information.)*

Laws 2018, Chapter 312 increases the assessment on civil traffic violations, local motor vehicle citations, and criminal motor vehicle citations by \$4. This new revenue is to be deposited into the new Peace Officer Training Equipment Fund.

Current revenue projections from the department estimate annual revenues of \$1,224,000. By the end of FY 2021, the fund will have collected a total of approximately \$2,753,500, compared to an appropriated spending amount of \$4,120,800 (\$3,073,000 in FY 2019 and \$1,047,800 in FY 2020). Since the fund's total revenues through the end of FY 2021 are not projected to exceed the \$4,120,800 in appropriations, the Baseline includes no new funding. The Baseline, however, would make the FY 2020 appropriation non-lapsing through FY 2021.

Once these appropriations are completed, the new Peace Officer Training Equipment Advisory Commission will make annual recommendations on how the funding should be spent. Before spending any of the FY 2020 appropriation from the fund, DPS must submit an expenditure plan to JLBC for review.

The Peace Officer Training Equipment Fund is appropriated and may only be used for peace officer equipment.

Pharmaceutical Diversion and Drug Theft Task Force

The Baseline includes \$631,200 and 3 FTE Positions in FY 2021 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

Arizona Highway Patrol Fund	559,800
General Fund	71,400

These amounts are unchanged from FY 2020.

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The Baseline includes \$2,890,000 from the Public Safety Equipment Fund in FY 2021 to equip DPS officers. This amount is unchanged from FY 2020.

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.

Public Safety Interoperability Fund Deposit

The Baseline includes no funding from the General Fund in FY 2021 to the Public Safety Interoperability Fund. FY 2021 adjustments are as follows:

Remove One-Time Interoperability Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2021 to remove one-time funding for interoperable communication systems.

Given the deposit made in FY 2020, the Public Safety Interoperability Fund contains a \$1,500,000 balance.

Those monies cannot be spent without an appropriation. The fund may be used only for interoperable communication systems.

Other Issues

Statutory Changes

The Baseline would:

- As permanent law, continue to allow the Concealed Weapons Permit Fund and the State Aid to Indigent Defense Fund to be used for DPS operating expenses. This provision had previously been authorized as session law.
- As permanent law, continue to allow DPS to use the Arizona Highway Patrol Fund for the Pharmaceutical Diversion and Drug Theft Task Force. This provision had previously been authorized as session law.
- As permanent law, continue to require the Department of Public Safety (DPS) to receive JLBC review of the expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount FY 2021 appropriation prior to its expenditure. This provision had previously been authorized as session law.
- As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.

Long-Term Budget Impacts

As part of the FY 2020 budget's 3-year spending plan, DPS spending is projected to increase by \$160.7 million in FY 2022 above FY 2021 and remain unchanged in FY 2023 above FY 2022.

These estimates are based on:

FY 2022 Changes

- An increase of \$160.7 million to backfill the DPS Highway Patrol budget after the repeal of the Highway Safety Fee on June 30, 2021.

Fund Transfers

The Baseline includes \$23,343,200 in fund transfers for the General Fund in FY 2021. This amount consists of:

- \$15,492,300 of "Excess" Highway Safety Fee revenue. While the statutory calculation for the Highway Safety Fee has been repealed (110% of the Highway Patrol Budget), this is the extra 10% of the Highway

Safety Fee base amount assumed in the enacted FY 2020 budget. These monies will be transferred to the State Highway fund then transferred to the General Fund.

- \$7,850,900 from a State Highway Fund Vehicle License Tax (VLT) transfer.

These transfers were a part of the FY 2020 budget's 3-year spending plan.

Auditor General Recommendations

In October 2019, the Auditor General published an Arizona Board of Fingerprinting performance audit that included recommendations to revise office policies and procedures, assess staffing needs, and review its fee. Specifically, the audit issued the following 4 recommendations: 1) Develop and implement a checklist for staff use to ensure all required application materials are received, 2) Monitor and assess staffing needs based on workload increases, 3) Review and revise its fee, and 4) Implement policies to address potential conflicts of interest in accordance with state laws.

The audit's recommendation to the board to review and revise its fee was based on observation of a growing fund balance. From 2014 to 2018, the Board of Fingerprinting Fund balance has grown by approximately \$1.5 million. In FY 2019, the board's revenues totaled approximately \$1.2 million, while its total expenditures were approximately \$550,000.

In its response to the audit, the Board of Fingerprinting concurred with the findings and recommendations resulting from the audit.

Highway Safety Fee/HURF Shift

Recent History of HURF/SHF Usage

The budget eliminated the remaining DPS HURF appropriation in FY 2020. This funding was replaced by the Highway Safety Fee (see the section below for more information on the Highway Safety Fee in FY 2020 and see the FY 2019 Appropriations Report for more historical information on the HURF shift).

The usage of HURF and State Highway Fund monies in the DPS budget in prior years resulted in monies being diverted from local government road construction and state highway construction. (For more detail see Long-Term Budget Impacts: HURF Funding in the Other Issues section of the FY 2019 Appropriations Report.)

HURF monies are used to fund state and local road construction. Roughly 50.5% of HURF revenue goes to state highway construction and 49.5% goes to cities and counties for local road construction.

Highway Safety Fee – FY 2020 Budget

The FY 2020 Criminal Justice BRB made several modifications to the Highway Safety Fee: 1) The fee is no longer based on the 110% Highway Patrol budget calculation; 2) ADOT's rulemaking exemption for the fee was eliminated; and 3) The fee is repealed at the end of FY 2021 (June 30, 2021).

Given these changes, the FY 2020 budget assumed the Highway Safety Fee would remain at \$32 for FY 2020 and FY 2021, and the fee would continue to generate annual revenue of \$185 million during those 2 years (see discussion below).

In FY 2020, the \$32 fee is expected to pay the complete cost of the Highway Patrol budget. As a result, current funding for Highway Patrol was redirected. This includes:

- Elimination of a full year of \$99 million in HURF for DPS expenses, which was redirected to state and local road construction.
- The elimination of an additional \$54.1 million in General Fund for DPS fund expenses which was replaced by the Highway Safety Fee. This amount consists of 2 parts: 1) \$30 million that was added to the DPS General Fund budget in FY 2015 and 2) \$24.1 million of eligible highway patrol expenses that were identified by the department.
- Reduction of \$7.9 million in State Highway Fund spending for Highway Patrol, which was replaced by funding from the Highway Safety Fee. These freed up monies in the State Highway Fund were transferred to the General Fund through VLT revenues. (See below.)
- Continued funding of the \$7.3 million in new troopers added in FY 2019.
- Deposit of the excess \$15.5 million in Highway Safety Fee funds to the General Fund. While the statutory calculation for the Highway Safety Fee has been repealed (110% of the Highway Patrol Budget), this is the extra 10% of the Highway Safety Fee base amount assumed in the enacted FY 2020 budget. These monies were first transferred to the State Highway Fund and then transferred to the General Fund through VLT revenues.

(Please see Table 3 below for more detail on the components of the Highway Safety Fee in FY 2020.)

In total, the General Fund benefited by \$107.4 million:

- \$30.0 million from eliminating a planned increase in funding to support local HURF.
- \$54.1 million from the DPS budget shift.
- \$23.4 million of transfers to the General Fund: \$15.5 million from the "Excess" Highway Safety Fee revenue transferred to the General Fund and \$7.9 million of General Fund revenue from a State Highway Fund VLT transfer. These freed up monies in the State Highway Fund were transferred to the General Fund through VLT revenues. (See below.)

Transportation spending increased by \$69 million, including \$19 million to local HURF and \$50 million to the State Highway Fund.

Highway Safety Fee – FY 2021 Baseline

The Baseline continues the changes made in the FY 2020 budget. The Baseline will continue to eliminate the usage of HURF monies, reduce the State Highway Fund and General Fund spending, and deposit the excess Highway Safety Fee funds to the General Fund in FY 2021. The fee is expected to remain at \$32. The long-term Baseline estimates incorporate the enacted repeal of the fee on June 30, 2021.

Highway Patrol Fund Balances

In their FY 2021 budget request, DPS forecasts that the Highway Safety Fee will generate annual revenues in FY 2020 and FY 2021 of \$217 million, up from a previous estimate of \$185 million. As a result, the Highway Patrol Fund is projected to have an estimated cash balance of \$96.9 million at the time of the Highway Safety Fee repeal in June 2021 (see Table 2 below).

The most recent forecast used by DPS accounts for the current revenues generated since the fee was implemented in December 2018. Setting aside the first 2 months of deposits, the fee has consistently generated weekly revenues of about \$4.2 million. This weekly trend of revenues has remained steady since March 2019. The forecast does not take into consideration factors other than the current trend, such as population growth, that would affect the Highway Safety Fee revenues.

Table 1 displays the difference between the enacted forecasted Highway Safety Fee revenues and the revised projections from DPS. As detailed in the table, from FY 2019 through FY 2021, the difference between the 2 estimates would ultimately result in approximately \$80 million in revenue gain above the enacted forecast.

The above forecasted revenues will have an impact on the overall amount available for the Highway Patrol budget

within DPS, which is funded entirely from the Highway Patrol Fund in FY 2020 and FY 2021. Table 2 below highlights how the various revenue projections impact the Highway Patrol Fund and result in a cash balance of \$96.9 million in FY 2021.

As displayed in Table 2, the Highway Patrol Fund currently receives revenues from several sources, the foremost revenues coming from the Highway Safety Fee in Line 2 and the Insurance Premium Tax (IPT) in Line 3. Line 5 represents transfers of \$(15.5) million in FY 2020 and FY 2021, from the "Excess" 10% of Highway Safety Fee revenue to the General Fund as required by the 3-year spending plan from the FY 2020 budget. Lines 7 and 8 reflect the ongoing and one-time amounts of the Highway Patrol budget funded from the Highway Patrol Fund. Line 9 is a one-time transfer made for IT project costs in FY 2019.

Highway Safety Fee monies can be spent only on Article 9, Section 14 uses, which consists of highway patrol costs and transportation projects.

Fiscal Year	Enacted Forecast	Revised Projections	Revenue Gain
FY 2019 (Actual)	\$ 91.1	\$ 107.2	\$ 16.1
FY 2020	185.4	217.1	31.7
FY 2021	185.4	217.1	31.7
Total	\$461.9	\$541.4	\$79.5

Table 2

Highway Patrol Fund – Sources and Uses (\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
(1) Beginning Balance	7.3	23.3	58.9
<u>Revenue</u>			
(2) Highway Safety Fee	107.2	217.1	217.1
(3) Insurance Premium Tax	25.6	27.4	29.0
(4) Other Revenues	2.3	1.5	1.5
(5) Enacted Transfers		<u>(15.5)</u>	<u>(15.5)</u>
(6) <i>Total - Revenue</i>	<u>142.4</u>	<u>253.8</u>	<u>291.0</u>
<u>Baseline Spending</u>			
(7) DPS Budget - Ongoing	116.3	193.9	194.1
(8) DPS Budget - One-Time		1.0	
(9) DPS Automation Transfer	<u>2.8</u>		
(10) <i>Total - Spending</i>	<u>119.1</u>	<u>194.9</u>	<u>194.1</u>
(11) Cash Balance	23.3	58.9	96.9

Table 3

FY 2020 and FY 2021 Components of Highway Safety Fee
(\$ in Millions)

	<u>Total</u>	<u>Components</u>			
		<u>DPS</u>	<u>GF</u>	<u>Local Roads</u>	<u>State Roads</u>
Reduce DPS HURF and Replace with HS Fee	\$ 99			\$ 49	\$ 50
Reduce DPS GF and Replace with HS Fee	54		54		
New Troopers and Retirement	7	7			
Shift State Highway Fund via VLT Transfer	8		8		
Transfer "Excess" Fee to General Fund via VLT Transfer	16		16		
Unused Highway Safety Fee Revenues	1				
Foregone Local HURF Backfill			30	(30)	
Total	\$185	\$7	\$108	\$19	\$50

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	3,750,900	2,436,900
Year-End Fund Balance	7,861,700	9,641,500

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits of fees collected from towing impound hearings. In addition, the fund includes deposits from the Highway Safety fee.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. In the past, the fund has been used for IT projects.		
Funds Expended	116,321,400	194,968,500
Year-End Fund Balance	23,252,800	56,465,000
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
Funds Expended	549,100	707,000
Year-End Fund Balance	3,555,000	1,189,000
Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes.		
Funds Expended	700	0
Year-End Fund Balance	37,100	50,600
Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Fees for the application, renewal, and replacement of concealed weapons permits. These fees range from \$10 for a replacement permit to \$60 for a new permit.		
Purpose of Fund: Funds the costs associated with administering the concealed weapons permit process. In the past, the fund has been used for IT projects and DPS operating expenses.		
Funds Expended	3,372,500	2,719,700
Year-End Fund Balance	1,460,500	1,998,500
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	2,377,400	2,936,800
Year-End Fund Balance	208,300	(466,200)
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	208,300	(466,200)

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations.		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System.		
Funds Expended	1,910,100	1,976,500
Year-End Fund Balance	2,534,000	2,758,500
DPS Forensics Fund (PSA9990/A.R.S. § 41-1730)		Appropriated
Source of Revenue: A 19.09% allocation of the Criminal Justice Enhancement Fund.		
Purpose of Fund: 55% may be used by DPS to purchase and install fingerprint identification equipment; operate, maintain and administer the Arizona Automated Fingerprint Identification System; crime laboratory operations and enhanced services; educating and training forensic scientists; purchasing and maintaining scientific equipment for crime lab use; and implementing, operating and maintaining Arizona DNA Identification System. The remaining 45% shall be distributed to the Phoenix Police Department (22%), Tucson Police Department (12%), Mesa Police Department (7%), and Scottsdale Police Department (4%).		
Funds Expended	22,555,100	22,554,200
Year-End Fund Balance	1,478,100	(1,259,300)
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	1,119,900	1,229,100
Year-End Fund Balance	613,400	732,500
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of either an extreme or aggravated driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater, while an aggravated DUI violation is defined as a DUI violation which occurs while an individual under the age of 15 is in the vehicle, while an individual's driver license is suspended or revoked, or a subsequent DUI violation that occurs within 7 years of the initial DUI violation.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	1,050,200	1,592,400
Year-End Fund Balance	888,300	495,900
Drug and Gang Prevention Resource Center Fund (DPA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools. In the past, the fund has been used to cover costs of the Pharmaceutical Diversion and Drug Theft Task Force and for one-time equipment costs.		
Funds Expended	630,100	0
Year-End Fund Balance	128,000	128,000

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.		
Funds Expended	203,000	246,000
Year-End Fund Balance	43,900	43,900
Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To administer various federal awards including Federal Highway Administration grants, Homeland Security grants, the High Intensity Drug Trafficking Area program, the Motor Carrier Safety Assistance program, crime lab grants, and Department of Justice Victims of Crime Act monies.		
Funds Expended	58,711,900	76,473,100
Year-End Fund Balance	2,453,400	2,480,300
Fingerprint Clearance Card Fund (PSA2433/A.R.S § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: Appropriated revenues may be used for DPS crime lab expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	936,100	1,556,400
Year-End Fund Balance	3,818,500	4,125,600
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Non-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Non-Appropriated revenues pay for the processing and issuance of fingerprint clearance cards. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	5,175,200	5,929,900
Year-End Fund Balance	3,818,500	4,125,600
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs and municipal police departments for law enforcement purposes relating to border security including border personnel. The fund is also used to cover costs related to increases in the employer contribution rate for the Public Safety Personnel Retirement System.		
Funds Expended	3,483,700	2,541,200
Year-End Fund Balance	2,317,100	3,304,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Gang and Immigration Intelligence Team Enforcement Mission Fund (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A penalty assessed against law enforcement agencies in the state that are not enforcing current illegal immigration statutes and General Fund monies deposited into the fund per a General Appropriation Act footnote. The fine can be no less than \$500 and no more than \$5,000 a day for as long as the law enforcement agency is in non-compliance. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: These monies can be used for enforcement of gang and immigration statutes, border security, human and drug smuggling laws, the employer sanctions law and for county jail reimbursement, resulting from costs attributed to illegal immigration. A.R.S. § 41-1724 mandates that the first \$500,000 in revenues be distributed to the Pinal County Sheriff for immigration enforcement and prohibits any monies from being distributed to the Maricopa County Sheriff. Any entity receiving monies from the fund shall provide 25% of the cost of services with DPS providing the remaining 75%.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Highway User Revenue Fund (PSA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax.		
Purpose of Fund: To fund a portion of Highway Patrol costs.		
Funds Expended	15,508,700	0
Year-End Fund Balance	0	0
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	11,766,300	11,144,900
Year-End Fund Balance	1,393,900	1,654,000
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,937,300	1,328,700
Year-End Fund Balance	2,466,700	2,218,000
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	23,500	26,000
Motor Vehicle Liability Insurance Enforcement Fund (PSA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the Arizona Department of Transportation (ADOT) pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For ADOT to enforce mandatory motor vehicle liability insurance laws. The fund is also used for DPS operating expenses.		
Funds Expended	1,250,000	1,250,900
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	205,000	205,000
Year-End Fund Balance	127,200	112,200
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	3,451,500	3,990,500
Year-End Fund Balance	4,172,100	3,981,600
Peace Officer Training Equipment Fund (PSA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: Revenues from a \$4 fee for any criminal violation of motor vehicle statutes relating to the stopping, standing or operation of a vehicle, civil traffic violations, and local motor vehicle citations.		
Purpose of Fund: To fund the purchase of peace officer training equipment. Laws 2018, Chapter 312 initially allocates these monies to DPS for: \$500,000 to employee overtime pay, \$2,300,000 for virtual firing ranges and virtual training simulators, \$203,000 to maintain existing virtual training simulators, and \$50,000 to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.		
Funds Expended	197,800	1,047,800
Year-End Fund Balance	107,700	200
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board.		
Funds Expended	4,065,600	5,404,900
Year-End Fund Balance	3,304,800	3,073,800
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Appropriated
Source of Revenue: Revenues from a \$4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 as well as an additional \$4 per citation issued by DPS.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	2,798,000	2,893,700
Year-End Fund Balance	1,039,000	2,216,200
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Non-Appropriated
Source of Revenue: The first \$1,200,000 generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses, except for boating-related offenses. The Treasurer is required to deposit any revenues in excess of \$1,200,000 directly into the General Fund.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	733,200	0
Year-End Fund Balance	1,039,000	2,216,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Public Safety Interoperability Fund (PSA9900/A.R.S. § 41-1733)		Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund upgrades to public safety interoperable communication systems.		
Funds Expended	0	0
Year-End Fund Balance	0	1,500,000
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	4,852,400	5,783,700
Year-End Fund Balance	1,195,900	462,200
Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the costs of a disaster recovery program for the DPS mainframe data center and the operational costs of the Capitol Police.		
Funds Expended	1,345,300	1,349,300
Year-End Fund Balance	19,000	19,000
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount (PSA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Monies are transferred from the ADOT administered fund and includes fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings. The Department of Public Safety and Department of Transportation each have subaccounts within the Safety Enforcement and Transportation Infrastructure Fund and revenues are divided between the 2 subaccounts with the Department of Public Safety Subaccount receiving 45% of revenues and the Department of Transportation Subaccount receiving 55% of revenues to the fund.		
Purpose of Fund: To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. (See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.)		
Funds Expended	1,327,600	1,650,900
Year-End Fund Balance	29,000	(349,100)
State Aid to Indigent Defense Fund (PSA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, 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 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid through the Arizona Criminal Justice Commission to county public defenders for the processing of criminal cases. These monies are no longer used for this purpose. Currently, the fund is used for DPS operating costs.		
Funds Expended	698,000	700,000
Year-End Fund Balance	276,400	276,400
State Highway Fund (PSA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	8,169,100	318,200
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)		Non-Appropriated
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	110,100	24,000
Year-End Fund Balance	46,800	24,800
Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)		Non-Appropriated
Source of Revenue: A \$2 surcharge on criminal offenses and civil traffic violations and up to \$100,000 annually from the revenues of lottery games that are sold from vending machines.		
Purpose of Fund: To provide grants to non-profit entities that can demonstrate a 5-year history of providing legal representation and social services to crime victims. Up to 5% of the revenues into the fund can be used for administrative costs of the fund.		
Funds Expended	944,600	964,200
Year-End Fund Balance	2,077,700	2,889,100

Public Safety Personnel Retirement System

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
SPECIAL LINE ITEMS			
EORP Fund Deposit	5,000,000	5,000,000	5,000,000
Prescott Fire Employer Group Deposit	2,000,000	1,000,000	1,000,000 ^{1/}
AGENCY TOTAL	7,000,000	6,000,000	6,000,000
FUND SOURCES			
General Fund	7,000,000	6,000,000	6,000,000
SUBTOTAL - Appropriated Funds	7,000,000	6,000,000	6,000,000
Other Non-Appropriated Funds	13,236,100	15,132,300	15,132,300
TOTAL - ALL SOURCES	20,236,100	21,132,300	21,132,300

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/} The FY 2020 General Appropriation 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

The Baseline includes \$5,000,000 from the General Fund in FY 2021 as part of the closure of the Elected Officials Retirement Plan (EORP). This amount is unchanged from FY 2020. (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 (A.R.S § 38-810). As a result, monies in the line item are not included in the General Appropriation Act.

Prescott Fire Employer Group Deposit

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2020.

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, this amount will not appear in the FY 2021 General Appropriation 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 were intended to offset these increased pension liabilities.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. As of June 2019, PSPRS re-estimated this liability to be \$10,840,000.

See the *Consolidated Retirement Report* section for more information on PSPRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)		Non-Appropriated
Source of Revenue: Employee and employer contributions for certain Tier 3 PSPRS and CORP members, abandoned Disability Program monies, and interest earnings.		
Purpose of Fund: Paying benefits and administration costs for the Defined Contribution Retirement Plan Disability Program established under Tier 3 of PSPRS and CORP. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (No Fund Number/A.R.S. § 38-643)		Non-Appropriated
Source of Revenue: Consists of employer contributions of \$50 per active employee participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year. Statute authorizes PSPRS to charge an employer premium of up to \$180 per active employee. Statute also authorizes Correctional Officers Retirement Plan (CORP) employer groups to opt-in to the plan.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters, peace officers, and correction officers for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS (or CORP). The plan benefits include an upfront cash payment upon diagnosis, along with coverage for various out-of-pocket medical expenses (after any primary insurance), with an overall maximum lifetime benefit limit of \$100,000. Insurance policy payouts are made from a separate fund. The plan is not a Worker's Compensation plan and does not satisfy any requirement for coverage by Worker's Compensation insurance. The displayed expenditures for this fund reflect PSPRS administrative expenses allocated to this fund. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses.		
Funds Expended	32,200	32,200
Year-End Fund Balance	0	0
Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)		Non-Appropriated
Source of Revenue: Public Safety Personnel Retirement Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
Purpose of Fund: A 9-member governing board administers PSPRS, the Elected Officials Retirement Plan (EORP), the Elected Officials Defined Contribution Retirement System (EODC System), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute to spend monies from each fund to pay for necessary administration and investment expenses. FY 2019 and FY 2020 expenditures each exclude \$59,881,800 of net fees applied to investments.		
Funds Expended	13,203,900	15,100,100
Year-End Fund Balance	0	0
Retiree Pool Account (No Fund Number/A.R.S. § 38-846.05)		Non-Appropriated
Source of Revenue: PSPRS employee and employer contributions for members that were hired on or after July 1, 2017 if the employer has 250 or less active members. The account shall remain 100% funded. In any fiscal year that the account is not 100% funded as of June 30, the amount necessary to adjust the account up or down to 100% funded shall be transferred from or to the investment earnings of the fund before those earnings are distributed to each employer's account.		
Purpose of Fund: To share the actuarial liability costs for the employers of Tier 3 members (those hired on or after July 1, 2017) and are eligible for a normal retirement pension, a disability pension, or for survivors of Tier 3 members eligible for a death benefit pension. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

State Real Estate Department

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,402,000	1,612,600	1,612,600
Employee Related Expenditures	521,000	656,200	656,200
Professional and Outside Services	99,100	99,100	99,100
Travel - In State	12,200	13,000	13,000
Travel - Out of State	3,300	3,500	3,500
Other Operating Expenditures	386,300	434,600	434,600
Equipment	75,800	90,500	90,500
AGENCY TOTAL	2,499,700	2,909,500	2,909,500 ^{1/}
FUND SOURCES			
General Fund	2,499,700	2,909,500	2,909,500
SUBTOTAL - Appropriated Funds	2,499,700	2,909,500	2,909,500
Other Non-Appropriated Funds	43,900	203,300	203,300
TOTAL - ALL SOURCES	2,543,600	3,112,800	3,112,800

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. Beginning in FY 2017, the responsibilities relating to the dispute resolutions process for condominium and planned community associations were transferred from the Department of Fire, Building and Life Safety to the Arizona Department of Real Estate.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,909,500 and 37 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Condominium and Planned Community Hearing Office Fund (REA2537/A.R.S. § 32-2199.05)		Non-Appropriated
Source of Revenue: Filing fees (\$500 per complaint) and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes		
Purpose of Fund: To reimburse the costs of HOA Dispute Process hearings administered by the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations. Prior to FY 2017, the Department of Fire, Building and Life Safety operated the fund and oversaw the HOA adjudication process.		
Funds Expended	31,700	33,000
Year-End Fund Balance	9,900	9,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the Real Estate Lawbook.		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	11,900	12,000
Year-End Fund Balance	28,400	27,500
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	300	158,300
Year-End Fund Balance	922,000	853,700

Residential Utility Consumer Office

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	577,700	757,700	757,700
Employee Related Expenditures	214,800	253,700	253,700
Professional and Outside Services	0	2,400	2,400
Travel - In State	1,500	8,600	8,600
Travel - Out of State	7,100	7,000	7,000
Other Operating Expenditures	167,700	174,200	174,200
OPERATING SUBTOTAL	968,800	1,203,600	1,203,600
SPECIAL LINE ITEMS			
Professional Witnesses	7,500	145,000	145,000 ^{1/}
AGENCY TOTAL	976,300	1,348,600	1,348,600 ^{2/}

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	976,300	1,348,600	1,348,600
SUBTOTAL - Other Appropriated Funds	976,300	1,348,600	1,348,600
SUBTOTAL - Appropriated Funds	976,300	1,348,600	1,348,600
TOTAL - ALL SOURCES	976,300	1,348,600	1,348,600

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,203,600 and 11 FTE Positions from the RUCO Revolving Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2021 for Professional Witnesses. This amount is unchanged from FY 2020.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment levied on public service corporations with annual residential revenues in excess of \$500,000, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	976,300	1,348,600
Year-End Fund Balance	719,900	496,400

Board of Respiratory Care Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	173,400	179,500	179,500
Employee Related Expenditures	72,900	65,700	65,700
Professional and Outside Services	500	6,500	6,500
Travel - In State	1,200	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	52,900	67,400	67,400
AGENCY TOTAL	300,900	322,600	322,600^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	300,900	322,600	322,600
SUBTOTAL - Other Appropriated Funds	300,900	322,600	322,600
SUBTOTAL - Appropriated Funds	300,900	322,600	322,600
TOTAL - ALL SOURCES	300,900	322,600	322,600

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

Operating Budget

The Baseline includes \$322,600 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	300,900	322,600
Year-End Fund Balance	255,800	273,300

Arizona State Retirement System

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	245.9	240.9	240.9
Personal Services	12,545,800	13,025,000	13,025,000
Employee Related Expenditures	4,659,000	5,321,900	5,321,900
Professional and Outside Services	3,420,000	3,055,400	3,055,400
Travel - In State	26,400	30,000	30,000
Travel - Out of State	28,900	49,000	49,000
Other Operating Expenditures	2,788,900	2,323,200	2,323,200
Equipment	159,900	389,500	389,500
OPERATING SUBTOTAL	23,628,900	24,194,000	24,194,000
SPECIAL LINE ITEMS			
One-Time IT Expenses	500,000	0	0
AGENCY TOTAL	24,128,900	24,194,000	24,194,000^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	1,504,100	1,800,000	1,800,000
State Retirement System Administration Account	22,624,800	22,394,000	22,394,000
SUBTOTAL - Other Appropriated Funds	24,128,900	24,194,000	24,194,000
SUBTOTAL - Appropriated Funds	24,128,900	24,194,000	24,194,000
Other Non-Appropriated Funds	15,283,400	17,790,400	18,323,700
TOTAL - ALL SOURCES	39,412,300	41,984,400	42,517,700

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

Operating Budget

The Baseline includes \$24,194,000 and 240.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
State Retirement System Administration Account	\$22,394,000
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

These amounts are unchanged from FY 2020.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. Excludes \$113,713,700 and \$120,291,600 of net fees applied to investments in FY 2019 and FY 2020.		
Funds Expended	15,283,400	17,790,400
Year-End Fund Balance	0	0
Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)		Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Funds Expended	1,504,100	1,800,000
Year-End Fund Balance	0	0
State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	22,624,800	22,394,000
Year-End Fund Balance	0	0

Department of Revenue

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	880.8	880.8	880.8 ^{1/}
Personal Services	24,652,300	28,474,700	28,474,700
Employee Related Expenditures	9,868,300	11,944,300	11,944,300
Professional and Outside Services	9,394,400	9,472,800	9,472,800
Travel - In State	79,700	134,600	134,600
Travel - Out of State	43,800	126,800	126,800
Other Operating Expenditures	13,073,600	14,815,100	14,815,100
Equipment	1,257,900	943,600	943,600
OPERATING SUBTOTAL	58,370,000	65,911,900	65,911,900 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	6,155,800	7,560,300	7,560,300
Out of State TPT Administration	0	2,000,000	0
Prime Contracting Noncompliance Study	75,000	0	0
Tax Fraud Prevention	3,070,200	3,150,000	3,150,000 ^{3/4/}
TPT Simplification	1,095,900	984,300	984,300
Unclaimed Property Administration and Audit	1,479,200	1,368,800	1,368,800 ^{5/}
Veterans' Income Tax Settlements	224,800	0	0
AGENCY TOTAL	70,470,900	80,975,300	78,975,300 ^{6/7/8/}
FUND SOURCES			
General Fund	28,681,300	31,245,200	31,245,200
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	40,463,900	48,243,000	46,243,000
Liability Setoff Program Revolving Fund	709,000	805,600	805,600
Residential Contractors' Recovery Fund	75,000	0	0
Tobacco Tax and Health Care Fund	541,700	681,500	681,500
SUBTOTAL - Other Appropriated Funds	41,789,600	49,730,100	47,730,100
SUBTOTAL - Appropriated Funds	70,470,900	80,975,300	78,975,300
Other Non-Appropriated Funds	1,016,300	1,594,100	1,594,100
TOTAL - ALL SOURCES	71,487,200	82,569,400	80,569,400

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

FOOTNOTES

- 1/ Includes 70 GF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The operating lump sum appropriation includes \$2,000,000 and 25 FTE Positions for additional audit and collections staff. (General Appropriation Act footnote)
- 3/ 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 Appropriation Act footnote)
- 4/ On or before November 1, 2020, the department shall report the results of private fraud prevention investigation services during FY 2020 to the Joint Legislative Budget Committee. The report shall include the total number of fraudulent returns prevented and the total dollar amount of fraudulent returns prevented during FY 2020. (General Appropriation Act footnote)
- 5/ If the total value of properties retained by unclaimed property contract auditors exceeds \$1,368,800, the excess amount is transferred from the state General Fund to the Department of Revenue Administrative Fund, established by A.R.S. § 42-1116.01, and appropriated to the department for contract auditor fees. (General Appropriation Act footnote)

- 6/ The department shall report the department's General Fund revenue enforcement goals for FY 2021 to the Joint Legislative Budget Committee on or before September 30, 2020. On or before September 30, 2021, 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 FY 2021. The reports shall include a comparison of projected and actual state General Fund, total state tax, total county tax and total municipal tax revenue enforcement collections for FY 2020 and FY 2021, including the amount of projected and actual enforcement collections for all tax types. The reports shall 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 FY 2020. (General Appropriation Act footnote)
- 7/ **NEW** On or before March 31, 2021, the Department shall submit a report to the Joint Legislative Budget Committee for its review on the progress of the department's implementation of recommendations included in the Auditor General's March 2019 report regarding transaction privilege tax administration and enforcement. The report shall include an assessment of the effectiveness of the department's efforts to reduce the risk of misreporting and underreporting transaction privilege tax through information technology controls and data analysis and the department's progress in identifying and fixing errors in the department's tax system TPT licensing information. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$65,911,900 and 810.8 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$25,077,900
DOR Administrative Fund	39,346,900
Liability Setoff Program Revolving Fund	805,600
Tobacco Tax and Health Care Fund	681,500

These amounts are unchanged from FY 2020.

**Business Reengineering/Integrated Tax System (BRITS)
Operational Support**

The Baseline includes \$7,560,300 and 51 FTE Positions in FY 2021 for operational support of BRITS. These amounts consist of:

General Fund	2,033,000
DOR Administrative Fund	5,527,300

These amounts are unchanged from FY 2020.

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 computer system for collecting and processing tax data.

Out of State TPT Administration

The Baseline includes no funding from the DOR Administrative Fund in FY 2021 for Out-of-State Transaction Privilege Tax (TPT) Administration. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the DOR Administrative Fund in FY 2021 to remove one-time costs to administer and collect TPT on out-of-state businesses.

In June 2018, the United States Supreme Court overruled in *South Dakota v. Wayfair Inc.* a 1992 ruling made by the same court in *Quill Corp v. North Dakota*, which had held that only out-of-state businesses with a physical presence inside a state could be required to collect and remit sales tax in that state. As a result of the *Wayfair* ruling, the physical presence requirement was effectively replaced by an economic nexus requirement.

Laws 2019, Chapter 273 established the economic nexus thresholds under which an out-of-state business is required to collect and remit tax on retail sales in Arizona. DOR established the new filing process and began accepting out-of-state returns under the new economic nexus categories October 1, 2019.

Tax Fraud Prevention

The Baseline includes \$3,150,000 from the General Fund in FY 2021 for Tax Fraud Prevention. This amount is unchanged from FY 2020.

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 \$7.7 million in fraudulent returns in Individual Income Tax returns in FY 2019, compared to \$11.3 million in FY 2018, \$25.0 million in FY 2017 and \$78.5 million in FY 2016. DOR has also expanded the program to include other tax types.

TPT Simplification

The Baseline includes \$984,300 and 19 FTE Positions from the General Fund in FY 2021 for TPT Simplification responsibilities. These amounts are unchanged from FY 2020.

Laws 2013, Chapter 255 and Laws 2014, Chapter 263 created a unified TPT audit and collections system under the auspices of DOR. As a result, DOR assumed the responsibility for the audit and collection of TPT taxes for all municipalities including the 14 "Non-Program" cities which previously administered their own TPT taxes. These monies allow DOR to fund the additional staffing associated with these TPT oversight responsibilities.

Unclaimed Property Administration and Audit

The Baseline includes \$1,368,800 from the DOR Administrative Fund in FY 2021 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2020.

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.

Other Issues

Statutory Changes

The Baseline would, as session law, continue legislative intent statement that local fees to fund the Department of Revenue (DOR) are not to exceed \$20,755,835 and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them (excluding Highway User Revenue Fund money).

Tobacco Tax/Master Settlement Agreement

The Baseline transfers \$836,000 from the Traditional Medicaid Services line item in AHCCCS in FY 2021 to DOR to fund staff to help enforce the provisions of the Master Settlement Agreement. These monies are provided in a footnote in the AHCCCS budget.

The transfer funds maintenance costs on the electronic tobacco tax system and to fund personnel to perform luxury tax enforcement and audit duties. *(Please see AHCCCS for more information regarding this transfer.)*

Auditor General TPT Reports

The Auditor General released 2 audit reports in March 2019 regarding DOR's TPT administration and enforcement work, and a Sunset Report in June 2019. The reports concluded that DOR must improve in several areas related to TPT administration, particularly in TPT licensing and data controls. For example, the report recommended that DOR improve its program to determine if businesses operating within the state have active TPT licenses after Auditor General staff determined 7 of the 30 businesses reviewed did not have an active TPT license.

The report also recommended DOR improve data controls in its online filing system after Auditor General staff discovered 15 of the 24 active TPT licenses reviewed contained data errors, which can limit DOR's ability to perform audit and collections work. Additionally, the staff also determined limitations in the data controls cause some filing errors to go unnoticed. As a result, the Auditor General staff identified possible underreporting or misreporting TPT revenue in 20 of the 24 businesses reviewed.

The Baseline includes a new footnote requiring DOR to report to JLBC for committee review by March 31, 2021 on the progress of the department's efforts to implement the recommendations included in the audit report.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Department of Revenue Administrative Fund (RVA1993/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, \$24,500,000 in unclaimed property proceeds are deposited into this fund. In addition, pursuant to A.R.S. § 42-5041, this fund receives cost assessments paid by local governments for DOR operating expenses.		
Purpose of Fund: To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	40,463,900	48,243,000
Year-End Fund Balance	8,895,700	5,523,800
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund.		
Funds Expended	0	0
Year-End Fund Balance	89,700	89,700
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.		
Purpose of Fund: To pay allowed claims. The department retains at least \$100,000 of the fund prior to year-end transfers while the state attempts to pay out claims. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations and unclaimed property in a self-storage unit are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. A.R.S. § 44-313 requires that the first \$2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next \$2,500,000 into the Housing Trust Fund, the next \$24,500,000 into the DOR Administrative Fund and all remaining monies be redirected to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,743,700	1,743,700
I Didn't Pay Enough Fund (RVA6001/A.R.S. § 43-211)		Non-Appropriated
Source of Revenue: Voluntary contributions from taxpayers.		
Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board.		
Purpose of Fund: To assist the Revenue Tobacco unit in enforcement compliance.		
Funds Expended	999,900	1,580,900
Year-End Fund Balance	2,691,300	1,400,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Liability Setoff Program Revolving Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. The Department of Revenue withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover the Department of Revenue's costs of administering the Liability Setoff program and for general operating expenditures.		
Funds Expended	709,000	805,600
Year-End Fund Balance	477,400	540,800
Residential Contractors' Recovery Fund (RVA3155/A.R.S. § 32-1132)		Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: For the Registrar of Contractors to compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Up to 14% of prior fiscal year revenues may be used to administer the fund. Laws 2018, Chapter 305 appropriated \$75,000 from the Fund in FY 2019 to DOR for a one-time study of prime contracting TPT noncompliance.		
Funds Expended	75,000	0
Year-End Fund Balance	0	0
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	10,400	10,600
Year-End Fund Balance	24,500	18,900
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 5, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A. R. S. § 42-1004B3. The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. Contingency fees paid to collectors are subtracted from gross collections and are not recorded as expenditures within the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	6,000	2,600
Year-End Fund Balance	3,600	6,500
Tax Fraud Interdiction Fund (RVA3050/A.R.S. § 42-1116.02)		Appropriated
Source of Revenue: Fines up to \$100,000 for individuals and \$500,000 for corporations for the sale, use, purchase, development, possession, or licensing of any automated sales suppression device/service, zapper, or phantom-ware used to evade tax administration.		
Purpose of Fund: Of the monies in the fund, 50% are to be used by the department to detect tax fraud caused by automated sales suppression software/service, zappers or phantom-ware. The other 50% are transferred to the Attorney General's office for prosecution of the same tax fraud and other tax fraud violations.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the Tobacco Tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	541,700	681,500
Year-End Fund Balance	19,200	19,200
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund. Expenditure amounts are not displayed to avoid double counting.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. Monies in the fund revert to the General Fund on June 30, 2021.		
Funds Expended	0	0
Year-End Fund Balance	1,635,300	1,443,400
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190.		
Funds Expended	0	0
Year-End Fund Balance	0	0

School Facilities Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	911,000	965,000	965,000
Employee Related Expenditures	299,100	322,200	322,200
Professional and Outside Services	161,900	160,000	160,000
Travel - In State	17,400	13,000	13,000
Travel - Out of State	8,900	5,000	5,000
Other Operating Expenditures	201,800	251,300	251,300
Equipment	7,600	2,000	2,000
OPERATING SUBTOTAL	1,607,700	1,718,500	1,718,500
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2019 Authorizations)	49,636,700	36,726,700	0
New School Facilities (FY 2020 Authorizations)	0	75,875,800	45,805,900 ^{1/}
New School Facilities (FY 2021 Authorizations)	0	0	12,980,900 ^{2/}
New School Facilities Debt Service	134,287,300	131,870,500	67,177,800 ^{3/}
Other Programs			
Building Renewal Grants	76,085,800	79,458,800	16,667,900
AGENCY TOTAL	261,617,500	325,650,300	144,351,000 ^{4/5/}
FUND SOURCES			
General Fund	261,617,500	325,650,300	144,351,000
SUBTOTAL - Appropriated Funds	261,617,500	325,650,300	144,351,000
Other Non-Appropriated Funds	64,904,200	65,378,700	9,250,700
TOTAL - ALL SOURCES	326,521,700	391,029,000	153,601,700

AGENCY DESCRIPTION — The School Facilities Board (SFB) is composed of 9 gubernatorial appointments and the Superintendent of Education. The board 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. In addition, SFB Staff provides support to the Credit Enhancement Eligibility Board, which operates the Arizona Public School Credit Enhancement program for district and charter schools.

FOOTNOTES

- 1/ Laws 2019, Chapter 263 appropriated \$45,805,900 from the General Fund in FY 2021 for the New School Facilities FY 2020 authorizations.
- 2/ Pursuant to A.R.S. § 15-2041 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 School Facilities Board on or before December 15, 2019. (General Appropriation Act footnote)
- 3/ At least 30 days before any monies are transferred out of the New School Facilities Debt Service line item, the School Facilities Board shall report the proposed transfer to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ Pursuant to A.R.S. § 35-142.01, any reimbursement received by or allocated to the School Facilities Board under the federal Qualified School Construction Bond program in FY 2021 shall be deposited in or revert to the state General Fund. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,718,500 and 17 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

New School Facilities

The Baseline includes \$58,786,800 from the General Fund in FY 2021 for New School Facilities, which is a decrease of \$(53,815,700) from FY 2020. The FY 2021 funding amount for New School Facilities includes the following:

- \$45,805,900 for the remaining 50% of construction funding to complete 10 projects which were authorized to begin construction in FY 2020.
- \$12,980,900 for the land costs and the first 50% of construction costs for 2 projects that will be authorized to begin construction in FY 2021. This amount includes \$1,250,000 for land, and \$11,730,900 for construction.

All new school construction is labeled as one-time rather than ongoing.

(Please see [Table 3](#) for a summary of FY 2020 through FY 2023 New School Facilities Funding.)

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. The board distributes the monies to school districts as work is completed on approved projects. The amounts allocated to each school district are determined by statute. 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. Funding is then provided to the district at a statutorily prescribed dollar amount per square foot.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC. At its December 11, 2019 meeting, the JLBC approved a 5.29% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2018 when the Committee last adopted an adjustment. This adjustment applies to all new FY 2021 authorizations in the Baseline. (Please see [Table 1](#) for statutory funding guidelines.)

In addition, the board distributes money for land acquisition and site conditions. Site conditions funding is used by SFB 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.

Table 1

New School Facilities Statutory Funding Guidelines

Type of School	Square Feet Per Student	Funding Per Square Foot ^{1/2/}
K-6	90	\$164.36
7-8	100	\$173.52
9-12 (<1,800 pupils)	134	\$200.90
9-12 (≥1,800 pupils)	125	\$200.90

^{1/} Increased by 5% for rural school districts.

^{2/} Adjusted annually for inflation.

In addition to the state funding formula, school districts may generate additional funding through the issuance of bonds (see [Other Issues for K-12 Capital Bonding](#)).

New School Facilities (FY 2019 Authorization)

The Baseline includes no funding in FY 2021 for New School Facilities which were authorized to start construction in FY 2019. FY 2021 adjustments are as follows:

New School Funding Completion

The Baseline includes a decrease of \$(36,726,700) from the General Fund in FY 2021 for the completion of the following projects:

- [Chandler Unified \(9-12\)](#) – for an addition at Chandler High School
- [Chandler Unified \(9-12\)](#) – for an addition at Perry High School.
- [Chandler Unified \(9-12\)](#) – for an addition at Camille Casteel High School.
- [Chandler Unified \(9-12\)](#) – for an addition at Basha High School.
- [Queen Creek Unified \(K-5\)](#) – for a new elementary school.
- [Tolleson UHSD \(9-12\)](#) – for a new high school including land.

New School Facilities (FY 2020 Authorization)

The Baseline includes \$45,805,900 from the General Fund in FY 2021 for New School Facilities projects which are authorized to start construction in FY 2020. FY 2021 adjustments are as follows:

Continue New School Construction Projects

The Baseline includes a decrease of \$(30,069,900) from the General Fund in FY 2021 to continue construction for 10 new school projects authorized to start construction in FY 2020.

The FY 2020 budget provided 50% of construction costs and 100% of land costs for each project with the exception of the Pima Unified and Somerton projects which received 100% of construction funding in FY 2020. The FY 2021 Baseline eliminates the land acquisition costs and funds the remaining construction costs for the following projects:

- Chandler Unified (9-12) – for a new high school.
- Douglas Unified (9-12) – for a new high school.
- Laveen Elementary (K-8) – for a new elementary school.
- Maricopa Unified (9-12) – for a new high school.
- Pima Unified (K-6) – for a new elementary school. There is no land required. The FY 2020 budget funded 100% of this project in FY 2020.
- Safford Unified (K-6) – for a new elementary school.
- Santa Cruz Valley Unified (9-12) – for additional high school space.
- Somerton Elementary (K-6) – for a new elementary school. The FY 2020 budget funded 100% of this project in FY 2020.
- Somerton Elementary (K-6) – for a new elementary school. The FY 2020 budget funded 100% of this project in FY 2020
- Vail Unified (K-5) – for a new elementary school.

In addition, the FY 2020 General Appropriation Act appropriated the remaining \$45,805,900 of funding in FY 2021 for these projects. As a result, these monies will not appear in the FY 2021 General Appropriation Act. (See Table 3 and the Long-Term Budget Impacts section for more information.)

New School Facilities (FY 2021 Authorization)

The Baseline includes \$12,980,900 from the General Fund in FY 2021 for New School Facilities projects which are authorized to start construction in FY 2021. FY 2021 adjustments are as follows:

Begin New School Construction Projects

The Baseline includes an increase of \$12,980,900 from the General Fund in FY 2021 to begin construction for 2 new school projects authorized to start construction in FY 2021. These school districts are projected to be at capacity in FY 2022. The Baseline assumes the FY 2021 appropriation will include 100% of the land costs and 50% of the construction costs. The projects are as follows:

- Chandler Unified (9-12) – for a high school addition
- Tanque Verde Unified (7-12) – for a new high school including land.

(See Table 3 and the Long-Term Budget Impacts section for more information.)

New School Facilities Debt Service

The Baseline includes \$67,177,800 from the General Fund in FY 2021 for New School Facilities Debt Service. FY 2021 adjustments are as follows:

Lease-Purchase Payment

The Baseline includes a decrease of \$(64,692,700) from the General Fund in FY 2021 for decreased lease-purchase payments. This reflects the variations in SFB's existing lease-purchase schedule.

Background – In FY 2003 - FY 2005, FY 2008, FY 2009, and FY 2011, SFB entered into lease-purchase agreements to finance the costs of new school construction. For each agreement, SFB issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years. At the end of FY 2021, the outstanding amount of General Fund lease-purchase principal to be paid will be \$196,737,200.

The FY 2021 Baseline includes \$9,938,100 for the entire debt service requirement for the Qualified School Construction Bonds (QSCB) issuance in FY 2021. 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 \$3,976,500 in FY 2021 related to the lease-purchase payment. The subsidy is deposited into the General Fund.

Pursuant to A.R.S. § 35-142.01, these funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$5,961,600.

Other Programs

Building Renewal Grants

The Baseline includes \$16,667,900 from the General Fund in FY 2021 for Building Renewal Grants. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes decrease of \$(62,790,900) from the General Fund in FY 2021 to eliminate 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. (Please see Table 2 for FY 2013 through FY 2020 Building Renewal Appropriations.) In FY 2019, Building Renewal Grant funding (including the supplemental amount) allocated an additional \$59,417,900 in one-time funding above this base amount. The FY 2020 budget included one-time funding of \$62,790,900 for Building Renewal Grants above the ongoing "base" amount. (Please see Other Issues for more information.)

Background – The Building Renewal Grant Fund was created in FY 2009 to provide grant-based funding for building renewal projects. The fund consists of legislative appropriations and is administered by SFB.

SFB distributes monies to school districts to fund "primary" building renewal projects. SFB prioritizes the projects with emphasis given to school districts that have provided routine preventative maintenance on their facility. "Primary" building renewal funding is for projects required to meet the minimum school facility adequacy guidelines. Statute also requires SFB to prioritize funding to critical projects.

Pursuant to A.R.S. § 15-2022, SFB 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. NSF Fund revenues are derived from legislative appropriations and lease-purchase proceeds. SFB estimates the EDC Fund to have a \$0 balance at the beginning of FY 2020.

<u>Fiscal Year</u>	<u>Ongoing</u>	<u>One-Time</u>
2013	2,667,900	0
2014	16,667,900	0
2015	16,667,900	0
2016	16,667,900	15,000,000
2017	16,667,900	15,000,000
2018	16,667,900	27,167,900
2019	16,667,900	59,417,900
2020	16,667,900	62,790,900

The EDC Fund is used in a similar manner as the Building Renewal Grants program, where districts apply to SFB for funding to correct facilities emergencies that pose health or safety concerns. 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. SFB can transfer unallocated funds from the New School Facilities Fund to the EDC Fund.

Other Issues

This section includes information on the following topics:

- Long-Term Budget Impacts
- K-12 Capital Bonding
- Public School Credit Enhancement Program
- Minimum Adequacy Guidelines
- Auditor General Recommendations

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SFB's General Fund costs are projected to decrease by \$(14,822,400) in FY 2022 below FY 2021 and increase by \$32,906,900 in FY 2023 above FY 2022. These estimates are based on:

Debt Service Changes

SFB debt service is expected to decrease by \$(1,000) in FY 2022 and \$(4,400) in FY 2023.

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining funding in FY 2022 for the schools which were authorized to begin construction in FY 2021; and 2) Conceptual approval made by SFB as part of the agencies' long-term planning process.

In FY 2022, new school construction spending is projected to decrease by \$(14,821,400). In addition, FY 2023 new school construction spending is projected to increase by \$32,911,300 above FY 2022. (Please see Table 3 for more detail on Long-Term New School Facilities funding projections.)

Long-term budget estimates are subject to change depending on SFB's future awards of new school construction and any changes to the inflation adjustment for new school construction costs. Long-term estimates include land costs when SFB indicates land is required which is not already available to the district. Unless a land cost estimate was specifically provided by SFB, land costs are estimated using median acreage required by SFB policy per school type/size and estimated land market values.

K-12 Capital Bonding

A.R.S. § 15-1021 authorizes school districts to issue voter-approved bonds for long-term capital needs, such as school construction and renovation to be paid for with local property tax revenues. Article IX, Sections 8 and 8.1 of the Arizona Constitution limit non-unified and unified school district bonded indebtedness to no more than 15% or 30% of the district's assessed valuation, respectively.

However, A.R.S. § 15-1021 sets statutory limits below the constitutional limits for "Class B" bonds (for those issued after December 31, 1999). School district Class B bonding is limited to 10% and 20% of property values for non-unified and unified districts, respectively.

As of the end of FY 2019, the total amount of voter-approved school district bonds outstanding was approximately \$3.8 billion.

A.R.S. § 15-2002 requires each school district to report Class B bond approvals to SFB by December 1 of each year and requires SFB to annually report to JLBC by December 31 on all Class B bond approvals by school districts in that year. Based on JLBC Staff estimates, there were 15 districts with Class B bond approvals in 2019 for a total of \$1.3 billion.

Public School Credit Enhancement Program

The Arizona Public School Credit Enhancement Program assists achievement district schools in obtaining financing by guaranteeing the payment of principal and interest. The program is currently operated by the Governor's Office of Education. As of September 2019, 9 schools have been approved financing through the program with the amount of guaranteed financing issued totaling \$162.9 million – Academy of Math and Science (2 projects), Arizona Agribusiness and Equine Center, Great Hearts Academies (2 projects), BASIS Schools (2 projects), Vista College Preparatory, and Highland Preparatory. As of September 2019, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is \$105.9 million and has a leverage ratio of 1.54 (based on issued financings). The statutory limit for the program's leverage ratio is 3.5.

Minimum Adequacy Guidelines

The FY 2019 K-12 Education Budget Reconciliation Bill (BRB) requires the board to submit a report to the JCCR for review on the fiscal impact of any changes made to the minimum adequacy guidelines. The minimum adequacy

guidelines are established in SFB rule and set standards for school facilities. As of December 2019, the board has initiated the rulemaking process and convened a stakeholder group to develop a proposal to update the minimum adequacy guidelines. The board intends to publish the proposed rules in February 2020 and will seek committee review prior to finalizing the rules. The board expects the rules to be effective in October 2020.

Auditor General Recommendations

In June 2019, the Auditor General published an SFB performance audit which included recommendations for improvements to the board's administration of the Building Renewal Grant Fund. Specifically, the audit recommended SFB improve procedures for monitoring schools district projects to help ensure districts timely complete projects.

The audit's recommendation was based on findings which identified 628 projects that had been opened for more than 12 months including 154 projects with potentially uncorrected deficiencies and 474 projects with more than \$49 million in unspent project award monies. Project delays could result in increased costs due to uncorrected deficiencies that could worsen over time. In addition, delays in monitoring projects results in encumbered funding that could be freed up for new projects.

The audit recommended that the board work with the Arizona Department of Administration to utilize the department's eCivis Information Technology platform to manage grants.

Table 3

Long-Term New School Facilities Funding							
	Type	Sq. Ft.	Student Capacity	FY 2020	FY 2021	FY 2022	FY 2023
FY 2019 Starts							
Chandler 9-12	Addition	25,000	266	\$ 2,178,100			
Chandler 9-12	Addition	40,000	426	3,485,000			
Chandler 9-12	Addition	15,000	160	1,306,900			
Chandler 9-12	Addition	15,000	160	1,306,900			
Queen Creek K-5	New	63,000	788	4,490,400			
Tolleson 9-12	New	275,000	2,926	<u>23,959,400</u>			
Subtotal - FY 2019 Starts				\$36,726,700			
FY 2020 Starts ^{2/}							
Chandler 9-12	New	100,000	800	\$ 8,984,500	\$ 8,984,500		
Chandler Land				12,000,000			
Douglas 9-12	New	87,502	653	8,254,500	8,254,500		
Douglas Land				3,125,000			
Laveen K-8 (accelerated)	New	92,400	1,000	7,307,000	7,307,000		
Maricopa 9-12	New	125,000	1,000	11,230,700	11,230,700		
Maricopa Land				3,750,000			
Pima K-6	New	8,550	95	1,319,700			
Safford K-6	New	42,210	469	3,257,600	3,257,600		
Safford Site Conditions/Demo				1,010,200			
Santa Cruz Valley 9-12 (accelerated)	Addition	26,800	200	2,556,900	2,556,900		
Somerton K-6	New	22,500	281	3,307,500			
Somerton K-6	New	22,500	281	3,307,500			
Somerton Land				375,000			
Vail K-5 (accelerated)	New	54,000	675	4,214,700	4,214,700		
Vail K-5 Land				<u>1,875,000</u>			
Subtotal - FY 2020 Starts				\$75,875,800	\$45,805,900		
FY 2021 Starts							
Chandler 9-12	Addition	87,500	700		\$ 8,789,500	\$ 8,789,500	
Tanque Verde 7-12	New	30,675	250		2,941,400	2,941,400	
Tanque Verde Land					<u>1,250,000</u>		
Subtotal - FY 2021 Starts					\$12,980,900	\$11,730,900	
FY 2022 Starts ^{3/}							
Buckeye K-8	New	87,780	950			\$ 7,308,900	\$ 7,308,900
Buckeye Land						2,500,000	
Laveen K-8	New	92,400	1,000			7,693,500	7,693,500
Laveen Land						2,500,000	
Tanque Verde K-6 ^{4/}	New	7,830	87			1,286,900	
Tanque Verde Land						900,000	
Yuma Union 9-12	New	100,000	800			<u>10,045,200</u>	<u>10,045,200</u>
Subtotal - FY 2022 Starts						\$ 32,234,500	\$ 25,047,600
FY 2023 Starts ^{3/}							
Colorado City K-12 ^{4/}	New	15,746	149				\$ 2,795,200
Liberty K-8	New	73,920	800				6,154,800
Liberty Land							2,500,000
Queen Creek K-6	New	67,500	750				5,547,100
Queen Creek 9-12	New	125,000	1,000				12,556,500
Sahuarita 9-12	New	100,000	800				10,045,200
Sahuarita Land							4,375,000
Vail 6-8	New	62,836	650				5,355,300
Vail Land							<u>2,500,000</u>
Subtotal - FY 2023 Starts							\$51,829,100
Total				\$112,602,500	\$58,786,800	\$43,965,400	\$76,876,700

^{1/} FY 2019 Starts also received a total of \$49,636,700 in FY 2019.

^{2/} The FY 2020 budget accelerated new school construction for schools that are projected to be over capacity in the next 2 years. "Accelerated" indicates schools that were accelerated due to the FY 2020 budget legislation.

^{3/} Reflects SFB conceptual approvals.

^{4/} Assumes 100% of construction costs would be funded in the first year due to the small school size.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 15-2154)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations. The fund is administered by the Treasurer's Office. (Please see the State Treasurer's Section for more information.)		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. To pay administrative expenses for the Arizona Credit Enhancement Program. SFB allows the Governor's Office to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Building Renewal Grant Fund (SFA2392/A.R.S. § 15-2032)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The balance amounts displayed represent unencumbered funds which have not been awarded by the board.		
Funds Expended	0	0
Year-End Fund Balance	755,700	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022)		Non-Appropriated
Source of Revenue: Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	667,600	1,000,000
Year-End Fund Balance	1,216,300	216,300
IGA and ISA Fund (SFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	116,500	252,700
Year-End Fund Balance	21,800	0
Lease-to-Own Debt Service Fund (SFA2373/A.R.S. § 15-2004)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by SFB to finance the costs of new school construction. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	5,478,900	1,742,000
New School Facilities Fund (SFA2460/A.R.S. § 15-2041)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	0	0
Year-End Fund Balance	58,706,300	44,406,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	64,120,100	64,126,000
Year-End Fund Balance	9,229,100	9,250,600
State School Trust Revenue Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	22,000	22,000

Department of State - Secretary of State

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	141.1	143.1	143.1
Personal Services	5,245,900	5,528,200	5,528,200
Employee Related Expenditures	1,994,900	1,753,800	1,753,800
Professional and Outside Services	1,857,300	853,800	853,800
Travel - In State	9,200	13,400	13,400
Travel - Out of State	31,200	60,900	60,900
Other Operating Expenditures	4,569,000	4,638,900	4,638,900
Equipment	119,500	6,200	6,200
OPERATING SUBTOTAL	13,827,000	12,855,200	12,855,200 ^{1/2/}
SPECIAL LINE ITEMS			
Election Services	3,610,000	0	4,000,000
HAVA - Help America Vote Act (2002)	263,300	0	0
HAVA - Other Help America Vote Act Projects	1,483,000	0	0 ^{3/}
HAVA - Statewide Voter Registration System	923,700	0	0
Presidential Preference Election	0	4,408,100	0
Special Election	1,190,200	0	0
Uniform State Laws Commission	0	99,000	99,000
Library Grants-in-Aid	605,000	651,400	651,400 ^{4/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	21,999,200	18,110,700	17,702,600 ^{5/}
FUND SOURCES			
General Fund	18,185,500	17,367,900	16,959,800
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	2,670,000	0	0
Records Services Fund	1,143,700	742,800	742,800
SUBTOTAL - Other Appropriated Funds	3,813,700	742,800	742,800
SUBTOTAL - Appropriated Funds	21,999,200	18,110,700	17,702,600
Other Non-Appropriated Funds	1,089,700	1,103,700	1,103,700
Federal Funds	3,670,300	3,470,400	3,470,400
TOTAL - ALL SOURCES	26,759,200	22,684,800	22,276,700

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 \$12,855,200 for FY 2021 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 2/ Laws 2019, Chapter 275 appropriated \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the establishment of an electronic repository of state archives and documents.
- 3/ **NEW:** Notwithstanding A.R.S. § 35-190, the appropriation of \$5,400,400 to the Secretary of State for Other Help America Vote Act Projects made by Laws 2018, Chapter 276, Section 85 that remains unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (General Appropriation Act footnote)
- 4/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$12,855,200 and 143.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$12,112,400
Record Services Fund	742,800

These amounts are unchanged from FY 2020.

Election Services

The Baseline includes \$4,000,000 from the General Fund in FY 2021 for the Election Services line item. FY 2021 adjustments are as follows:

Election Year Funding

The Baseline includes an increase of \$4,000,000 from the General Fund in FY 2021 for election year funding. This adjustment funds the statewide primary election on August 4, 2020, and the General Election on November 3, 2020.

In FY 2019, the Election Services line item was allocated \$3,400,000 from the General Fund and \$600,000 from Other Funds. Because these Other Fund monies are no longer available, the Baseline funds the entire \$4,000,000 from the General Fund.

For traditional state elections, statute requires the Secretary of State (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; 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.

SOS is requesting \$5,239,700 in FY 2021 to fund election services. This amount is compared to the FY 2021 Baseline funding level of \$4,000,000, which was based on the amount allocated for the 2018 Primary/General Election. The SOS budget request notes the following issues: 1) The cost to print and mail sample ballots will increase by 23% above the 2018 election due to 10% growth in statewide voter registration and 13% growth in per voter costs; 2) The estimated cost of the statewide publicity pamphlet, which is based on bids to print 2.5 million pamphlets plus

postage costs (postage per unit assumed to be 2018 cost + 5%); and 3) The cost of processing ballot measure petitions, with SOS listing additional signature verification costs related to higher required signature counts for ballot measures, along with estimating that staff costs for petition processing will be 5 times greater than in 2018 due to the requirements of SB 1451 (Laws 2019, Chapter 315).

The FY 2017 General Appropriation Act transferred ongoing annual elections services costs into the agency's operating budget. This line item is intended only to cover variable election costs in an election year.

In FY 2020, the Presidential Preference Election is funded in a separate line item.

HAVA - Other Help America Vote Act (HAVA) Projects

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2021 for monies for HAVA projects and to improve elections security.

HAVA is federal election reform legislation from 2002 that imposes several requirements on the states with respect to the conduct of federal elections. Arizona received \$7,463,700 from a new allocation from the federal government in FY 2018 to fulfill projects that further the goals of HAVA or improve election security. Of the \$7,463,700, the FY 2019 budget allocated \$5,400,400 to this line item. The other \$2,063,300 from the allocation is discussed in the next line item.

An FY 2019 General Appropriation Act footnote required SOS to submit an expenditure plan for review by the Joint Legislative Budget Committee (JLBC) for the monies in this line item. On June 18, 2019, JLBC reviewed a revised version of the *expenditure plan*. The revised expenditure plan included \$2,735,000 for county grants, \$935,800 for voter registration system development costs, and \$211,600 for voter registration database maintenance costs in FY 2020.

The revised HAVA spending plan also allocated funding in FY 2021 through FY 2024. Because this appropriation is scheduled to lapse at the end of FY 2020, the Baseline includes a new footnote extending the lapse date for Other HAVA Projects monies until June 30, 2022, which follows the standard 2-year appropriation schedule for prior HAVA funding.

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from the recent federal budget enacted in December 2019. *(For a discussion of the 2019 HAVA Grant Allocation, please see the Other Issues section).*

HAVA - Statewide Voter Registration System

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2021 for development of a new statewide voter registration system. This amount is unchanged from FY 2020.

The voter registration database will replace technology from the late 1990s that facilitates the exchange of voter registration data between the counties and the Secretary of State. This new system will serve as the primary database for 13 counties and will connect to the Pima County and the Maricopa County databases.

At the June 19, 2018 JLBC Meeting, the Committee reviewed the expenditure of \$2,063,300 for the new system and provided a favorable review of an additional \$235,500 in the Other HAVA Projects line item to be spent on project management. At the June 18, 2019 JLBC meeting, the Committee reviewed the expenditure of \$935,800 in additional "Other Help America Vote Act" funds to complete the new system. *(Please see the Other Help America Vote Act Projects line item for a discussion of these monies.)*

In December 2019, the agency completed testing and transitioned to the new Arizona Voter Information Database (AVID).

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from the recent federal budget enacted in December 2019. *(For a discussion of the 2019 HAVA Grant Allocation, please see the Other Issues section).*

Presidential Preference Election (PPE)

The Baseline includes no funding from the General Fund in FY 2021 for the Presidential Preference Election (PPE) line item. FY 2021 adjustments are as follows:

Eliminate One-Time PPE Funding

The Baseline includes a decrease of \$(4,408,100) from the General Fund in FY 2021 for the PPE currently scheduled for March 17, 2020. Under A.R.S. § 16-241, the Governor may specify a later date within 180 days of the scheduled election.

During a PPE, voters affiliated with a political party express their preference for a presidential candidate of their political party. Voters registered with no party designation or of a party not conducting a PPE do not participate. The conduct of the election differs from other contests in that there is a separate ballot for each recognized political party conducting a PPE and no other election may appear on the PPE ballot. As of September 2019, the Republican Party has officially opted out of the March 2020 Presidential Preference Election.

A.R.S. § 16-250 allows counties to be reimbursed up to \$1.25 per each active registered voter in the county as of the January of the PPE year.

SOS has requested \$2,616,900 in supplemental funding from the General Fund for the FY 2020 Presidential Preference Election. This increase would bring total FY 2020 PPE spending to \$7,025,000. Of the supplemental funding, \$2,591,900 would go toward higher county reimbursement, with the remaining \$25,000 for testing of PPE voting equipment. The requested supplemental assumes approximately 4 million active voters on January 1, 2020, and a county reimbursement rate of \$1.75 per voter.

In FY 2016, the Legislature appropriated \$4.4 million for Election Services, including PPE-related expenditures. During the FY 2017 budget process, SOS then received a \$6.1 million General Fund supplemental in FY 2016 for administration of the 2016 PPE. The budget opted to reimburse counties at a higher reimbursement rate than the statutory rate of \$1.25 per active registered voter. Counties with 450,000 or more active registered voters were reimbursed at \$2.50 per voter; counties with 35,000 to 450,000 voters were reimbursed at \$3.00 per voter; and counties with fewer than 35,000 voters were reimbursed at \$3.50 per voter. The budget included an intent clause stating that the appropriation and reimbursement rates for the 2016 PPE do not set a precedent for reimbursement levels of future PPEs.

Uniform State Laws Commission

The Baseline includes \$99,000 from the General Fund in FY 2021 for costs associated with the state's participation in the Uniform Law Commission. This amount is unchanged from FY 2020.

The Uniform Law 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.

Library Grants-in-Aid

The Baseline includes \$651,400 from the General Fund in FY 2021 for Library Grants-in-Aid. This amount is unchanged from FY 2020.

This line item funds a portion of the state maintenance of effort 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 a maintenance-of-effort requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The Baseline includes \$97,000 from the General Fund in FY 2021 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2020.

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.

Other Issues

FY 2024 Electronic Document Repository Funding

Laws 2019, Chapter 275 appropriated \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the establishment of an electronic repository of state archives and documents.

FY 2020 Supplemental

SOS has requested an FY 2020 supplemental of \$217,200 from the Records Services Fund to pay for records storage costs. In 2017, the previous administration entered into a 10-year contract with Iron Mountain that resulted in records storage being relocated from the Records Management Center to the Iron Mountain private facility. The total cost of that private contract for FY 2020 is projected to be \$960,000, compared to the current Records Services Fund appropriation of \$742,800.

SOS anticipates the Records Services Fund generating enough revenue in FY 2020 to cover the entire \$960,000 of Iron Mountain expenses; however, the agency would need to receive an FY 2020 supplemental of \$217,200

from the Records Services Fund for the fund to be able to pay for the entire Iron Mountain costs in FY 2020.

2019 HAVA Grant Allocation

The recent federal budget enacted in December 2019 (the Consolidated Appropriations Act of 2020) allocates \$8,362,700 in HAVA funds to Arizona for the purpose of improving election administration for federal offices as well as enhancing election technology and improving election security. These funds will be allocated to SOS and deposited into the Elections Systems Improvement Fund, and SOS will require a legislative appropriation to expend these additional funds.

To receive the full \$8,362,700 allocation, Arizona must provide a 20% match of \$1,672,500 within two years of the grant's start date, which would result in total additional HAVA resources of \$10,035,200. If Arizona does not provide the 20% state match, the match requirement amount (\$1,672,500) will be deducted from Arizona's HAVA allocation, resulting in \$6,690,200 of the federal funds allocation being deposited into the Elections Systems Improvement Fund.

Long-Term Budget Impact

As part of the Baseline's 3-year spending plan, SOS' General Fund costs are projected to decrease by \$(4,000,000) in FY 2022 below FY 2021 and increase by \$4,000,000 in FY 2023 above FY 2022. These estimates are for the Election Services line item and are based on no scheduled statewide election during FY 2022. In FY 2023, funding for the Elections Services line item would be restored to \$4,000,000 for the 2022 statewide Primary/General election.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	561,300	418,500
Year-End Fund Balance	300,200	283,600
County Contributions to the Voter Registration System Fund (STA8888/A.R.S. § 16-168.01)		Non-Appropriated
Source of Revenue: Receives monies transferred from counties to the Secretary of State.		
Purpose of Fund: To develop and administer the statewide database of voter registration information.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code and other filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	84,400	285,000
Year-End Fund Balance	298,400	111,700
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	2,670,000	0
Year-End Fund Balance	8,354,900	8,436,800
Election Training Fund (STA2521/A.R.S. § 16-407)		Non-Appropriated
Source of Revenue: Receives money from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	2,100	3,300
Year-End Fund Balance	2,300	3,000
Electronic Records Repository Fund (STA9999/A.R.S. § 41-151.26)		Appropriated
Source of Revenue: Monies received from legislative appropriations, gifts, nonfederal grants, fees, and donations.		
Purpose of Fund: To fund operating expenses for the state library's electronic records repository.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (LAA2000/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	3,670,300	3,470,400
Year-End Fund Balance	363,200	397,500

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
IGA and ISA Fund (STA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
<i>Purpose of Fund:</i> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	184,900	111,200
Year-End Fund Balance	25,100	13,900
Museum Gift Shop Revolving Fund (LAA4008/A.R.S. § 41-151.24)		Non-Appropriated
<i>Source of Revenue:</i> Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
<i>Purpose of Fund:</i> To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	29,300	58,100
Year-End Fund Balance	10,200	12,100
Notary Bond Fund (STA2387/A.R.S. § 41-314)		Non-Appropriated
<i>Source of Revenue:</i> The fund receives a portion of the fee collected from the processing of notary bonds.		
<i>Purpose of Fund:</i> To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	132,500	110,700
Year-End Fund Balance	40,200	27,500
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
<i>Source of Revenue:</i> Professional Employer Organization (PEO) registration and renewal fees.		
<i>Purpose of Fund:</i> To pay the costs of administering PEO registration and investigating any allegations of malfeasance. The FY 2014 Government Budget Reconciliation Bill delayed the implementation of the PEO registration program until the end of FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (LAA2431/A.R.S. § 41-151.12)		Appropriated
<i>Source of Revenue:</i> Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
<i>Purpose of Fund:</i> To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	1,143,700	742,800
Year-End Fund Balance	211,800	369,000
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
<i>Source of Revenue:</i> Filing fees paid by standing political committees.		
<i>Purpose of Fund:</i> To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	0	0
Year-End Fund Balance	79,000	79,100
State Library Fund (LAA2115/A.R.S. § 41-151.06)		Non-Appropriated
<i>Source of Revenue:</i> Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
<i>Purpose of Fund:</i> To improve statewide library service.		
Funds Expended	95,200	116,900
Year-End Fund Balance	1,133,200	1,028,700

State Board of Tax Appeals

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,100	179,000	179,000
Employee Related Expenditures	64,000	57,700	57,700
Travel - In State	300	400	400
Other Operating Expenditures	40,600	44,600	44,600
Equipment	200	100	100
AGENCY TOTAL	275,200	281,800	281,800^{1/}
FUND SOURCES			
General Fund	275,200	281,800	281,800
SUBTOTAL - Appropriated Funds	275,200	281,800	281,800
TOTAL - ALL SOURCES	275,200	281,800	281,800

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

Operating Budget

The Baseline includes \$281,800 and 4 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

State Board of Technical Registration

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	969,400	1,106,400	1,106,400
Employee Related Expenditures	439,600	461,800	461,800
Professional and Outside Services	65,600	191,600	191,600
Travel - In State	5,300	5,000	5,000
Travel - Out of State	21,400	17,200	17,200
Other Operating Expenditures	506,700	417,500	417,500
Equipment	26,600	0	0
AGENCY TOTAL	2,034,600	2,199,500	2,199,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Technical Registration Fund	2,034,600	2,199,500	2,199,500
SUBTOTAL - Other Appropriated Funds	2,034,600	2,199,500	2,199,500
SUBTOTAL - Appropriated Funds	2,034,600	2,199,500	2,199,500
Other Non-Appropriated Funds	30,000	0	0
TOTAL - ALL SOURCES	2,064,600	2,199,500	2,199,500

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,199,500 and 25 FTE Positions from the Technical Registration Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Technical Registration Board of Investigations Fund (TEA2072/A.R.S. § 32-128)		Non-Appropriated
Source of Revenue: Court assessments, fines, forfeitures and other penalties.		
Purpose of Fund: To fund the cost of disciplinary investigations relating to fraudulent or misrepresented certifications, gross negligence or other similar misconduct.		
Funds Expended	30,000	0
Year-End Fund Balance	123,500	149,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
<p>Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.</p> <p>Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.</p>		
Funds Expended	2,034,600	2,199,500
Year-End Fund Balance	3,791,700	4,371,700

Office of Tourism

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,836,000	1,909,000	1,909,000
Employee Related Expenditures	648,000	667,300	667,300
Professional and Outside Services	2,372,200	1,928,600	1,928,600
Travel - In State	19,200	20,700	20,700
Travel - Out of State	160,200	170,000	170,000
Other Operating Expenditures	2,564,500	2,365,400	2,365,400
Equipment	43,000	53,000	53,000
OPERATING SUBTOTAL	7,643,100	7,114,000	7,114,000
SPECIAL LINE ITEMS			
Arizona Promotion	0	1,000,000	1,000,000
Wine Promotion	0	100,000	100,000
AGENCY TOTAL	7,643,100	8,214,000	8,214,000^{1/}
FUND SOURCES			
General Fund	7,643,100	8,214,000	8,214,000
SUBTOTAL - Appropriated Funds	7,643,100	8,214,000	8,214,000
Other Non-Appropriated Funds	15,862,800	17,737,400	17,737,400
TOTAL - ALL SOURCES	23,505,900	25,951,400	25,951,400

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 Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,114,000 and 28 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Arizona Promotion

The Baseline includes \$1,000,000 from the General Fund in FY 2021 for Arizona Promotion funding. This amount is unchanged from FY 2020.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

Wine Promotion

The Baseline includes \$100,000 from the General Fund in FY 2021 for Wine Promotion funding. This amount is unchanged from FY 2020.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry.

Other Issues

Funding Sources

The Office of Tourism 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) to fund statewide tourism promotion. (For further details on agency revenues, please see Table 1.)

same in FY 2023 compared to FY 2022. These estimates are based on A.R.S. § 41-2308, which provides an annual General Fund appropriation of \$1.5 million from FY 2022 through FY 2051 to the State Treasurer for distribution to the Office of Tourism related to the promotion and marketing of a special sporting event hosted in Arizona. (Please see the State Treasurer narrative for additional information on the Special Sporting Event Promotion funding.)

Long-Term Budget Impacts

Special Sporting Event Promotion

As part of the Baseline's 3-year spending plan, the Office of Tourism's General Fund costs are projected to increase by \$1.5 million in FY 2022 above FY 2021 and remain the

Office of Tourism Revenues ^{1/}				
<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$7,112,000	\$8,214,000	\$8,214,000
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	9,083,200	9,537,400 ^{2/}	9,973,700 ^{2/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>6,988,300</u>	<u>6,700,000 ^{2/}</u>	<u>7,200,000 ^{2/}</u>
Total		\$23,183,500	\$24,451,400	\$25,387,700

^{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 and the Tribal Gaming amounts for FY 2020 and FY 2021 are estimates provided by the Office of Tourism.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Tourism Fund (TOA2236/A.R.S. § 41-2306)		Non-Appropriated
Source of Revenue: The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. This transfer is based on a partial allocation of a 1% increase in the bed tax and a 3.25% increase in the car rental tax. This transfer increases each year by 5%. The fund also receives a portion of tribal gaming contributions, pursuant to Proposition 202 from 2002. Finally, A.R.S. § 41-2306 allows the Tourism Fund to receive General Fund appropriations. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. A.R.S. § 41-2308 provides for an annual General Fund appropriation of \$1,500,000 to the State Treasurer to deposit into the Tourism Fund beginning in FY 2022 through FY 2051. The funding will be used to promote auto racing sporting events in Arizona.		
Purpose of Fund: To pay for all costs associated with Office of Tourism activities.		
Funds Expended	15,862,800	17,737,400
Year-End Fund Balance	3,440,300	1,940,300

Department of Transportation

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,552.0	4,554.0	4,558.0 ^{1/}
Personal Services	104,232,600	110,989,000	110,989,000
Employee Related Expenditures	46,218,500	51,478,700	51,478,700
Professional and Outside Services	5,292,100	4,840,000	4,840,000
Travel - In State	783,800	622,200	622,200
Travel - Out of State	247,300	259,100	259,100
Other Operating Expenditures	32,515,100	35,840,400	34,213,900
Equipment	2,808,600	2,862,600	2,862,600
OPERATING SUBTOTAL	192,098,000	206,892,000	205,265,500 ^{1/}
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,458,200	3,623,700	3,623,700 ^{2/}
Authorized Third Parties	2,014,100	2,020,200	2,020,200
Consolidated State Motor Vehicle Fleet	0	0	5,675,100 ^{3/}
Driver Safety and Livestock Control	174,300	800,000	800,000
Highway Damage Recovery Account	3,920,400	8,000,000	8,000,000
Highway Maintenance	136,696,800	141,744,600	142,756,100 ^{4/5/D/}
Northwest Valley Transit System Planning	65,000	0	0
Preventive Surface Treatments	0	36,142,000	36,142,000
Vehicle Replacement	12,313,900	15,300,000	15,300,000 ^{6/}
Vehicles and Heavy Equipment	17,808,100	18,654,800	18,654,800
AGENCY TOTAL	368,548,800	433,177,300	438,237,400 ^{7/-12/ D/}
FUND SOURCES			
General Fund	65,000	0	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	300,900	324,200	324,200
Driving Under the Influence Abatement Fund	151,000	0	0
Highway Damage Recovery Account	3,920,400	8,000,000	8,000,000
Highway User Revenue Fund	651,800	658,000	658,000
Ignition Interlock Device Fund	146,800	320,300	320,300
Motor Vehicle Liability Insurance Enforcement Fund	1,646,800	2,675,200	1,723,700
Motor Vehicle Pool Consolidation Fund	0	0	5,675,100
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	1,172,500	880,500	880,500
State Aviation Fund	1,626,300	2,010,900	2,010,900
State Highway Fund	339,601,000	397,585,400	397,921,900
Transportation Department Equipment Fund	17,808,100	18,654,800	18,654,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,458,200	2,068,000	2,068,000
SUBTOTAL - Other Appropriated Funds	368,483,800	433,177,300	438,237,400
SUBTOTAL - Appropriated Funds	368,548,800	433,177,300	438,237,400
Other Non-Appropriated Funds	40,932,000	36,156,500	33,304,200
Federal Funds	23,369,800	27,415,200	27,415,200
TOTAL - ALL SOURCES	432,850,600	496,749,000	498,956,800

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

^{1/} Includes 1,156 OF FTE Positions funded from Special Line Items in FY 2021.

- D/ ~~Of the \$206,892,000 appropriated to the lump sum operating budget, \$675,000 is appropriated on a one-time basis for special license plate implementation and production costs. (General Appropriation Act footnote, as adjusted for statewide allocations)~~
- 2/ 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 Appropriation Act footnote)
- 3/ The Legislature intends that the department not replace vehicles until they have an average of 80,000 miles or more. On or before August 1, 2020, the department shall submit a report to the Joint Legislative Budget Committee on the maintenance savings achieved by replacing vehicles that have an average of 80,000 miles or more. (General Appropriation Act footnote)
- D/ ~~Notwithstanding Laws 2017, Chapter 305, Section 92 and Laws 2018, Chapter 276, Section 130, the \$2,530,000 appropriated to the Department of Transportation by Laws 2017, Chapter 305, Section 92 from the State Highway Fund for the Flagstaff Building Equipment line item is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations, through June 30, 2020. (General Appropriation Act footnote)~~
- 4/ Of the total amount appropriated, \$142,756,100 in FY 2021 for Highway Maintenance is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to their fund of origin, either the State Highway Fund established by A.R.S. § 28-6991 or the Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount established by A.R.S. § 28-6547, on August 31, 2021. (General Appropriation Act footnote)
- 5/ In accordance with A.R.S. § 35-142.01, 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 A.R.S. § 28-6994. (General Appropriation Act footnote)
- D/ ~~Of the \$141,744,600 appropriated to the Highway Maintenance line item, \$75,000 is appropriated on a one-time basis for highway signage installation and production. (General Appropriation Act footnote, as adjusted for statewide allocations)~~
- 6/ Expenditures made by the Department of Transportation for vehicle and heavy equipment replacement shall be funded only from the Vehicle Replacement line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the Vehicle Replacement line item before expenditure. (General Appropriation Act footnote)
- 7/ The Legislature intends that the Department of Transportation not include any administrative overhead expenditures in duplicate driver license fees charged to the public. (General Appropriation Act footnote)
- 8/ Of the total amount appropriated, the Department of Transportation shall pay \$15,981,300 in FY 2021 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote)
- 9/ The department 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, 2021 for FY 2021. (General Appropriation Act footnote)
- 10/ The Department of Transportation shall contract with an independent third-party consultant for the duration of the Motor Vehicle Division legacy system replacement project. On or before February 1, 2021, the independent third-party consultant shall submit an annual progress report for review by the Joint Legislative Budget Committee. The annual report shall:
1. Evaluate and assess the project's success in meeting and incorporating the tenets of the project investment justification, including the goals and objectives, technology approach, deliverables and outcomes, project scope and timeline.
 2. Address any potential project deficiencies, including deficiencies identified in the Auditor General's April 2015 recommendations.
 3. Provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on completion of the Motor Vehicle Modernization project in FY 2021, 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 Appropriation Act footnote)
- 11/ On or before August 1, 2020, the department shall report to the Director of the Joint Legislative Budget Committee the state's share of fees retained by the ServiceArizona vendor in the prior fiscal year. The report shall also include the amount spent by the ServiceArizona vendor on behalf of this state in the prior fiscal year, as well as a list of the projects funded with those monies. (General Appropriation Act footnote)
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$205,265,500 and 3,402 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Air Quality Fund	\$324,200
Highway User Revenue Fund	458,500
Ignition Interlock Device Fund	320,300
Motor Vehicle Liability Insurance Enforcement Fund	1,624,100
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	320,500
State Aviation Fund	2,010,900
State Highway Fund	198,226,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,980,200

FY 2021 adjustments are as follows:

Remove One-Time Plate Production Funding

The Baseline includes a decrease of \$(675,000) from the State Highway Fund in FY 2021 for the elimination of one-time funding for the implementation and production of the 19 new special plates established in the 2019 Legislative Session.

Remove One-Time Security Improvement Funding

The Baseline includes a decrease of \$(951,500) from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2021 for the elimination of one-time funding for security improvements at 10 ports of entry statewide.

Attorney General Legal Services

The Baseline includes \$3,623,700 from the State Highway Fund in FY 2021 for Attorney General Legal Services. This amount is unchanged from FY 2020.

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 Baseline includes \$2,020,200 and 20 FTE Positions in FY 2021 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	199,500
Motor Vehicle Liability Insurance Enforcement Fund	99,600
State Highway Fund	1,633,300
Vehicle Inspection and Certificate of Title Enforcement Fund	87,800

These amounts are unchanged from FY 2020.

This line item funds the oversight of authorized third-parties (ATPs), which can include 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 160 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, resulting in revenue deductions that otherwise would have been deposited into the Highway User Revenue Fund (HURF) and State Highway Fund (SHF). Credit card processing fees are also withheld from HURF as required by statute. In FY 2019, ATPs retained \$21.5 million in fees that otherwise would have been deposited to HURF and \$32.3 million in fees that otherwise would have been deposited to SHF. *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

Consolidated State Motor Vehicle Fleet

The Baseline includes \$5,675,100 and 4 FTE Positions from the Motor Vehicle Pool Consolidation Fund in FY 2021 for a new Consolidated State Motor Vehicle Fleet line item. FY 2021 adjustments are as follows:

Fleet Consolidation Line Item

The Baseline includes an increase of \$5,675,100 and 4 FTE Positions from the Motor Vehicle Pool Consolidation Fund in FY 2021 for a new Consolidated State Motor Vehicle Fleet line item.

The FY 2020 Budget Procedures Budget Reconciliation Bill (BRB) established the appropriated Motor Vehicle Pool Consolidation Fund consisting of monies transferred to the fund from the Motor Vehicle Pool Revolving Fund. The fund is effective in FY 2021 and presumes the Arizona Department of Administration (ADOA) transfers state motor vehicle fleet operations to ADOT. *(For more detail see State Motor Vehicle Fleet Consolidation in the Other Issues section.)*

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.

Driver Safety and Livestock Control

The Baseline includes \$800,000 from the State Highway Fund in FY 2021 for Driver Safety and Livestock Control. This amount is unchanged from FY 2020.

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 over 12,800 cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

Highway Damage Recovery Account

The Baseline includes \$8,000,000 from the Highway Damage Recovery Account in FY 2021 for the Highway Damage Recovery Account. This amount is unchanged from FY 2020.

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 Baseline includes \$142,756,100 and 932 FTE Positions in FY 2021 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	560,000
State Highway Fund	142,196,100

FY 2021 adjustments are as follows:

South Mountain Loop 202 Maintenance Costs

The Baseline includes an increase of \$1,086,500 from the State Highway Fund in FY 2021 for maintenance of new lane miles for the new South Mountain Loop 202 freeway set for opening in December 2019. The 22-mile freeway was designed and built through a public private partnership, where the contract provides specific terms for highway maintenance provided by the developer and ADOT. This contract is unique to the state in that both

parties will be responsible for different aspects of the freeway maintenance.

The developer is responsible for routine maintenance of the freeway. The routine maintenance includes tasks such as replacement of lighting, repair of guardrails and cable barriers, sweeping, litter removal, landscaping, and maintaining and repairing pavement. ADOT is responsible for intelligent traffic system maintenance, emergency response expenses, and electrical utilities. Details of the maintenance costs are provided in *Table 1* below.

	4 Months	Annual
Routine Maintenance	\$930,700	\$2,792,100
Intelligent Traffic System	83,300	250,000
Emergency Response	21,700	65,000
Electrical Utilities	<u>50,800</u>	<u>152,400</u>
Subtotal	\$1,086,500	\$3,259,500

Based on an opening date in November 2019, the FY 2020 budget provided 8 months' worth of maintenance funding. The Baseline would provide the remaining 4 months' worth of maintenance funding.

Remove One-Time Funding

The Baseline includes a decrease of \$(75,000) from the State Highway Fund in FY 2021 for the elimination of one-time funding for new highway signs.

This line item funds the maintenance of the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

In addition to the \$142,756,100 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,188,000 available in FY 2021 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Preventive Surface Treatments

The Baseline includes \$36,142,000 from the State Highway Fund in FY 2021 for Preventive Surface Treatments. This amount is unchanged from FY 2020.

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 \$15,000,000 in Federal Funds available for treatments.

Vehicle Replacement

The Baseline includes \$15,300,000 from the State Highway Fund in FY 2021 for Vehicle Replacement. This amount is unchanged from FY 2020.

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 Appropriation Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

In addition to the amount in this line item, of the \$56,600,000 in the state's Volkswagen Settlement monies, ADOT will use \$12,523,500 to finance purchases of efficient diesel fuel vehicles over a multi-year period. In FY 2019, ADOT expended \$9,188,900 of these funds.

Vehicles and Heavy Equipment

The Baseline includes \$18,654,800 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2021 for Vehicles and Heavy Equipment. These amounts are unchanged from FY 2020.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

Other Issues

State Motor Vehicle Fleet Consolidation

The FY 2020 Budget Procedures BRB established the appropriated Motor Vehicle Pool Consolidation Fund consisting of monies transferred to the fund from the Motor Vehicle Pool Revolving Fund. The fund may be used only for reimbursing the department for costs related to implementing an intergovernmental agreement with ADOA to operate the state motor vehicle fleet. The fund is effective beginning in FY 2021. The FY 2020 Budget Procedures BRB also required ADOA and ADOT to submit a report to the JLBC on the transitioning of the operation of the state motor vehicle fleet and identify suggested legislative changes necessary to fully implement the transition.

In their report submitted on October 1, 2019, ADOA and ADOT reported on the suggested legislative changes required to fully implement the transition of the state fleet operations from ADOA to ADOT. The agencies recommended that 3 statutes be repealed and redrafted and 3 additional statutes be conformed. The report, however, did not comment on any progress the agencies have made transitioning the operations.

ADOT has expressed some concerns with the current operation of the state motor fleet. Some of these concerns include but are not limited to: vehicles not being replaced on time, recent purchase prices of new vehicles, and vehicles not receiving adequate maintenance. The foremost amongst these issues concern current rates, which ADOT claims are not covering the full cost of operations.

The state motor vehicle fleet is currently funded from the Motor Vehicle Pool Revolving Fund, which received an FY 2020 appropriation of \$10,191,200. However, from FY 2015 to FY 2019, expenditures from the fund have declined from approximately \$7.1 million to \$5.7 million. Recognizing the variation between the appropriation level and expenditure level over the past several fiscal years, the JLBC Staff suggests the Legislature consider using the FY 2019 Motor Vehicle Pool Revolving Fund actual expenditures of \$5,675,100 as the FY 2021 appropriation as reflected in the Baseline.

The Baseline also continues a prior ADOA footnote which would require ADOT (instead of ADOA) to submit a report to JLBC on the maintenance savings achieved by replacing vehicles that have an average of 80,000 miles or more.

MvM Project Status

The Motor Vehicle Modernization (MvM) Project is a custom software development project designed to enhance ADOT's Motor Vehicle Division operations. The project is funded through an agreement between ADOT and the ServiceArizona vendor, where the vendor retains a portion of each transaction fee, keeps roughly half of the retention for its own compensation and deposits the remaining half into an account to be spent on the MvM project at ADOT's discretion.

The project is expected to be completed by December 2021 with a maximum extension date of March 2022. A significant feature of the upgrade is the implementation of a new vehicle registration portal, AZ MVD Now, which ADOT plans to account for most vehicle registration transactions. The modified agreement also alters the compensation structure to account for the new retention earned from AZ MVD Now fees. Upon conclusion of the

modified agreement, ADOT will enter into a new agreement.

At its June 2019 meeting, the JLBC favorably reviewed ADOT's progress report on the project and included in that review a provision requiring ADOT to report on its estimates for IT project resources. As of September 2019, \$54.5 million had been spent on the project out of a \$57.6 million budget.

Real ID Extension

Laws 2015, Chapter 294 required ADOT to comply with federal driver license standards in the REAL ID Act of 2005. Absent this legislative action, Arizona driver licenses would have no longer been accepted at federally-regulated facilities, such as airports and federal buildings. By issuing Arizonans a voluntary travel ID that will be available as both a driver license and identification card, the new federal documentation requirements will be met. To facilitate Arizona's compliance with federal law while ADOT develops the new travel IDs, the U.S. Department of Homeland Security granted Arizona an extension and will accept existing Arizona driver licenses until September 30, 2020.

Travel ID Volume Increase

ADOT has requested \$5,322,800 and 84 FTE Positions from the State Highway Fund in FY 2021 to address increased traffic volume for issuing new Travel IDs. ADOT is proposing to add 84 positions at MVD locations throughout the state to process Travel ID-related applications and to place 8 temporary employees at both

Sky Harbor and Tucson airports to advertise the new Travel ID.

The JLBC Staff has concerns with this budget request that may require additional analysis before funding in FY 2021.

ADOT makes a series of assumptions about Arizonans' use of commercial airlines along with passport usage to estimate that about 1.8 million will require a Travel ID this year. They anticipate that need will grow to 2.5 million by October 2021, without specifying why. ADOT expects to have to issue 1.5 million Travel IDs by October 2020 (when requirement goes into effect). Only 400,000 have received a Travel ID so far.

It is not clear how ADOT is relying on this estimate, because it implies a workload increase of about 50% while the proposed staffing increase is significantly less. The requested addition of 75 Customer Service Representatives (CSRs) and 9 supervisors at MVD offices would constitute an increase of about 10.9% in their CSR workforce.

Special Plates

For more information, please see the [Special License Plates program summary on the JLBC website](#).

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Abandoned Vehicle Administration Fund (DTA2150/A.R.S. § 28-4804)		Non-Appropriated
Source of Revenue: Abandoned vehicle fees, of which the amounts are determined by the ADOT Director. Currently, for vehicles on private or local land, the owner pays a fee of \$500 and for vehicles abandoned on state or federal land, the owner pays a fee of \$600.		
Purpose of Fund: The fund partially reimburses towing companies for abandoned vehicle removal. Chapter 249 modified the reimbursement to the towing company from a flat \$100 for fees from vehicles abandoned on state or federal land to a 20% reimbursement regardless of location. After that disbursement, to statutorily distribute remaining fee revenues to the State Highway Fund and General Fund, with a 90/10 split, respectively, for fees from vehicles abandoned on private or local land and a 60/40 split for fees from vehicles abandoned on state or federal land.		
Funds Expended	852,800	1,011,800
Year-End Fund Balance	63,900	63,900
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration.		
Purpose of Fund: Implementation of programs that reduce emissions and improve air quality.		
Funds Expended	300,900	324,200
Year-End Fund Balance	111,200	111,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.		
Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	5,000,000	4,760,000
Year-End Fund Balance	3,891,300	3,964,700
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.		
Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	0	0
Year-End Fund Balance	860,900	0
Driving Under the Influence Abatement Fund (DTA2422/A.R.S. § 28-1304)		Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater. Another portion of monies is from civil penalties against an ignition interlock manufacturer or installer who fails to properly report ignition interlock data to the ADOT Director.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments for enforcement purposes and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. ADOT and the Department of Public Safety (DPS) receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes.		
Funds Expended	151,000	0
Year-End Fund Balance	51,900	0
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	2,796,000	2,850,300
Federal Grants (DTA2097/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Federal grants not part of the federal highway aid program.		
Purpose of Fund: For federal programs not part of the federal aid highway program including assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	23,369,800	27,415,200
Year-End Fund Balance	1,609,900	1,609,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Highway Damage Recovery Account (DTA2044/A.R.S. § 28-6994)		Appropriated
Source of Revenue: Reimbursements for highway damage repair expenses paid by liable third parties.		
Purpose of Fund: For maintenance of state highways.		
Funds Expended	3,920,400	8,000,000
Year-End Fund Balance	4,134,300	1,572,900
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund. In the past, the fund has been used for local highway construction.		
Funds Expended	0	0
Year-End Fund Balance	1,196,100	1,159,100
Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget and to political subdivisions for highway purposes. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	651,800	658,000
Year-End Fund Balance	124,700,900	125,498,100
IGA and ISA Fund (DTA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements. Primarily for ISA with DEQ for administration of Underground Storage Tank funds. Beginning in FY 2019, the department uses the fund for its equipment services interagency agreements, which were previously funded through a non-appropriated portion of the Transportation Department Equipment Fund. In the past, the fund has received monies from the Volkswagen Settlement to purchase efficient diesel fuel vehicles.		
Funds Expended	18,455,700	13,264,300
Year-End Fund Balance	676,700	443,100
Ignition Interlock Device Fund (DTA2208/A.R.S. § 28-1469)		Appropriated
Source of Revenue: An ignition interlock installation fee charged by service providers and then remitted to ADOT.		
Purpose of Fund: To administer ADOT's Ignition Interlock Device program, including establishing compliance measures, audits and investigating complaints related to devices and providers.		
Funds Expended	146,800	320,300
Year-End Fund Balance	90,700	130,400
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	12,179,900	5,170,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	13,334,000	13,002,000
Year-End Fund Balance	491,756,900	398,051,400
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of A.R.S. Title 28, Chapter 14 (motor carrier safety). DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	11,100	4,300
Year-End Fund Balance	4,700	3,300
Motor Vehicle Dealer Enforcement Fund (DTA2609/A.R.S. § 28-4504)		Appropriated
Source of Revenue: Civil penalties between \$1,000 and \$3,000 for licensed and unlicensed motor vehicle dealer violations. Any unexpended and unencumbered monies in the fund over \$250,000 are deposited to the State Highway Fund.		
Purpose of Fund: Established by Laws 2018, Chapter 308, the fund is used to enforce the provisions of A.R.S. Title 28, Chapter 10 (vehicle dealers, automotive recyclers and transporters).		
Funds Expended	0	0
Year-End Fund Balance	103,900	249,900
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: To enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	1,646,800	2,675,200
Year-End Fund Balance	8,115,300	8,717,200
Motor Vehicle Pool Consolidation Fund (DTA8888/A.R.S. § 28-414)		Appropriated
Source of Revenue: Consisting of monies transferred from the motor vehicle pool revolving fund. All previous balances and future revenue are deposited into this fund effective July 1, 2020.		
Purpose of Fund: To reimburse the department for costs related to implementing an intergovernmental agreement with the Department of Administration to operate the state motor vehicle fleet.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	0	0
Year-End Fund Balance	523,400	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount (DTA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To enforce vehicle safety requirements by DPS and ADOT, and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border. To improve vehicle congestion at Mexican border ports of entry, and obtain Federal Funds for Safety Enforcement and Transportation Infrastructure Fund (SETIF) purposes. Also to maintain and construct transportation facilities in the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico. In addition, ADOT may provide SETIF monies to the Arizona-Mexico Commission, Arizona Department of Homeland Security, and AIDA for certain SETIF-related purposes. A total of 55% of SETIF revenues is deposited into the ADOT subaccount and 45% in the DPS subaccount.		
Funds Expended	1,172,500	880,500
Year-End Fund Balance	195,300	832,200
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	75,300	75,300
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions, which includes Indian reservations. Figures exclude expenditures for capital aviation construction projects.		
Funds Expended	1,626,300	2,010,900
Year-End Fund Balance	26,569,400	(16,225,500)
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. The expended funds only reflect operating expenses. (Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)		
Funds Expended	339,601,000	397,585,400
Year-End Fund Balance	710,271,300	493,174,400
Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	12,900	13,000
Year-End Fund Balance	12,300	19,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the special plate fees, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a statutorily designated entity.		
Funds Expended	3,265,500	4,101,100
Year-End Fund Balance	1,538,900	1,381,900
Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
Purpose of Fund: For maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	17,808,100	18,654,800
Year-End Fund Balance	3,280,400	2,959,400
Vehicle Inspection and Certificate of Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	1,458,200	2,068,000
Year-End Fund Balance	341,400	573,400

State Treasurer

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.4	34.4	34.4
Personal Services	2,047,400	2,282,600	2,282,600
Employee Related Expenditures	754,800	810,000	810,000
Professional and Outside Services	19,300	19,300	19,300
Travel - In State	1,900	7,500	7,500
Travel - Out of State	10,400	20,000	20,000
Other Operating Expenditures	307,600	480,800	480,800
Equipment	36,500	35,000	35,000
OPERATING SUBTOTAL	3,177,900	3,655,200	3,655,200
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,205,100	1,205,100	1,205,100
Law Enforcement/ Boating Safety Fund Grants	2,183,800	2,183,800	2,183,800
AGENCY TOTAL	6,566,800	7,044,100	7,044,100 ^{1/2/D/}
FUND SOURCES			
General Fund	1,205,100	1,205,100	1,205,100
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400	304,400	304,400
State Treasurer's Management Fund	295,600	0	0
State Treasurer's Operating Fund	2,577,900	3,350,800	3,350,800
SUBTOTAL - Other Appropriated Funds	5,361,700	5,839,000	5,839,000
SUBTOTAL - Appropriated Funds	6,566,800	7,044,100	7,044,100
Other Non-Appropriated Funds	3,926,300	3,930,300	3,930,300
TOTAL - ALL SOURCES	10,493,100	10,974,400	10,974,400

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/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 2/ On or before June 30, 2021, 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 A.R.S. § 35-315 and A.R.S. § 35-318 for the State Treasurer's banking service contract, external investment management agreement, administrative and information technology costs and any other costs. (General Appropriation Act footnote)
- D/ ~~Within 30 days after the award of a request for proposals for its General Ledger software system replacement, the State Treasurer shall report to the Joint Legislative Budget Committee Staff on the total cost of development and ongoing annual operating costs for the system. (General Appropriation Act footnote)~~

Operating Budget

The Baseline includes \$3,655,200 and 34.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
State Treasurer Empowerment Scholarship Account (ESA) Fund	\$304,400
State Treasurer's Operating Fund	3,350,800

These amounts are unchanged from FY 2020.

Justice of the Peace Salaries

The Baseline includes \$1,205,100 from the General Fund in FY 2021 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2020.

A.R.S. § 22-117 requires the state to pay 19.25% 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 or not 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 Baseline includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2021 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2020.

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 2019 and year-to-date FY 2020 allocations are included in *Table 1*. The distributions are less than the appropriations due to insufficient revenues.

Table 1

Allocation of LEBSF Grants

County	FY 2019	FY 2020 Thru Nov 20 th
Apache	\$ 90,700	\$ 30,500
Coconino	237,600	77,900
Gila	142,700	52,100
La Paz	344,400	112,700
Maricopa	401,500	130,400
Mohave	510,000	166,000
Navajo	34,000	10,000
Yuma	<u>183,800</u>	<u>56,600</u>
Total	\$1,944,700	\$636,200

Other Issues

Additional Legislation

Peace Officer Training Equipment Fund

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. The State Treasurer administers the fund and disburses the monies to the recipients.

The fund earns revenues from a \$4 fee for any criminal violation of motor vehicle statutes relating to the stopping, standing or operation of a vehicle, civil traffic violations, and local motor vehicle citations.

The fees-took effect January 1, 2019 and were previously estimated to bring annual revenue of \$2,747,000. The previously estimated FY 2019 revenue combined with the estimated annual revenue of FY 2020 would result in a total revenue of \$4,120,500. With the one-time non-lapsing FY 2019 appropriation of \$3,073,000 (\$3,053,000 to DPS and \$20,000 to the Supreme Court), the remaining \$1,047,800 was allocated from the fund to DPS for the FY 2020 budget.

Current revenue projections from the department estimate annual revenues of \$1,224,000. The Baseline would make the FY 2020 DPS appropriation non-lapsing through FY 2021.

(Please see the Department of Public Safety section and Supreme Court section for more information.)

Empowerment Scholarship Accounts

The State Treasurer ESA Fund is funded with monies retained from students' ESAs pursuant to A.R.S. § 15-2402C. That law allows the Arizona Department of Education (ADE) to retain 5% of each student's ESA

funding for program administration, which for FY 2021 is estimated to be as much as \$6,183,600 (an estimated \$123,671,800 ESA cost for the year X 5%). A.R.S. § 15-2402C requires ADE to transfer one-fifth of the 5%, estimated to be \$1,236,700 in FY 2021, to the State Treasurer ESA Fund for the costs of ESA fund processing. The actual expenditure, however, is subject to legislative appropriation. *(Please see the Arizona Department of Education narrative for more information on ESAs.)*

Long-Term Budget Impacts

Special Sporting Event Promotion

As part of the Baseline's long-term estimates, the Office of Tourism's General Fund costs are projected to remain the same in FY 2021 compared to FY 2020 and increase by \$1.5 million in FY 2022 above FY 2021. These estimates are based on A.R.S. § 41-2308, which provides an annual General Fund appropriation of \$1.5 million from FY 2022 through FY 2051 to the State Treasurer for distribution to the Office of Tourism if certain conditions are met. The funds are to be used to promote an auto racing sporting event.

Prior to the release of any monies, between December 31, 2016 and December 31, 2020, the eligible auto racing sporting event must spend at least \$100.0 million on land acquisitions, construction, improvements, or renovations of their facilities. Once these investments are made, the

bill requires the eligible auto racing sporting event to receive JLBC certification of their expenditures. After certification is received, the Treasurer is then appropriated \$1.5 million in General Fund monies annually for distribution to the Office of Tourism from FY 2022 through FY 2051, for a total General Fund cost of \$45.0 million.

Additionally, the bill requires the Office of Tourism 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.

In November 2016, the parent company of Phoenix International Raceway (PIR), International Speedway Corporation, announced plans to make \$178.0 million in renovations to the raceway. PIR was renamed ISM Raceway in January 2018.

Located in Avondale, ISM Raceway hosts 2 annual NASCAR events in addition to various other auto-racing competitions. Renovations to ISM Raceway began in February 2017 and were completed in October 2018.

At the June 2019 JLBC meeting, the Committee certified these expenditures as meeting the required \$100.0 million threshold.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Fallen Firefighter Memorial Fund (TRA3033/A.R.S. § 41-1863)		Non-Appropriated
Source of Revenue: Private and public donations.		
Purpose of Fund: To establish the Arizona Fallen Firefighter Memorial in Wesley Bolin Plaza, as determined by the Arizona Fallen Firefighter Memorial Committee.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Public School Credit Enhancement Fund (TRA2675/A.R.S. § 15-2154)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations.		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. (See "Arizona Public School Credit Enhancement Fund" in the Summary of Funds for the School Facilities Board for information on other uses of this fund.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 13.34% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	3,826,300	3,826,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Treasurer distributes grants based on a formula determined by the Arizona Game and Fish Commission.		
Funds Expended	2,183,800	2,183,800
Year-End Fund Balance	0	0
Peace Officer Training Equipment Fund (TRA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: Established by Laws 2018, Chapter 312, the fund distributes monies to the Department of Public Safety and the Supreme Court. The State Treasurer administers the fund. (Please see the Department of Public Safety and Judiciary - Supreme Court Summary of Funds sections for more information.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)		Non-Appropriated
Source of Revenue: Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
Purpose of Fund: Funds the administration of the Statewide Collateral Pool. The Statewide Collateral Pool serves as a centralized fund for collateral that banks hold against public deposits in the event of a default.		
Funds Expended	100,000	104,000
Year-End Fund Balance	243,900	244,000
State Treasurer Empowerment Scholarship Account Fund (TRA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund the State Treasurer's cost of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. The Arizona Department of Education (ADE) also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those monies are not displayed to avoid double counting of the General Fund (also see the "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).		
Funds Expended	304,400	304,400
Year-End Fund Balance	1,267,000	1,267,000
State Treasurer's Management Fund (TRA3799/A.R.S. § 35-326.01 [REPEALED])		Appropriated
Source of Revenue: A portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state, not to exceed the amount appropriated by the Legislature.		
Purpose of Fund: To provide funding for the administrative expenses associated with managing LGIP. Laws 2019, Chapter 154 repealed the fund, effective August 27, 2019.		
Funds Expended	295,600	0
Year-End Fund Balance	342,300	0
State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)		Appropriated
Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds. In addition, the fund receives a portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state (which used to be deposited into the Treasurer's Management Fund).		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	2,577,900	3,350,800
Year-End Fund Balance	527,000	869,300

Governor's Office on Tribal Relations

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	32,000	31,500	31,500
Employee Related Expenditures	11,900	13,700	13,700
Travel - In State	0	500	500
Travel - Out of State	900	0	0
Other Operating Expenditures	10,600	17,200	17,200
Equipment	2,900	0	0
AGENCY TOTAL	58,300	62,900	62,900 ^{1/}
FUND SOURCES			
General Fund	58,300	62,900	62,900
SUBTOTAL - Appropriated Funds	58,300	62,900	62,900
Other Non-Appropriated Funds	22,300	18,500	18,500
TOTAL - ALL SOURCES	80,600	81,400	81,400

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

Operating Budget

The Baseline includes \$62,900 and 3 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	2,400	2,400
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 22 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. The Governor's Office of Tribal Relations is required by statute to facilitate this day on the first Wednesday of each regular legislative session.		
Funds Expended	22,300	18,500
Year-End Fund Balance	12,500	12,500

Arizona Board of Regents

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,511,800	1,416,600	1,416,600
Employee Related Expenditures	484,000	526,500	526,500
Professional and Outside Services	28,900	75,500	75,500
Other Operating Expenditures	337,300	380,700	380,700
Equipment	1,400	3,700	3,700
OPERATING SUBTOTAL	2,363,400	2,403,000	2,403,000
SPECIAL LINE ITEMS			
Adaptive Athletics	0	160,000	160,000 ^{1/}
Arizona Teachers Academy	0	15,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Washington D.C. Internships	0	300,000	300,000 ^{2/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
AGENCY TOTAL	6,898,100	22,397,700	22,397,700 ^{3/4/5/}
FUND SOURCES			
General Fund	6,898,100	22,397,700	22,397,700
SUBTOTAL - Appropriated Funds	6,898,100	22,397,700	22,397,700
Other Non-Appropriated Funds	7,137,800	7,532,500	7,532,500
Federal Funds	600	250,000	250,000
TOTAL - ALL SOURCES	14,036,500	30,180,200	30,180,200

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 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 Appropriation Act footnote)
- 2/ The Arizona Board of Regents shall distribute monies appropriated for Washington D.C. internships in equal amounts to each of the 3 universities under the jurisdiction of the board to provide student internships in Washington D.C. in partnership with a third-party organization selected by the Arizona Board of Regents. (General Appropriation Act footnote)
- 3/ Within 10 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 Appropriation Act footnote)

- 4/ When determining any statewide adjustments, the Joint Legislative Budget Committee Staff shall use the overall allocation of state General Fund and appropriated tuition monies for each university in determining that university's specific adjustment. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,403,000 and 25.9 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Adaptive Athletics

The Baseline includes \$160,000 from the General Fund in FY 2021 for Adaptive Athletics. This amount is unchanged from FY 2020.

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 distributed monies in this line item to the University of Arizona in FY 2020.

Arizona Teachers Academy

The Baseline includes \$15,000,000 from the General Fund in FY 2021 for the Arizona Teachers Academy. This amount is unchanged from FY 2020.

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.

ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions. Statute sets the following annual award amounts, to be distributed after all other aid received by the student:

- \$10,000 for non-resident university students
- \$5,000 for resident university students
- \$3,000 for community college students
- \$2,500 for national board certification students

Monies appropriated in this line item are deposited to the Arizona Teachers Academy Fund. Statute also requires the annual appropriation for the academy to be reduced each fiscal year by the amount of monies remaining in the fund at the end of the prior fiscal year. While the Baseline includes \$15,000,000 for the academy in FY 2021, this amount will ultimately be reduced by the amount of unspent monies at the end of FY 2020.

ABOR is required to submit a report to JLBC by March 1 of each year, which includes current academy enrollment and estimated monies committed from the appropriation. A second report is due September 1, which includes data for the number of students completing the academy, students continuing in the academy, students in repayment, and ABOR's methodology for distributing monies appropriated for the academy.

ABOR reports 464 students were enrolled in the academy in FY 2019. Since FY 2020 is the first year of General Fund support for the academy, enrollment is expected to significantly increase in FY 2020.

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2021 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2020.

Laws 1990, Chapter 340 mandated 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. ATIP distributes \$50,000 in loans among 10 students each year, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The Baseline includes \$213,700 from the General Fund in FY 2021 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2020.

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. ATASS is also developing a shared statewide student and financial information database. The tribal colleges and community college districts overall also contribute \$277,200 to the system each year.

Washington D.C. Internships

The Baseline includes \$300,000 from the General Fund in FY 2021 for Washington D.C. Internships. This amount is unchanged from FY 2020.

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 Baseline includes \$153,000 from the General Fund in FY 2021 for the Western Interstate Commission Office. This amount is unchanged from FY 2020.

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 Baseline includes \$4,078,000 from the General Fund in FY 2021 for WICHE student subsidies. This amount is unchanged from FY 2020.

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.

In FY 2019, ABOR provided subsidies to 167 Arizona students. 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
- Land Trust Funds
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- Auditor General Recommendations
- University System Summary Tables

Statutory Changes

The Baseline would, as session law, continue 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).

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, universitywide General Fund costs are projected to increase by \$703,100 in FY 2022 below FY 2021, and increase by \$847,100 in FY 2023 above FY 2022. These estimates are based on:

- Increases of \$150,900 and \$275,500 in FY 2022 and FY 2023, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$552,200 and \$571,600 in FY 2022 and FY 2023, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31% for FY 2023; statute funds the lesser of 2% or the actual rate). *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

Land Trust Funds

As a beneficiary of the Arizona State Land Trust, ABOR receives monies generated from lease revenues and the proceeds from land sales that are invested into “permanent funds,” pursuant to Article X, Section 7 of the Arizona Constitution.

ABOR distributes state land trust monies to the universities from 6 funds. These distributions are allocated to the universities in accordance with A.R.S. § 15-1662, 15-1663, and ABOR Policy 3-606. The universities’ land trust monies are non-appropriated. ABOR may expend them “as it deems expedient,” with 1 exception: the Universities Land Fund. This fund is comprised of the University Land Code and the UA Land - 1881 Fund. All proceeds in the Universities Land Fund, including the UA Land - 1881 Fund, are distributed proportionately among the 3 universities based upon the total student credit hours in the fall semester of the previous year. The Universities Land Fund provides matching funds for the interest earned on nonpublic endowment monies donated to attract and retain faculty, otherwise known as the Eminent Scholars Program. ABOR amended Board Policy 3-606 in 2017 to direct all Universities Land Fund incremental revenues from Proposition 123 (distributions beyond the first 2.5% distribution rate) to the universities for general use, rather than the Eminent Scholars Grant.

Table 1 compares university land trust revenues from FY 2015 (prior to Proposition 123) and FY 2021. The funds will have estimated revenues of \$12,986,200 in FY 2021. (Please see the Land Department narrative for more information.)

	FY 2015	FY 2021
Military Institute	\$ 83,800	\$ 118,000
Normal Schools	296,600	589,800
A&M Colleges	445,100	1,208,500
School of Mines ^{2/}	499,800	1,192,700
Universities Land Fund	3,834,800	9,877,200
University Land Code	2,175,400	2,589,400
U of A Land - 1881	<u>1,659,400</u>	<u>7,287,800</u>
Total	\$ 5,160,100	\$ 12,986,200

^{1/} Includes income from the Treasurer's distribution and lease revenues from the universities' state land trust property.

^{2/} Only the University of Arizona receives monies from the School of Mines Fund.

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 \$58-\$120 in FY 2020 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 Baseline continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2020. The Baseline also maintains each university's allocation of General Fund AFAT appropriations at their FY 2020 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2019, the state's match would be \$38,337,000, or an increase of \$28,295,800 over the \$10,041,200 Baseline appropriation in FY 2021.

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, the FY 2020 Higher Education Budget Reconciliation Bill (BRB) requires universities to deposit 20% of cumulative net income from the sale of transfer of intellectual property exceeding \$1.0 million to AFAT. Universities previously deposited a portion of income to the General Fund.

In FY 2019, AFAT disbursed \$26,301,800. (Please see Table 7 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.

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. (Please see Table 2 for more information.)

Table 2

FY 2018 – 2031 Research Infrastructure Appropriations

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
2018	\$ 13,481,000	\$ 5,896,500	\$ 14,249,300	\$ 33,626,800
2019	13,478,700	5,896,200	14,251,000	33,625,900
2020	13,456,300	5,899,500	14,250,200	33,606,000
2021	13,458,700	4,879,500	14,251,500	32,589,700
2022	13,451,900	5,039,800	14,248,900	32,740,600
2023	13,462,100	5,301,500	14,252,500	33,016,100
2024	13,468,200	5,302,900	14,255,300	33,026,400
2025	13,459,300	4,885,500	14,247,300	32,592,100
2026	13,453,900	4,884,500	14,248,400	32,586,800
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	<u>13,428,800</u>	<u>4,889,300</u>	<u>14,255,800</u>	<u>32,573,900</u>
2018 - 2031	\$188,339,500	\$72,433,900	\$199,519,600	\$460,293,000

^{1/} FY 2018 – 2031 research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

The Baseline includes a decrease of \$(1,061,300) from the General Fund in FY 2021 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations. Of this amount, the General Fund appropriations are adjusted \$2,400 for ASU, \$(1,020,000) for NAU, and \$1,300 for UA.

Since this funding appears in A.R.S. § 15-1670, this funding will not appear in the FY 2021 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects.

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 Baseline includes an increase of \$487,400 from the General Fund in FY 2021, or 1.77%, for the inflation adjustment. Of this amount, the General Fund appropriations are adjusted \$215,300 for ASU, \$81,600 for NAU, and \$190,500 for UA.

The original FY 2019 allocated amounts are based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016.

One-Time Funding

Section 155 of the FY 2020 General Appropriation Act appropriated \$35.0 million to the universities from the General Fund in FY 2020 for one-time capital improvements or operating expenditures. Of this amount, \$18.9 million was appropriated to ASU, \$6.7 million to NAU, and \$9.5 million to UA.

This one-time allocation has been funded since FY 2017. See *Table 3* for a history of the allocation by university.

Table 3

History of One-Time University Funding (\$ in millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
ASU	\$ 7.0	\$ 6.6	\$ 4.2	\$18.9
NAU	4.0	3.2	1.6	6.7
UA	<u>8.0</u>	<u>3.2</u>	<u>2.2</u>	<u>9.5</u>
Total	\$19.0	\$13.0	\$ 8.0	\$35.0 ^{1/}

^{1/} Numbers do not add due to rounding.

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Tuition Distribution
- Tuition Rates
- Financial Aid
- Enrollment

Total Spending Authority

In total, the universities' total projected spending authority in FY 2021 is \$7.0 billion, including \$738.8 million from the General Fund and \$3.3 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2021 tuition rate changes. *Table 4* summarizes the FY 2021 expenditure authority amounts for the Arizona University System.

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. 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 July 2019 tuition revenue report projects FY 2020 gross tuition and fees to be \$3.3 billion systemwide. Of this amount, \$1.2 billion is appropriated while \$2.1 billion is non-appropriated.

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. The universities project \$851.1 million in tuition waivers and awards in FY 2020, for a total net tuition of \$2.4 billion. (see *Table 5*).

Tuition Rates

ABOR approved FY 2020 tuition rates on April 11, 2019.

- ASU increased tuition rates by 3.9% - 4.8% for undergraduate students and 4.1% - 4.5% for graduate

students. ASU also adopted a new college fee calculation where students will be charged 1 of 4 fees depending on their program of enrollment.

- Since FY 2009, NAU has maintained a guaranteed tuition model for incoming freshmen. As a result, NAU did not increase tuition for current students, but increased tuition and mandatory fees by 2.7% - 2.9% for incoming undergraduate students, and 6.9% - 7.0% for graduate students.
- UA began a similar tuition guarantee program in FY 2015. UA increased tuition and fees by between 1.0% - 1.8% for incoming undergraduate students and 0.0 - 1.7% for graduate students.

Table 6 only includes major tuition categories at main university campuses. A comprehensive list can be found on the [ABOR website](#).

Financial Aid

The Arizona University System distributed \$2.9 billion in financial aid in FY 2019. Of the \$2.9 billion total financial aid distributions in FY 2019, the federal government financed \$1.2 billion and university institutional sources provided \$1.1 billion. The latter includes \$864 million of foregone tuition collections in the form of waivers and awards. (Please see *Table 7* for details.)

Enrollment

Between fall 2018 and fall 2019, university enrollment increased from 178,426 FTE to 185,622, or 4.0%, as displayed in *Table 8*. Spring enrollment is traditionally lower than the fall.

	Appropriated Funds			Non-Appropriated Funds		Total ^{3/}
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds ^{2/}	
ABOR	\$ 22,397,700	\$ 0	\$ 0	\$ 250,000	\$ 7,532,500	\$ 30,180,200
ASU	323,234,500	654,596,600	3,600,000	467,982,100	2,078,448,500	3,527,861,700
NAU	109,662,500	156,154,500	0	118,654,000	366,753,700	751,224,700
UA-Main	206,550,700	353,430,100	0	223,726,700	1,265,837,800	2,049,545,300
UA-Health Sciences	<u>76,897,700</u>	<u>55,697,400</u>	<u>0</u>	<u>159,096,800</u>	<u>395,628,300</u>	<u>687,320,200</u>
Total	\$738,743,100	\$1,219,878,600	\$3,600,000	\$969,709,600	\$4,114,200,800	\$7,046,132,100

^{1/} This amount excludes FY 2021 tuition rate changes.
^{2/} 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 \$2,068,340,100 based on FY 2020 amounts, as reflected in *Table 5*. This amount excludes FY 2021 enrollment growth and tuition rate changes.
^{3/} Total universitywide funding includes gross tuition revenues.

Table 5

Use of FY 2020 Tuition/Fees by University ^{1/}

	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
Appropriated				
Operating Budget ^{2/}	\$ 654,596,600	\$156,154,500	\$409,127,500	\$1,219,878,600
Non-Appropriated				
Operating Budget ^{2/}	\$ 747,537,500	\$ 84,537,600	\$252,489,600	\$ 1,084,564,700
Financial Aid ^{4/}	485,399,900	145,393,900	220,326,200	851,120,000
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	<u>62,503,000</u>	<u>17,000,000</u>	<u>28,152,400</u>	<u>107,655,400</u>
Subtotal	\$1,315,440,400	\$247,931,500	\$ 504,968,200	\$2,068,340,100
Total Gross Tuition ^{5/}	\$1,970,037,000	\$404,086,000	\$914,095,700	\$3,288,218,700
Net Tuition ^{5/}	\$1,484,637,100	\$258,692,100	\$693,769,500	\$2,437,098,700

^{1/} As reported in FY 2020 Tuition Revenue Report submitted by ABOR in July 2019.

^{2/} Appropriated tuition includes \$(39.9) million adjustment made by ABOR to the amounts originally included as part of the FY 2020 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2019.

^{3/} Includes non-appropriated tuition revenues to be expended on instruction, organized research, public service, student services, auxiliary enterprises, and institutional support.

^{4/} Financial aid represents scholarship allowances provided by the universities (excluding federal loans, private grants, etc.) to offset the cost of tuition. Amounts include scholarship awards and tuition waivers except employee tuition reductions, which are recorded as employee benefit expenses.

^{5/} 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 constitutes net tuition.

Table 6

Arizona University System
FY 2020 Undergraduate and Graduate Tuition ^{1/}

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$11,338	4.8%	\$12,608	4.1%	\$29,428 ^{2/}	3.9%	\$32,288	4.5%
NAU	\$11,896	2.9%	\$11,726	6.9%	\$26,516	2.7%	\$25,730	7.0%
UA	\$12,671	1.8%	\$13,207	1.7%	\$36,698	1.0%	\$33,334	0.0%

^{1/} Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class, whereas ASU does not.

^{2/} ABOR approved a rate of \$31,828 for international undergraduate students at ASU.

Table 7

FY 2019 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	<u>Federal</u>	<u>State</u> ^{2/}	<u>Institutional</u> ^{3/}	<u>Private/Other</u> ^{4/}	<u>Total</u>
Grants	\$336,118.0	\$746.4	\$863,800.3	\$232,864.3	\$1,433,529.0
Loans	838,677.6	383.7	0.0	369,938.2	1,208,999.5
Employment	<u>12,462.5</u>	<u>0.0</u>	<u>214,504.5</u>	<u>0.0</u>	<u>226,967.0</u>
Total	\$1,187,258.1	\$1,130.1	\$1,078,304.8	\$602,802.5	\$2,869,495.5

^{1/} Information from ABOR FY 2019 Financial Aid Report.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 8

Arizona University System 45th Day Enrollment ^{1/}

	<u>Fall</u> <u>2018</u>	<u>Spring</u> <u>2019</u>	<u>Fall</u> <u>2019</u>	<u>Fall 2018</u> <u>To Fall 2019</u>	<u>Fall 2019</u> <u>Residents</u>
ASU-Tempe	66,526	63,432	72,896	9.6%	37,664
ASU-DPC	19,284	19,890	21,672	12.4%	11,329
ASU-East	7,570	6,202	7,618	0.6%	4,201
ASU-West	<u>10,348</u>	<u>10,306</u>	<u>8,707</u>	<u>-15.9%</u>	<u>4,646</u>
ASU Subtotal	103,728	99,830	110,893	6.9%	57,840
NAU	29,274	27,092	29,011	-0.9%	19,052
UA-Main	39,632	37,273	39,881	0.6%	23,837
UA-Health Sciences	<u>5,792</u>	<u>5,326</u>	<u>5,837</u>	<u>0.8%</u>	<u>4,483</u>
UA Subtotal	45,424	42,599	45,718	0.6%	28,320
Total	178,426	169,521	185,622	4.0%	105,212

^{1/} Adjusted FTE counts as reported by ABOR and the universities include both graduate and undergraduate students and exclude excess credit hours taken by students. Spring enrollment figures are the average of the full academic year (spring and fall semesters).

SUMMARY OF FUNDS

FY 2019
Actual

FY 2020
Estimate

Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)

Non-Appropriated

Source of Revenue: Lottery proceeds.

Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.

Funds Expended

0 0

Year-End Fund Balance

0 0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Teachers Academy Fund (BRA9900/A.R.S. § 15-1655)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To reimburse postsecondary institutions for Arizona Teachers Academy scholarships, induction services for academy graduates, and marketing and promotion costs of the academy (which are capped at 3% of monies in the fund each fiscal year). Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (BRA2000/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support pre-service, retraining, and in-service educational programs improving the instructional and management skills of K-12 and vocational school teachers and administrators, with an emphasis on core subjects.		
Funds Expended	600	250,000
Year-End Fund Balance	0	0
Regents Local Fund (BRA1/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained tuition from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	5,172,300	5,213,300
Year-End Fund Balance	4,120,800	3,585,400
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	1,965,500	2,319,200
Year-End Fund Balance	0	0
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona State University

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8,030.3	7,790.8	7,790.8 ^{1/}
Personal Services	533,184,000	523,208,500	523,208,500
Employee Related Expenditures	154,309,400	155,204,500	155,204,500
Professional and Outside Services	16,357,300	30,868,700	30,868,700
Travel - In State	167,500	99,400	99,400
Travel - Out of State	3,212,500	770,800	770,800
Other Operating Expenditures	128,731,000	113,215,100	113,215,100
Equipment	2,010,600	1,323,000	1,323,000
OPERATING SUBTOTAL	837,972,300	824,690,000	824,690,000
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,478,700	13,456,300	13,458,700 ^{2/}
2017 Capital Infrastructure Funding	11,927,400	12,165,900	12,381,200 ^{3/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,766,300	3,707,200	3,707,200
Downtown Phoenix Campus	107,517,500	114,599,300	114,599,300
Economic Development	250,000	0	0
One-Time Funding	4,245,000	18,900,000	0
School of Civic and Economic Thought and Leadership	3,707,200	3,008,900	3,008,900 ^{4/}
TRIF - Lease Purchase Payment	3,464,300	3,600,000	3,600,000
AGENCY TOTAL	992,314,500	1,000,113,400	981,431,100 ^{3/6/7/}
FUND SOURCES			
General Fund	328,775,800	341,916,800	323,234,500 ^{8/9/10/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,464,300	3,600,000	3,600,000
University Collections Fund	660,074,400	654,596,600	654,596,600 ^{11/}
SUBTOTAL - Other Appropriated Funds	663,538,700	658,196,600	658,196,600
SUBTOTAL - Appropriated Funds	992,314,500	1,000,113,400	981,431,100
Other Non-Appropriated Funds	1,812,652,900	1,990,148,100	2,078,448,500
Federal Funds	446,092,900	467,982,100	467,982,100
TOTAL - ALL SOURCES	3,251,060,300	3,458,243,600	3,527,861,700

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/} Includes 511.7 GF and 614 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} A.R.S. § 15-1670 appropriates \$13,458,700 to ASU from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$12,381,200 to ASU from the General Fund in FY 2021 for capital infrastructure projects.
- ^{4/} The appropriated amount for the School of Civic and Economic Thought and Leadership line item shall be used to operate a single stand-alone academic entity within Arizona State University. The appropriated amount 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 to 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, 2020, 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. (General Appropriation 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 Appropriation 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 Appropriation Act footnote)
- 7/ General Appropriations 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 Appropriation Act footnote)
- 9/ The FY 2021 General Fund Baseline is \$323,234,500. This amount would include \$297,394,600 in ASU's individual section of the FY 2021 General Appropriation Act, \$13,458,700 in A.R.S. § 15-1670 lease-purchase appropriations, \$12,381,200 in A.R.S. § 15-1671 capital infrastructure appropriations, and elimination of prior year one-time funding for capital improvements or operating expenditures.
- 10/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ Any unencumbered balances remaining in the University Collections Fund on June 30, 2020 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 expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$824,690,000 and 6,665.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$236,100,500
University Collections Fund	588,589,500

These amounts are unchanged from FY 2020.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. (Please see the ABOR section for more information.)

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$13,458,700 from the General Fund in FY 2021 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2021 adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$2,400 from the General Fund in FY 2021 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), 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 would not appear in the FY 2021 General Appropriation 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 Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$12,381,200 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding line item. FY 2021 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$215,300 from the General Fund in FY 2021 for a 1.77% increase in 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. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2021 General Appropriation Act. A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Arizona Financial Aid Trust

The Baseline includes \$5,985,800 from the General Fund in FY 2021 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2020. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Informatics

The Baseline includes \$3,707,200 and 23.2 FTE Positions in FY 2021 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,877,700
University Collections Fund	1,829,500

These amounts are unchanged from FY 2020.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. In 2014, Biomedical Informatics moved from the Downtown Phoenix Campus (DPC) to Mayo Clinic's hospital in Phoenix.

Downtown Phoenix Campus

The Baseline includes \$114,599,300 and 1,076 FTE Positions in FY 2021 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	50,421,700
University Collections Fund	64,177,600

These amounts are unchanged from FY 2020.

The DPC offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006.

One-Time Funding

The Baseline includes no funding from the General Fund in FY 2021 for the One-Time Funding line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(18,900,000) from the General Fund in FY 2021 for the elimination of one-time funding.

The FY 2020 budget included \$18,900,000 of one-time funding for ASU for capital improvements or operating expenditures. ASU used its FY 2020 one-time funding for faculty salaries and benefits.

This one-time allocation was also funded in FY 2017 (\$7,000,000), FY 2018 (\$6,639,500), and FY 2019 (\$4,245,000).

School of Civic and Economic Thought and Leadership

The Baseline includes \$3,008,900 and 26.5 FTE Positions from the General Fund in FY 2021 for the School of Civic and Economic Thought and Leadership (SCETL) line item. These amounts are unchanged from FY 2020.

SCETL began matriculating students in fall 2017. The school currently offers a bachelor of arts program with coursework focused in 4 areas: history of moral and political thought, political economy and the history of economic thought, American political and economic thought, and the theories and practice of leadership. The school has also submitted a plan to approve a master of arts in classical education and leadership, and it hosts community lecture series and events related to public affairs.

TRIF Lease-Purchase Payment

The Baseline includes \$3,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2021 for lease-purchase payment requirements. This amount is unchanged from FY 2020.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$2,500,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$49,100,000 in infrastructure development at the ASU - East and ASU - West campuses. Beginning in FY 2003, the lease-purchase payment increased to \$3,600,000, which will be the annual lease-purchase payment through FY 2021.

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 2021 General Fund Baseline is \$323,234,500. Of this amount:

- \$297,394,600 would be included in ASU's individual section of the FY 2021 General Appropriation Act.
- \$13,458,700 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,381,200 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ASU's General Fund costs are projected to increase by \$237,100 in FY 2022 above FY 2021, and increase by \$262,700 in FY 2023 above FY 2022.

These estimates are based on:

- A \$(6,800) decrease in FY 2022 and a \$10,200 increase in FY 2023 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$243,900 in FY 2022 and \$252,500 in FY 2023 to increase the university's annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31%

for FY 2023; statute funds the lesser of 2% or the actual rate.) *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$659,582,400 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 Appropriation 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 in the spring (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 2020 to the Joint Legislative Budget Committee in July 2019, and ASU incorporated the adjusted FY 2020 amounts as part of their FY 2021 budget submission. Accordingly, the estimated FY 2020 amount has been adjusted downward by \$(4,985,800) to \$654,596,600.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriation Act originally appropriated 7,699.9 FTE Positions in FY 2020 for ASU. The General Fund accounted for 2,431.9 FTE Positions and the University Collections Fund accounted for the remaining 5,268 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by 90.9 to 7,790.8. The General Fund accounts for 2,419.9 FTE Positions and the University Collections Fund accounts for the remaining 5,370.9 FTE Positions.

SUMMARY OF FUNDS

	FY 2019 Actual	FY 2020 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	214,516,000	244,524,000
Year-End Fund Balance	19,306,900	14,351,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Capital Infrastructure Fund - ASU (UNI3001/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. ASU received a General Fund appropriation of \$11,927,400 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	137,671,700	169,651,400
Year-End Fund Balance	173,026,300	185,548,300
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	1,116,494,900	1,252,312,300
Year-End Fund Balance	280,297,800	303,981,900
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,867,900	0
Year-End Fund Balance	245,174,700	245,174,700
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	385,587,500	404,811,600
Year-End Fund Balance	0	200
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	60,505,400	63,170,500
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	20,466,900	25,488,300
Year-End Fund Balance	28,085,500	22,545,900

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	189,500	0
Year-End Fund Balance	14,102,900	14,102,900
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	309,531,300	286,251,100
Year-End Fund Balance	46,177,800	53,665,600
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		Appropriated
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	3,464,300	3,600,000
Year-End Fund Balance	0	0
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	11,914,700	11,921,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university.		
Funds Expended	660,074,400	654,596,600
Year-End Fund Balance	0	0

Northern Arizona University

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,358.2	2,360.1	2,360.1 ^{1/}
Personal Services	162,551,000	164,680,100	164,680,100
Employee Related Expenditures	51,799,300	49,560,900	49,560,900
Professional and Outside Services	12,408,500	8,895,200	8,895,200
Travel - In State	266,800	502,800	502,800
Travel - Out of State	401,000	0	0
Other Operating Expenditures	22,901,100	22,090,900	22,090,900
Equipment	530,500	325,500	325,500
OPERATING SUBTOTAL	250,858,200	246,055,400	246,055,400
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,896,200	5,899,500	4,879,500 ^{2/}
2017 Capital Infrastructure Funding	4,520,900	4,611,300	4,692,900 ^{3/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	3,000,000 ^{4/}
Economic Policy Institute	500,000	500,000	500,000 ^{5/}
One-Time Funding	1,590,200	6,650,000	0
NAU - Yuma	3,071,400	3,071,400	3,071,400
Teacher Training	2,291,700	2,291,800	2,291,800 ^{6/}
AGENCY TOTAL	273,054,600	273,405,400	265,817,000 ^{7/8/}
FUND SOURCES			
General Fund	112,095,700	117,250,900	109,662,500 ^{9/10/11/}
<u>Other Appropriated Funds</u>			
University Collections Fund	160,958,900	156,154,500	156,154,500 ^{12/}
SUBTOTAL - Other Appropriated Funds	160,958,900	156,154,500	156,154,500
SUBTOTAL - Appropriated Funds	273,054,600	273,405,400	265,817,000
Other Non-Appropriated Funds	329,799,100	370,765,900	366,753,700
Federal Funds	116,315,600	117,478,900	118,654,000
TOTAL - ALL SOURCES	719,169,300	761,650,200	751,224,700

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/} Includes 34.4 GF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} A.R.S. § 15-1670 appropriates \$4,879,500 to NAU from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$4,692,900 to NAU from the General Fund in FY 2021 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, 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 on or before February 1, 2021. 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 the state. (General Appropriation Act footnote)

- 5/ The appropriated amount for the Economic Policy Institute line item 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, 2020, 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. (General Appropriation Act footnote)
- 6/ 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 Appropriation Act footnote)
- 7/ Other than scholarships awarded through the Arizona Financial Aid Trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 10/ The FY 2021 General Fund Baseline is \$109,662,500. This amount would include \$100,090,100 in NAU's individual section of the FY 2021 General Appropriation Act, \$4,879,500 in A.R.S. § 15-1670 lease-purchase appropriations, and \$4,692,900 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 11/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 12/ Any unencumbered balances remaining in the University Collections Fund on June 30, 2020 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 expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$246,055,400 and 2,325.7 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$ 89,900,900
University Collections Fund	156,154,500

These amounts are unchanged from FY 2020.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$4,879,500 from the General Fund in FY 2021 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2021 adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(1,020,000) from the General Fund in FY 2021 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), 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 would not appear in the FY 2021 General Appropriation 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 Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$4,692,900 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding line item. FY 2021 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$81,600 from the General Fund in FY 2021 for a 1.77% increase in 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. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2021 General Appropriation Act. A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Arizona Financial Aid Trust

The Baseline includes \$1,326,000 from the General Fund in FY 2021 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2020. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Research

The Baseline includes \$3,000,000 from the General Fund in FY 2021 for the Biomedical Research line item. This amount is unchanged from FY 2020.

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 on nonprofit medical research funding.)

Economic Policy Institute

The Baseline includes \$500,000 from the General Fund in FY 2021 for the Economic Policy Institute line item. This amount is unchanged from FY 2020.

The funding for the Economic Policy Institute is used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism.

NAU - Yuma

The Baseline includes \$3,071,400 and 25.9 FTE Positions from the General Fund in FY 2021 for NAU-Yuma. These amounts are unchanged from FY 2020.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

One-Time Funding

The Baseline includes no funding from the General Fund in FY 2021 for the One-Time Funding line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(6,650,000) from the General Fund in FY 2021 for the elimination of one-time funding.

The FY 2020 budget included \$6,650,000 of one-time funding for NAU for capital improvements or operating expenditures. As reviewed at the September 2019 JCCR meeting, NAU reported that it is using \$5,000,000 of its one-time funds in FY 2020 for underground utility infrastructure improvements and academic building improvements, with the remaining \$1,650,000 allocated to personnel costs.

This one-time allocation was also funded in FY 2017 (\$4,000,000), FY 2018 (\$3,202,800) and FY 2019 (\$1,590,200).

Teacher Training

The Baseline includes \$2,291,800 and 8.5 FTE Positions from the General Fund in FY 2021 for Teacher Training. These amounts are unchanged from FY 2020.

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.

for FY 2023; statute funds the lesser of 2% or the actual rate.) *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

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 2021 General Fund Baseline is \$109,662,500. Of this amount:

- \$100,090,100 would be included in NAU’s individual section of the FY 2021 General Appropriation Act.
- \$4,879,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,692,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline’s 3-year spending plan, NAU’s General Fund costs are projected to increase by \$252,800 in FY 2022 above FY 2021 and \$357,400 in FY 2023 above 2022.

These estimates are based on:

- Increases of \$160,300 in 2022 and \$261,700 in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$92,500 in FY 2022 and \$95,700 in FY 2023 to increase the university’s annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31%

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$161,100,200 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 Appropriation 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 in the spring (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 2020 to the Joint Legislative Budget Committee in July 2019, and NAU incorporated the adjusted FY 2020 amounts as part of their FY 2021 budget submission. Accordingly, the estimated FY 2020 amount has been adjusted downward by \$(4,945,700) to \$156,154,500.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriation Act originally appropriated 2,316.5 FTE Positions in FY 2020 for NAU. The General Fund accounted for 852.2 FTE Positions and the University Collections Fund accounted for the remaining 1,464.3 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by 43.6 to 2,360.1. The General Fund accounts for 884.1 FTE Positions and the University Collections Fund accounts for the remaining 1,476 FTE Positions.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	101,479,400	114,454,200
Year-End Fund Balance	35,841,500	29,128,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. NAU received a General Fund appropriation of \$4,520,900 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are paid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	80,104,100	78,767,800
Year-End Fund Balance	48,607,400	32,795,400
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	107,834,600	133,118,800
Year-End Fund Balance	26,873,500	26,841,200
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	33,494,300	34,244,300
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	105,341,400	106,395,000
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	10,974,200	11,083,900
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	0	3,227,800
Year-End Fund Balance	14,839,100	12,080,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	163,000	700,000
Year-End Fund Balance	7,163,600	6,788,600
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	29,145,500	29,437,100
Year-End Fund Balance	9,706,900	9,706,900
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	11,072,500	11,060,200
Year-End Fund Balance	0	0
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	160,958,900	156,154,500
Year-End Fund Balance	0	0

University of Arizona - Main Campus

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,092.5	6,021.3	6,021.3 ^{1/}
Personal Services	325,833,700	308,814,300	308,814,300
Employee Related Expenditures	111,459,900	105,776,900	105,776,900
Professional and Outside Services	8,790,700	5,490,500	5,490,500
Travel - In State	116,400	105,300	105,300
Travel - Out of State	1,056,000	45,500	45,500
Other Operating Expenditures	80,065,600	41,767,600	41,767,600
OPERATING SUBTOTAL	527,322,300	462,000,100	462,000,100
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,251,000	14,250,200	14,251,500 ^{2/}
2017 Capital Infrastructure Funding	10,551,700	10,762,700	10,953,200 ^{3/}
Agriculture	46,050,500	43,828,700	43,828,700
Arizona Cooperative Extension	16,121,400	14,563,200	14,563,200
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	948,500	948,500	948,500
Center for the Philosophy of Freedom	3,526,500	2,526,500	2,526,500 ^{4/}
Mining, Mineral and Natural Resources Educational Museum	185,200	428,800	428,800
One-Time Funding	2,164,800	9,450,000	0
Sierra Vista Campus	8,420,100	7,750,900	7,750,900
AGENCY TOTAL	632,271,400	569,239,000	559,980,800 ^{5/6/}
FUND SOURCES			
General Fund	208,836,400	215,808,900	206,550,700 ^{7/8/9/}
<u>Other Appropriated Funds</u>			
University Collections Fund	423,435,000	353,430,100	353,430,100 ^{10/}
SUBTOTAL - Other Appropriated Funds	423,435,000	353,430,100	353,430,100
SUBTOTAL - Appropriated Funds	632,271,400	569,239,000	559,980,800
Other Non-Appropriated Funds	1,160,700,900	1,241,945,700	1,265,837,800
Federal Funds	215,931,500	220,250,200	223,726,700
TOTAL - ALL SOURCES	2,008,903,800	2,031,434,900	2,049,545,300

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/} Includes 950.6 GF and 333.4 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} A.R.S. § 15-1670 appropriates \$14,251,500 to UA-Main from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$10,953,200 to UA-Main from the General Fund in FY 2021 for capital infrastructure projects.
- ^{4/} The appropriated amount for the Center for the Philosophy of Freedom line item 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 to 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, 2020, 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. (General Appropriation 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 Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 8/ The FY 2021 General Fund Baseline is \$206,550,700. This amount includes \$181,346,000 in UA - Main's individual section of the FY 2021 General Appropriation Act, \$14,251,500 in A.R.S. § 15-1670 lease-purchase appropriations, \$10,953,200 in A.R.S. § 15-1671 capital infrastructure appropriations, and elimination of prior year one-time funding for capital improvements or operating expenditures.
- 9/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 10/ Any unencumbered balances remaining in the University Collections Fund on June 30, 2020 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 expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$462,000,100 and 4,737.3 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$128,795,500
University Collections Fund	333,204,600

These amounts are unchanged from FY 2020.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$14,251,500 from the General Fund in FY 2021 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2021 adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$1,300 from the General Fund in FY 2021 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), 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 would not appear in the FY 2021 General Appropriation 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 Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$10,953,200 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding line item. FY 2021 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$190,500 from the General Fund in FY 2021 for a 1.77% increase in 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. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2021 General Appropriation Act. A.R.S. § 15-1671 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Agriculture

The Baseline includes \$43,828,700 and 814.9 FTE Positions in FY 2021 for the Agriculture Programs. These amounts consist of:

General Fund	28,594,200
University Collections Fund	15,234,500

These amounts are unchanged from FY 2020.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The Baseline includes \$14,563,200 and 353.7 FTE Positions from the General Fund in FY 2021 for the Arizona Cooperative Extension. These amounts are unchanged from FY 2020.

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 Baseline includes \$2,729,400 from the General Fund in FY 2021 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2020. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information).*

Arizona Geological Survey

The Baseline includes \$948,500 from the General Fund in FY 2021 for the Arizona Geological Survey. This amount is unchanged from FY 2020.

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.

Center for the Philosophy of Freedom

The Baseline includes \$2,526,500 and 36.5 FTE Positions from the General Fund in FY 2021 for the Center for the Philosophy of Freedom (CPF). These amounts are unchanged from FY 2020.

This line item supports the CPF, which is within the UA Department of Political Economy and Moral Science. The CPF's functions include publishing research, undergraduate education, graduate education, and community outreach.

Mining, Mineral and Natural Resources Educational Museum

The Baseline includes \$428,800 and 1 FTE Position from the General Fund in FY 2021 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2020.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

One-Time Funding

The Baseline includes no funding from the General Fund in FY 2021 for the One-Time Funding line item. FY 2021 adjustments are as follows.

Remove One-Time Funding

The Baseline includes a decrease of \$(9,450,000) from the General Fund in FY 2021 for the elimination of one-time funding.

The FY 2020 budget included \$9,450,000 of one-time funding for UA for capital improvements or operating expenditures. UA used its FY 2020 one-time funding on information technology infrastructure, library access projects, and student support services.

This one-time allocation was also funded in FY 2017 (\$8,000,000), FY 2018 (\$3,157,700) and FY 2019 (\$2,164,800).

Sierra Vista Campus

The Baseline includes \$7,750,900 and 77.9 FTE Positions in FY 2021 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,759,900
University Collections Fund	4,991,000

These amounts are unchanged from FY 2020.

UA - Sierra Vista offers upper-division undergraduate programs in 16 disciplines 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.

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 2021 General Fund Baseline is \$206,550,700. Of this amount:

- \$181,346,000 would be included in UA - Main's individual section of the FY 2021 General Appropriation Act.
- \$14,251,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$10,953,200 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

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 \$213,200 in FY 2022 above FY 2021, and increase by \$227,000 in FY 2023 above FY 2022.

These estimates are based on:

- A \$(2,600) decrease in FY 2022 and a \$3,600 increase in FY 2023 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$215,800 in FY 2022 and \$223,400 in FY 2023 to increase the university's annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31% for FY 2023; statute funds the lesser of 2% or the actual rate.) *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$386,248,600 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 Appropriation 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 in the spring (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 2020 to the Joint Legislative Budget Committee in July 2019, and UA incorporated the adjusted FY 2020 amounts as part of their FY 2021 budget submission. Accordingly, the estimated FY 2020 amount has been adjusted downward by \$(32,818,500) to \$353,430,100.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriation Act originally appropriated 6,092.5 FTE Positions in FY 2020 for UA - Main. The General Fund accounted for 2,156.6 FTE Positions and the University Collections Fund accounted for the remaining 3,935.9 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by (71.2) to 6,021.3. The General Fund accounts for 2,271.2 FTE Positions and the University Collections Fund accounts for the remaining 3,750.1 FTE Positions.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	289,348,100	321,815,000
Year-End Fund Balance	41,264,900	34,309,400
Capital Infrastructure Fund - UA (UNI3003/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. UA received a General Fund appropriation of \$10,551,700 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	193,063,500	254,986,000
Year-End Fund Balance	179,300,600	183,388,600
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	442,330,400	417,800,300
Year-End Fund Balance	117,398,200	119,746,200
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,317,000	1,343,400
Year-End Fund Balance	176,224,700	181,092,700
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	166,444,500	169,717,100
Year-End Fund Balance	26,803,000	26,535,200
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	48,632,000	49,604,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Geological Survey Fund (UNI3030/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Indirect cost recovery funds, and other state and local grants, fees, contracts, agreements, MOUs and other university funds.		
Purpose of Fund: To investigate and describe Arizona's geologic setting and to finance map publication and production expenses.		
Funds Expended	168,200	346,000
Year-End Fund Balance	624,700	513,300
Geological Survey Fund - Federal Grants (UNI3031/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To carry out federal grants and contracts awarded to the Arizona Geological Survey.		
Funds Expended	855,000	928,400
Year-End Fund Balance	0	0
Geological Survey Fund - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Ongoing revenues from the Arizona Centennial Special Fund established by A.R.S. § 28-2448 are deposited in this account of the Geological Survey Fund. Donations or other financial contributions can be deposited into this account.		
Purpose of Fund: Monies in this account are to be used exclusively for the restoration, maintenance, and operations of the Mining, Mineral, and Natural Resources Educational Museum.		
Funds Expended	48,600	38,600
Year-End Fund Balance	1,305,200	1,500,500
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	10,971,400	11,190,900
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	807,100	823,300
Year-End Fund Balance	28,054,700	30,050,800
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	195,772,600	205,779,900
Year-End Fund Balance	61,036,700	62,282,000
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	26,874,000	27,822,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	423,435,000	353,430,100
Year-End Fund Balance	0	0

University of Arizona - Health Sciences Center

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,226.3	1,366.4	1,366.4 ^{1/}
Personal Services	52,197,100	58,551,500	58,551,500
Employee Related Expenditures	16,727,500	18,771,300	18,771,300
Professional and Outside Services	813,800	332,600	332,600
Travel - In State	50,000	25,800	25,800
Travel - Out of State	207,700	14,700	14,700
Other Operating Expenditures	6,073,400	3,265,500	3,265,500
OPERATING SUBTOTAL	76,069,500	80,961,400	80,961,400
SPECIAL LINE ITEMS			
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
Phoenix Medical Campus	33,173,000	40,582,700	40,582,700 ^{2/}
Telemedicine Network	1,670,000	1,670,000	1,670,000
AGENCY TOTAL	120,293,500	132,595,100	132,595,100 ^{3/4/}
FUND SOURCES			
General Fund	68,897,700	76,897,700	76,897,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	51,395,800	55,697,400	55,697,400 ^{7/}
SUBTOTAL - Other Appropriated Funds	51,395,800	55,697,400	55,697,400
SUBTOTAL - Appropriated Funds	120,293,500	132,595,100	132,595,100
Other Non-Appropriated Funds	434,547,400	388,270,700	395,628,300
Federal Funds	152,919,200	155,977,300	159,096,800
TOTAL - ALL SOURCES	707,760,100	676,843,100	687,320,200

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/} Includes 471.9 GF and 68.4 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The Legislature intends that \$8,000,000 appropriated to the Phoenix Medical Campus line item be used to expand the University of Arizona Phoenix Medical School and to provide tuition waivers. The Legislature intends that the \$8,000,000 not be annualized in future years. (General Appropriation 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 Appropriation Act footnote)
- ^{4/} General Appropriation 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 Appropriation Act footnote)
- ^{6/} The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- ^{7/} Any unencumbered balances remaining in the University Collections Fund on June 30, 2020 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 expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$80,961,400 and 826.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$34,576,900
University Collections Fund	46,384,500

These amounts are unchanged from FY 2020.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

Clinical Rural Rotation

The Baseline includes \$353,600 and 6.2 FTE Positions from the General Fund in FY 2021 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2020.

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 Baseline includes \$8,587,000 and 214.2 FTE Positions from the General Fund in FY 2021 for Clinical Teaching Support. These amounts are unchanged from FY 2020.

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. Students fill all the above-mentioned FTE Positions.

Liver Research Institute

The Baseline includes \$440,400 and 6.6 FTE Positions from the General Fund in FY 2021 for the Liver Research Institute. These amounts are unchanged from FY 2020.

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.

Phoenix Medical Campus

The Baseline includes \$40,582,700 and 298 FTE Positions in FY 2021 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	31,269,800
University Collections Fund	9,312,900

These amounts are unchanged from FY 2020.

Laws 2008, Chapter 287 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Medical Campus. Of that amount, the JCCR has reviewed \$283,445,000. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building Systems section of this report. For historical information, please see the FY 2015 Appropriations Report.)*

Telemedicine Network

The Baseline includes \$1,670,000 and 15.3 FTE Positions from the General Fund in FY 2021 for the Telemedicine Network. These amounts are unchanged from FY 2020.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

Other Issues

University Collections Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$53,623,800 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 Appropriation 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 in the spring (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 2020 to the Joint Legislative Budget Committee in July 2019, and UA incorporated the adjusted FY 2020 amounts as part of their FY 2021 budget submission. Accordingly, the estimated FY 2020 amount has been adjusted upward by \$2,073,600 to \$55,697,400.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriations Act originally

appropriated 1,226.3 FTE Positions in FY 2020 for the UA - HSC. The General Fund accounted for 727 FTE Positions and the University Collections Fund accounted for the remaining 499.3 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by 140.1 to 1,366.4. The General Fund accounts for 824.7 FTE Positions and the University Collections Fund accounts for the remaining 541.7 FTE Positions.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	8,255,300	8,361,600
Year-End Fund Balance	650,000	657,800
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	287,173,100	236,826,000
Year-End Fund Balance	139,757,400	142,552,500
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	28,424,000	30,174,100
Year-End Fund Balance	8,889,800	9,067,600
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	20,000,300	20,400,300
Year-End Fund Balance	167,015,700	169,955,700
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	115,446,700	117,755,400
Year-End Fund Balance	40,563,400	41,418,500
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	37,472,500	38,221,900
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	5,137,200	5,239,900
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	85,557,500	87,268,800
Year-End Fund Balance	58,771,200	59,818,100
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	51,395,800	55,697,400
Year-End Fund Balance	0	0

Department of Veterans' Services

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	497.3	497.3	497.3 ^{1/}
Personal Services	1,203,200	1,187,100	1,187,100
Employee Related Expenditures	400,000	445,000	445,000
Professional and Outside Services	8,200	50,000	50,000
Travel - In State	20,300	25,000	25,000
Travel - Out of State	12,600	7,000	7,000
Other Operating Expenditures	415,100	579,600	579,600
Equipment	116,000	50,000	50,000
OPERATING SUBTOTAL	2,175,400	2,343,700	2,343,700
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	801,200	931,300	931,300
Arizona State Veterans' Homes	34,525,500	35,607,900	35,607,900
Veterans' Benefit Counseling	2,722,000	2,842,400	2,842,400
Veterans' Suicide Prevention	0	1,225,500	1,225,500 ^{2/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{3/}
AGENCY TOTAL	40,224,100	43,400,800	43,400,800 ^{4/}
FUND SOURCES			
General Fund	5,698,600	7,792,900	7,792,900
<u>Other Appropriated Funds</u>			
State Homes for Veterans Trust Fund	34,525,500	35,607,900	35,607,900
SUBTOTAL - Other Appropriated Funds	34,525,500	35,607,900	35,607,900
SUBTOTAL - Appropriated Funds	40,224,100	43,400,800	43,400,800
Other Non-Appropriated Funds	4,840,500	4,093,300	4,093,300
Federal Funds	872,000	18,767,400	18,767,400
TOTAL - ALL SOURCES	45,936,600	66,261,500	66,261,500

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, and operates 3 veterans' memorial cemeteries in Sierra Vista, Marana, and Flagstaff.

FOOTNOTES

- 1/ Includes 69.5 GF and 381 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The amount appropriated for the Veterans' Suicide Prevention Line Item shall be distributed to a nonprofit veterans' services organization that provides services related to reducing suicides among this state's military and veteran population. The department may spend up to \$75,700 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 for review by the Joint Legislative Budget Committee that includes the status of non-state matching grant monies. (General Appropriation Act footnote)
- 3/ Monies appropriated for the Veterans' Trauma Treatment Services line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2091, 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 Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,343,700 and 46.8 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

Arizona State Veterans' Cemeteries

The Baseline includes \$931,300 and 12.5 FTE Positions from the General Fund in FY 2021 for the Arizona State Veterans' Cemeteries. These amounts are unchanged from FY 2020.

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 Bellmont. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Arizona State Veterans' Homes

The Baseline includes \$35,607,900 and 381 FTE Positions from the State Home for Veterans' Trust Fund in FY 2021 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2020.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson. Monies in this line item are from fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

The Phoenix Veterans' Home is a 200-bed facility currently serving 166 individuals. The Tucson Veteran's Home currently serves 120 individuals and has a 120-bed capacity. In addition to these facilities, construction is currently underway for 2 new 80-bed homes in Flagstaff and Yuma.

Construction for both homes began in June 2019 and is scheduled to be completed by June 2021. *(Please see the [FY 2020 Appropriations Report](#) and [Veterans' Home Start-Up Costs](#) below for more history.)*

Veterans' Benefit Counseling

The Baseline includes \$2,842,400 and 57 FTE Positions from the General Fund in FY 2021 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2020.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of U.S. Department of Veterans' Affairs claims, and in obtaining earned benefits.

Veterans' Suicide Prevention

The Baseline includes \$1,225,500 from the General Fund in FY 2021 for Veterans' Suicide Prevention Services. This amount is unchanged from FY 2020.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides services related to reducing suicides among Arizona's military and veteran population. The department may spend up to \$75,700 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization.

The FY 2020 General Appropriation Act required the department to provide an expenditure plan to the JLBC which was favorably reviewed at the September 2019 JLBC meeting.

Veterans' Trauma Treatment Services

The Baseline includes \$450,000 from the General Fund in FY 2021 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2020.

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

Hyperbaric Oxygen Therapy Fund Deposit

Laws 2018, Chapter 98 created the Hyperbaric Oxygen Therapy Fund and made an initial deposit of \$25,000 from the General Fund.

Monies in the Hyperbaric Oxygen Therapy Fund are non-appropriated and non-lapsing. The bill requires an advisory committee to provide financial assistance from the fund to veterans for hyperbaric oxygen therapy. The

Department of Veterans' Services may seek reimbursement to the fund if the therapy is fully or partially covered by private insurance.

As of November 1, 2019, the department had not spent any of the appropriation. The department is in the process of recruiting volunteers to sit on the advisory committee. Laws 2018, Chapter 98 advanced appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023.

Selected Non-General Fund Budget Requests

The JLBC Staff suggests the Legislature consider the following budget issue in FY 2021:

Veterans' Home Start-Up Costs

The Department of Veterans' Services requested \$3,684,200 from the State Homes for Veterans Trust Fund in FY 2021 to provide start-up operating costs for the new Veterans' Home facilities in Flagstaff and Yuma. Of this amount, the department anticipates using \$1,888,600 for the Flagstaff home and \$1,795,600 for the Yuma home.

The start-up funds are used to begin operations in the facilities until they generate revenue and become self-sufficient. Previously, the department received funding from the General Fund to assist with start-up operating costs, but the department reports the State Homes for Veterans Trust Fund maintains a sufficient balance to make the payments. As of FY 2019, the fund maintained an ongoing balance of approximately \$2 million and a cash balance of \$22.4 million.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
<i>Source of Revenue:</i> Monies, grants, gifts, and contributions from any public or private source.		
<i>Purpose of Fund:</i> To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Flagstaff.		
Funds Expended	413,600	262,300
Year-End Fund Balance	1,803,600	2,403,000
Federal Funds (VSA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> U.S. Department of Veterans' Affairs and Department of Defense Grants.		
<i>Purpose of Fund:</i> To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies, provide assistance for military personnel transitioning to a career as a public school teacher, and to construct veterans' homes facilities in Yuma and Flagstaff.		
Funds Expended	872,000	18,767,400
Year-End Fund Balance	303,500	303,500
Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)		Non-Appropriated
<i>Source of Revenue:</i> Donations, grants and bequests.		
<i>Purpose of Fund:</i> To provide financial assistance to veterans for hyperbaric oxygen therapy.		
Funds Expended	0	0
Year-End Fund Balance	25,000	25,000
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
<i>Source of Revenue:</i> Donations, bequests, or other contributions from public or private sources. This fund is established through December 31, 2026; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
<i>Purpose of Fund:</i> To provide financial assistance to family members of veterans who became deceased, wounded or injured, or became seriously ill and been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment. Laws 2018, Chapter 258 established the Pre-9/11 and Post-9/11 subaccounts of the fund to provide assistance based on member's service dates.		
Funds Expended	814,600	1,209,500
Year-End Fund Balance	6,488,900	6,531,400

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
State Homes for Veterans Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	34,525,500	35,607,900
Year-End Fund Balance	22,424,800	24,011,800
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	1,800	4,000
Year-End Fund Balance	7,600	6,100
Veterans' Cemetery Fund (VSA2481/A.R.S. § 41-608.02)		Non-Appropriated
Source of Revenue: Federal grants for the construction of veterans' cemeteries. Construction of the Flagstaff and Marana Cemeteries was completed in FY 2017. The department continues construction expenditures for federal grant reimbursements through FY 2019.		
Purpose of Fund: To acquire property for and to establish state veterans' cemeteries.		
Funds Expended	21,000	0
Year-End Fund Balance	0	0
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, Flying Cross, Women Veteran, and Military Scholarship license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial, 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans and 3) higher education scholarships for veterans and their dependents.		
Funds Expended	3,587,400	2,584,500
Year-End Fund Balance	3,266,500	5,116,800
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund. DOR plans to expend \$195,200 in FY 2020, but this amount is not displayed to avoid double counting.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. Monies in the fund revert to the General Fund on June 30, 2021.		
Funds Expended	2,100	33,000
Year-End Fund Balance	97,100	69,100

Arizona State Veterinary Medical Examining Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	237,400	363,200	363,200
Employee Related Expenditures	73,000	119,000	119,000
Professional and Outside Services	23,200	25,000	25,000
Travel - In State	6,200	8,500	8,500
Travel - Out of State	100	200	200
Other Operating Expenditures	98,900	83,600	83,600
Equipment	9,700	500	500
AGENCY TOTAL	448,500	600,000	600,000^{1/}

FUND SOURCES

Other Appropriated Funds

Veterinary Medical Examining Board Fund	448,500	600,000	600,000
SUBTOTAL - Other Appropriated Funds	448,500	600,000	600,000
SUBTOTAL - Appropriated Funds	448,500	600,000	600,000
TOTAL - ALL SOURCES	448,500	600,000	600,000

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

Operating Budget

The Baseline includes \$600,000 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2021 for the operating budget. These amounts are unchanged from FY 2020.

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	448,500	600,000
Year-End Fund Balance	2,804,400	2,377,900

Department of Water Resources

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	139.0	145.0	145.0 ^{1/}
Personal Services	4,718,600	5,684,000	5,684,000
Employee Related Expenditures	1,754,600	2,290,100	2,290,100
Professional and Outside Services	155,600	400,500	400,500
Travel - In State	92,500	90,200	90,200
Travel - Out of State	68,000	50,300	50,300
Other Operating Expenditures	1,999,000	1,807,700	1,607,700
Equipment	139,200	84,900	84,900
OPERATING SUBTOTAL	8,927,500	10,407,700	10,207,700
SPECIAL LINE ITEMS			
Adjudication Support	1,731,300	1,742,900	1,742,900 ^{2/}
Assured and Adequate Water Supply Administration	1,943,100	1,995,100	1,995,100 ^{3/}
Automated Groundwater Monitoring	402,300	411,800	411,800
Arizona Water Protection Fund Deposit	650,000	750,000	250,000
Colorado River Legal Expenses	198,500	500,000	500,000 ^{4/5/}
Conservation and Drought Program	220,800	410,700	410,700
Northwest Basins Groundwater Study	48,300	0	0
Rural Water Studies	1,141,600	1,164,000	1,164,000 ^{6/}
Drought Contingency Plan Programs			
Arizona System Conservation Fund Deposit	0	30,000,000	0
Augmentation and Conservation Assistance Fund Deposit	0	2,000,000	0
Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit	9,000,000	20,000,000	0 ^{7/}
AGENCY TOTAL	24,263,400	69,382,200	16,682,200 ^{7/}
FUND SOURCES			
General Fund	23,030,000	66,937,700	14,237,700
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	612,000	1,212,200	1,212,200
Assured and Adequate Water Supply Administration Fund	0	268,600	268,600
Water Resources Fund	621,400	963,700	963,700
SUBTOTAL - Other Appropriated Funds	1,233,400	2,444,500	2,444,500
SUBTOTAL - Appropriated Funds	24,263,400	69,382,200	16,682,200
Other Non-Appropriated Funds	14,220,300	10,021,300	10,021,300
Federal Funds	507,100	550,200	550,200
TOTAL - ALL SOURCES	38,990,800	79,953,700	27,253,700

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/} Includes 60 GF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} Monies in the Adjudication Support line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. The Department of Water Resources may not transfer any monies into or out of the Adjudication Support line item. (General Appropriation Act footnote)
- ^{3/} Monies in the Assured and Adequate Water Supply Administration line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. The Department of Water Resources may not

transfer any monies into or out of the Assured and Adequate Water Supply Administration line item. (General Appropriation 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 Appropriation Act footnote)
- 5/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ 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 the state's Active Management Areas and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- D/ ~~The sum of \$20,000,000 is appropriated from the state General Fund in FY 2020 to the Temporary Groundwater and Irrigation Efficiency Projects Fund established by A.R.S. § 45-615.01 to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts as defined in A.R.S. § 45-615.01. The disbursement of monies must be evidenced by an agreement between the qualified irrigation districts and the Director of Water Resources. The terms of the agreement shall require the repayment of the monies disbursed pursuant to this section on or before December 31, 2021 and may not require payment of interest by the qualified irrigation district. The Director shall reimburse the state General Fund with all monies repaid by qualified irrigation districts pursuant to this section. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)~~
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$10,207,700 and 85 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$8,531,800
Water Banking Fund	1,212,200
Water Resources Fund	463,700

FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(200,000) from the General Fund in FY 2021 to remove one-time funding for document digitization. Statute requires the department to maintain a Central Information Repository of all adjudications. The funds were used to digitize those documents.

Adjudication Support

The Baseline includes \$1,742,900 and 21 FTE Positions from the General Fund in FY 2021 for Adjudication Support. These amounts are unchanged from FY 2020.

A.R.S. § 45-256 requires the Department of Water Resources 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 Baseline includes \$1,995,100 and 21 FTE Positions in FY 2021 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,726,500
AAWS Administration Fund	268,600

These amounts are unchanged from FY 2020.

Within the state's 5 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.

New developers outside the 5 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 Baseline includes \$411,800 and 2 FTE Positions from the General Fund in FY 2021 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2020.

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 water management programs that the department is responsible for, including but not limited to, determining assured and adequate water supply, implementation and evaluation of recharge activities, rural water budgets, and water supply studies.

Arizona Water Protection Fund Deposit

The Baseline includes \$250,000 from the General Fund in FY 2021 for the Arizona Water Protection Fund Deposit line item. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2021 to remove a one-time deposit to the Water Protection Fund.

The Water Protection Fund has received an ongoing annual General Fund deposit of \$250,000 since FY 2017. In FY 2019, Laws 2018, Chapter 330 appropriated an additional one-time General Fund amount of \$400,000. The FY 2020 budget included an additional one-time General Fund amount of \$500,000.

The Water Protection 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 grant applications and determine annual recipients.

Colorado River Legal Expenses

The Baseline includes \$500,000 from the Water Resources Fund in FY 2021 for Colorado River Legal Expenses. This amount is unchanged from FY 2020.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. The FY 2019 budget expanded the uses by changing the name from the Lower Colorado River Litigation Expenses line item. Before FY 2019, this line item paid for litigation costs associated with the *Navajo Nation v. United States Department of the Interior* case, in which the Department of Water Resources is an intervening defendant. This case

involves the Navajo Nation's claims to water from the Lower Colorado River and challenges operations that were put in place after the initial lawsuit was filed in 2003. The Navajo Nation filed an amended complaint on June 3, 2013 to begin litigating the case. As of December 2019, the litigation continues.

Conservation and Drought Program

The Baseline includes \$410,700 and 5 FTE Positions from the General Fund in FY 2021 for the Conservation and Drought Program. These amounts are unchanged from FY 2020.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs. This line item also funds the department administering the requirements of 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.

Northwest Basins Groundwater Study

The Baseline includes no funding from the General Fund in FY 2021 for a Northwest Basins Groundwater Study. This amount is unchanged from FY 2020.

This line item was previously used to fund a contracted independent study that estimated: 1) the rate of groundwater depletion in the Northwest Basins Planning Area; and 2) the number of years of groundwater remaining in the basins. The department issued a Request for Proposals for the study, and Matrix New World Engineering was chosen as the vendor. ADWR is required to submit a report of the study's findings on or before December 31, 2019.

Rural Water Studies

The Baseline includes \$1,164,000 and 11 FTE Positions from the General Fund in FY 2021 for Rural Water Studies. These amounts are unchanged from FY 2020.

This line item funds the department's administration, data collection, and evaluation of rural water studies. The monies are also used to provide assistance to local communities to assess local water use needs and to

develop plans for sustainable future water supplies in rural areas outside the state’s AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz. These studies are administered, in most cases, through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts, although if a community has a significant need the department can waive this requirement. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. The department is currently involved in 10 studies.

Drought Contingency Plan Programs

Arizona System Conservation Fund Deposit

The Baseline includes no funding from the General Fund in FY 2021 for the Arizona System Conservation Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(30,000,000) from the General Fund in FY 2021 to remove one-time funding for deposit into the Arizona System Conservation Fund.

The Drought Contingency Plan established the non-appropriated Arizona System Conservation Fund. Monies in the fund may be used to contract with Colorado River water users in Arizona who hold entitlements to Colorado River water to forgo water deliveries or diversions for creating system conservation.

(Please see the Drought Contingency Plan narrative in the Other Issues section.)

Augmentation and Conservation Assistance Fund Deposit

The Baseline includes no funding from the General Fund in FY 2021 for the Augmentation and Conservation Assistance Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2021 to remove one-time funding for deposit into the Augmentation and Conservation Assistance Fund.

Monies in this line item were originally appropriated to the 2017 Drought Contingency Program by the 2018 General Appropriation Act. The Drought Contingency Plan repurposed these monies for deposit into the

Augmentation and Conservation Assistance Fund to provide additional monies for grants for conservation of groundwater in active management areas.

(Please see the FY 2020 Appropriations Report for more information on the 2017 Drought Contingency Program and the Drought Contingency Plan narrative in the Other Issues section.)

Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit

The Baseline includes no funding from the General Fund in FY 2021 for the Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(20,000,000) from the General Fund in FY 2021 to remove one-time funding used to construct, rehabilitate, and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be fully reimbursed to the General Fund on or before December 31, 2021.

The Drought Contingency Plan established the Temporary Groundwater and Irrigation Efficiency Projects Fund for the funding of projects that construct and rehabilitate infrastructure related to the efficient withdrawal and delivery of groundwater. Laws 2019, Chapter 1 appropriated a \$7,000,000 supplemental from the General Fund into the new fund for FY 2019 and repurposed an additional \$2,000,000 for FY 2019 to the fund that was originally appropriated for the 2017 Drought Contingency Program line item by the FY 2018 General Appropriation Act.

The department expects to distribute \$9,000,000 of non-loan grant monies by the end of calendar year (CY) 2019. Distribution of the \$20,000,000 of loan monies is dependent on applications from irrigation districts, and the department plans to disburse those funds in CY 2020.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Drought Contingency Plan
- Dam Safety

Statutory Changes

The Baseline would:

- 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 2021.
- As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200, and exempt the department from rulemaking for this purpose.

Drought Contingency Plan

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.

If the water level were to fall below 1,025 feet the United States Department of Interior would control the allocation of water, and Arizona and the other states could face additional reductions to water delivery. To avoid this fate, the affected states, the federal Department of the Interior, and the Bureau of Reclamation negotiated a Drought Contingency Plan. The plan, signed on May 20, 2019 by all relevant parties, will institute more immediate reductions at amounts higher than the 2007 agreement to preserve water in Lake Mead, as well as including incentives for additional water conservation by the parties.

Prior to the multi-state agreement, Laws 2019, Chapter 1, the Drought Contingency Plan, was enacted. The DCP allowed the Director of DWR to enter into the new agreement and specified Arizona's efforts to conserve waters in the Colorado River system.

As part of the DCP, Arizona appropriated a total of \$30,000,000 for Colorado River system conservation, \$9,000,000 for more efficient groundwater removal, and \$2,000,000 for the conservation of groundwater in active management areas in FY 2020.

Dam Safety

The Department of Water Resources (DWR) supervises the safety of dams in Arizona. DWR supervises 257 dams in the state.

Of the 257, 31 are labeled as "high-hazard" dams with identified safety deficiencies. Of these 31, 15 are labeled

as "unsafe." The Legislature may consider utilizing one-time monies to assess the problems at these 15 dams as well as potentially set aside state match funding for the repairs themselves. These monies would supplement the monies already available in the Dam Repair Fund.

As listed in *Table 1*, the 15 dams are in the following counties:

<u>County</u>	<u>Number of Dams</u>
Apache	1
Cochise	1
Coconino	3
Graham	3
Maricopa	1
Navajo	4
Pinal	2
Total	15

The owner of each dam is responsible for its repairs. The assessment and design repair cost can approach \$1 million, with actual construction costs being as much as \$10 million.

DWR can assist dam owners through grants or loans from the Dam Repair Fund if the dam is classified as "unsafe." The fund's revenues consist of dam inspection and permit fees. The fund generated \$183,900 in revenue for FY 2019. The fund has a current balance of \$5 million.

The federal government may also provide repair grants contingent upon a local match.

Table 2 lists dams considered to be "unsafe" and the year that it was constructed.

Fredonia presents an example of the challenge of repairing dams. While the federal government committed 65% of the estimated \$10-12 million in repair costs and DWR offered \$1 million, the town was unable to secure the remaining amount as local match. Repair plans were then suspended. Local match monies would be sourced from local tax revenues, grants, or loans.

Beyond determining whether a dam is "unsafe," DWR may also make a determination that an emergency exists if a dam is dangerous to safety and there is insufficient time to take corrective action. Under that circumstance, rather than granting or loaning monies from the Dam Repair Fund, DWR may take immediate remedial action such as partially releasing water or emptying the associated reservoir. After emergency remedial action is

taken, DWR maintains temporary control of the dam and may begin appropriate repair work. The costs of DWR control and emergency repairs are then charged to the dam owner by placing a lien on the dam property.

<u>Dam Name</u>	<u>Year Constructed</u>
Colter	1908
Leslie Canyon Water Users Association	N/A
Fredonia	1973
Walnut Canyon	1881
Odell	1978
Central Detention	1948
Stockton Wash	1964
Cook Reservoir	1940
Buckeye Flood Structure #1	1974
Black Canyon	1964
Millett Swale	1958
Fool Hollow	1956
Jacques	1953
Maricopa Road Basin	1995
Green Road Basin	1995

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona System Conservation Fund (WCA9900/A.R.S. § 45-118)		Non-Appropriated
Source of Revenue: Legislative appropriations and grants and contributions from private and public entities. Expenditures are not displayed to avoid double counting of General Fund monies.		
Purpose of Fund: Reduce Colorado River water use by funding conservation measures, water diversions, and forgoing water deliveries.		
Funds Expended	0	0
Year-End Fund Balance	0	23,975,500
Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: On a one-time basis, these monies were used by the Auditor General for an audit of the Central Arizona Water Conservation District. Please see the Non-Appropriated portion of the fund for more information.		
Funds Expended	612,000	1,212,200
Year-End Fund Balance	4,582,500	5,081,800
Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Non-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own sub-account within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances.		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	11,132,000	7,873,100
Year-End Fund Balance	4,582,500	5,081,800

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Arizona Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water and legislative appropriations.		
Purpose of Fund: To provide 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 grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid. Recent budget legislation has allowed the Water Protection Fund Commission to spend monies on administrative functions out of the unobligated fund balance.		
Funds Expended	660,300	454,200
Year-End Fund Balance	2,692,000	3,048,800
Arizona Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	28,500	175,000
Year-End Fund Balance	466,400	430,400
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supply regulations for newly- created subdivisions.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	0	268,600
Year-End Fund Balance	726,600	627,900
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own subaccount within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	573,600	520,500
Year-End Fund Balance	2,411,000	4,507,200
Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	29,400	0
Year-End Fund Balance	0	25,900
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filling fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	161,000	150,000
Year-End Fund Balance	4,879,600	5,229,600

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Employee Recognition Fund (WCA2449/A.R.S. § 41-709)		Non-Appropriated
<i>Source of Revenue:</i> Gifts and donations from a public entity, a private entity, or any person.		
<i>Purpose of Fund:</i> To be used for the agency's employee recognition program.		
Funds Expended	2,800	3,000
Year-End Fund Balance	1,500	1,300
Federal Grants (WCA2000/A.R.S. § 45-105)		Non-Appropriated
<i>Source of Revenue:</i> Grants from the federal government.		
<i>Purpose of Fund:</i> To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	507,100	550,200
Year-End Fund Balance	575,900	649,000
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, grants, and contributions from other public agencies.		
<i>Purpose of Fund:</i> To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	9,300	50,100
Year-End Fund Balance	376,800	335,700
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
<i>Source of Revenue:</i> Court fees paid by water claimants and from legislative appropriations.		
<i>Purpose of Fund:</i> To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	12,200	13,500
Year-End Fund Balance	32,900	32,500
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
<i>Source of Revenue:</i> Cost allocation transfers of federal and other non-appropriated funds.		
<i>Purpose of Fund:</i> To provide various indirect administrative services, including security and cashiering.		
Funds Expended	1,069,500	155,200
Year-End Fund Balance	1,621,800	1,780,900
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Collections from other state and local agencies.		
<i>Purpose of Fund:</i> To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	229,500	107,300
Year-End Fund Balance	209,200	200,900
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
<i>Source of Revenue:</i> From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
<i>Purpose of Fund:</i> To produce and distribute department publications, as well as to copy department records.		
Funds Expended	1,700	0
Year-End Fund Balance	2,100	2,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	0	0
Year-End Fund Balance	7,100	7,200
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own subaccount within the fund.		
Funds Expended	0	0
Year-End Fund Balance	145,300	148,700
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	0	15,000
Year-End Fund Balance	177,500	172,500
Temporary Groundwater and Irrigation Efficiency Projects Fund (WCA9901/A.R.S. § 45-615.01)		Non-Appropriated
Source of Revenue: General Fund monies, groundwater withdrawal fees collected in the Pinal active management area, grants from federal agencies, and monies deposited in the fund by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area.		
Purpose of Fund: Funding projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the Phoenix active management area, the Pinal active management area, and the Harquahala irrigation non-expansion area. Expenditures are not displayed to avoid double counting of General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	9,039,500	22,694,800
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. Recent budget legislation allows the director to maintain prior year fees and requires that these revenues be deposited into the fund with the intent that the fee increases do not exceed \$100,200.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities including management of the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	621,400	963,700
Year-End Fund Balance	4,909,900	4,990,100
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	310,500	504,400
Year-End Fund Balance	1,585,100	1,649,900

CAPITAL OUTLAY ESTIMATES

**Capital Outlay
Summary**

	FY 2021 BASELINE
BUILDING RENEWAL	
ADOA Building System	22,768,900
ADOT Building System	13,281,700
ABOR Building System	0
SUBTOTAL	36,050,600
INDIVIDUAL PROJECTS	
ADOA Building System	0
ADOT Building System	454,633,000
ABOR Building System	0
SUBTOTAL	454,633,000
DEBT AND LEASE-PURCHASE FINANCING	
ADOA Leaseback Financing	53,701,800
LOCAL ASSISTANCE	
Phoenix Convention Center	23,997,900
Rio Nuevo District	16,000,000
SUBTOTAL	39,997,900
TOTALS	
ADOA Building System	22,768,900
ADOT Building System	467,914,700
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	93,699,700
TOTAL - ALL PROJECTS	584,383,300
FUND SOURCES	
General Fund	93,699,700
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Department of Corrections Building Renewal Fund	5,464,300
Game and Fish Fund	1,157,900
State Lottery Fund	146,700
State Aviation Fund	31,181,700
State Highway Fund	436,733,000
SUBTOTAL - Other Appropriated Funds	490,683,600
SUBTOTAL - Appropriated Funds	584,383,300
Other Non-Appropriated Funds	952,950,000
Federal Funds	1,033,722,000
TOTAL - ALL SOURCES	2,571,055,300

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.

The following amounts are one-time appropriations:

Summary

The Baseline includes a total of \$584,383,300 from Appropriated Funds in FY 2021. Of the total, \$93,699,700 is from the General Fund and \$490,683,600 is from Other Appropriated Funds. The Baseline consists of 4 main categories: 1) Building Renewal, 2) Individual Projects, 3) Debt and Lease-Purchase Financing, and 4) Local Assistance.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on 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 Baseline includes total funding of \$36,050,600 in FY 2021 for Building Renewal, which consists of Other Appropriated Funds. These amounts include:

	<u>FY 2021</u>
Arizona Department of Administration	\$16,000,000
Capital Outlay Stabilization Fund	
@ 32.6% (excludes ADC,	
Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building	5,464,300
Renewal Fund @ 20.4%	
Game and Fish Department	
Game and Fish Fund @ 100%	1,157,900
State Lottery Commission	
State Lottery Fund @ 100%	<u>146,700</u>
Subtotal - ADOA	\$22,768,900
Arizona Department of Transportation	
State Highway Fund @ 91.0%	\$13,000,000
State Aviation Fund @ 94.1%	<u>281,700</u>
Subtotal - ADOT	\$13,281,700

(See the individual building systems' section for more information.)

Individual Projects

The Baseline includes total funding of \$454,633,000 in FY 2021 for individual capital projects, which consists of \$454,633,000 from Other Appropriated Funds. *(See the*

individual building systems' sections for more information.)

Debt and Lease-Purchase Financing

The Baseline includes \$53,701,800 from the General Fund in FY 2021 for payments related to prior year lease-purchase financing to resolve budget shortfalls. *(See the Debt and Lease-Purchase Financing section for more information.)*

Local Assistance

The Baseline includes \$39,997,900 from the General Fund in FY 2021 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 Building System

FY 2021
BASELINE

BUILDING RENEWAL

Department of Administration ^{1/2/}	16,000,000
Department of Corrections ^{3/}	5,464,300
Game and Fish Department ^{4/}	1,157,900
Arizona State Lottery Commission	146,700
TOTAL - ALL PROJECTS	22,768,900

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	16,000,000
Department of Corrections Building Renewal Fund	5,464,300
Game and Fish Fund	1,157,900
State Lottery Fund	146,700
SUBTOTAL - Other Appropriated Funds	22,768,900
SUBTOTAL - Appropriated Funds	22,768,900

TOTAL - ALL SOURCES ^{5/6/7/8/9/10/11/12/}

22,768,900

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. 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. The following amounts for FY 2021 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- ^{1/} 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 A.R.S. § 41-792.01 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 may use monies appropriated for building renewal in FY 2020 for building demolition.~~ (Capital Outlay Appropriation Act footnote)
- ^{2/} On or before January 31, 2021 and July 31, 2021, the Department of Administration shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{3/} On or before January 31, 2021 and July 31, 2021, the State Department of Corrections shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. The department may not spend any of this appropriation on Personal Services or overhead expenses related to managing of the funded projects. (Capital Outlay Appropriation Act footnote)
- ^{4/} On or before January 31, 2021 and July 31, 2021, the Arizona Game and Fish Department shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{5/} On or before January 31, 2021 and July 31, 2021, the Arizona State Parks Board shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{6/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2021 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. Of the amount appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section 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 Appropriation Act footnote)

- 7/ **NEW** Notwithstanding Laws 2018, Chapter 277, monies appropriated from the General Fund to the Department of Emergency and Military Affairs in FY 2019 for the purpose of constructing a readiness center in Tucson do not lapse until June 30, 2022. (Capital Outlay Appropriation Act footnote)
- 8/ **NEW** Notwithstanding Laws 2019, Chapter 264, monies appropriated from the General Fund to the Department of Emergency and Military Affairs in FY 2020 for the purpose of constructing a readiness center in West Phoenix Valley do not lapse until June 30, 2023. . (Capital Outlay Appropriation Act footnote)
- 9/ Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- 10/ Unless otherwise specified, 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)
- 11/ Except as provided in subsection __ of this section and notwithstanding A.R.S. § 35-190D, the appropriations made in this act for FY 2021 that are unexpended on June 30, 2022 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 12/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$22,768,900 from Other Appropriated Funds in FY 2021 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$16,000,000 to ADOA from the Capital Outlay Stabilization Fund (COSF). This amount funds 32.6% of the ADOA building renewal formula. The FY 2020 appropriation of \$17,000,000 from COSF represented 33.9% of the ADOA formula.
- \$5,464,300 to the Arizona Department of Corrections (ADC) from the ADC Building Renewal Fund, which funds 20.4% of the ADC building renewal formula. This amount includes a decrease of \$(1,400,000) from FY 2020, as that level of spending included one-time monies from the fund balance. The FY 2020 appropriation of \$6,864,300 from the ADC Building Renewal Fund represented 28.3% of the ADC formula.
- \$1,157,900 to Arizona Game and Fish Department from the Game and Fish Fund which funds 100% of the Game and Fish building renewal formula. The FY 2020 appropriation of \$1,043,700 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$146,700 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2020 appropriation of \$134,100 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Building renewal appropriations to the Department of Administration are used for major maintenance and repair activities for state buildings. The Baseline continues a footnote allowing up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed.

The Baseline continues the footnote requiring that unused building renewal monies revert after 2 fiscal years at the end of FY 2021.

The Baseline also adds 2 footnotes extending the non-lapsing status of the FY 2019 and FY 2020 General Fund appropriations to the Department of Emergency and Military Affairs (DEMA) for establishing Readiness Centers in Tucson and West Phoenix Valley. The lapsing date for the \$3,759,000 General Fund appropriation for the Tucson Readiness Center would be extended to June 30, 2022, and the lapsing date for the \$3,875,000 General Fund appropriation for the West Phoenix Valley Readiness Center would be extended to June 30, 2023. This change would accommodate the federal award cycle for readiness center projects and allow the department additional time to receive funding for and complete construction of the centers.

Other Issues

Rent Adjustments

In FY 2020, state building rent payments increased by \$2,510,900 which consists of \$1,582,800 from the General Fund, \$475,700 from Other Appropriated Funds, and \$452,400 from Non-Appropriated Funds.

The increase in rent payments is primarily due to increased rental rates. The FY 2020 budget set rental rates at \$17.87 per square foot for rentable office space and \$6.43 per square foot for rentable storage space. These amounts increased the office rate by \$1.79 a square foot and storage space by \$0.64 a square foot.

Changes to the rent payments also reflect changes in rent due to renovations, agency relocations, and agency space consolidation.

The Baseline includes a Summary of Rent Charges as of June 2019, which reflects updated space utilization amounts when applying the current rental rates of state building space (Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft.). (Please see Summary of Rent Charges for additional information.)

COSF Balance

COSF primarily receives revenue from rent charges to agencies occupying ADOA owned buildings. The fund is used to pay administrative, utilities, maintenance, and construction costs for state-owned buildings. Table 1 shows actual balance, revenue, and expenditure information for FY 2019, and provides estimates for FY 2020 and FY 2021.

COSF is projected to have a balance of \$6,860,500 at the end of FY 2021. The FY 2021 Baseline appropriation of \$16,000,000 is based on the projected ongoing fund balance and would fund 32.6% of the ADOA formula.

ADOA currently receives an annual appropriation of \$7,649,900 from COSF for utility costs in state-owned buildings. In FY 2019, ADOA reported expenditures of \$4,975,000 for utilities, or \$(2,674,900) below the appropriation. (Please see the ADOA agency section for additional information.)

The JLBC Staff suggests the Legislature consider reducing the COSF appropriation for utilities by \$(2,500,000) in FY 2021, with a corresponding increase to ADOA's building renewal appropriation. This would bring the ADOA building renewal appropriation to \$18,500,000 in FY 2021, or \$2,500,000 above the FY 2021 Baseline appropriation. This would fund 37.7% of the ADOA formula.

Table 1

COSF Revenues and Expenditures
(in millions)

	FY 2019 Actuals	FY 2020 Estimate	FY 2021 Estimate
Beginning Balance	\$8.5	\$17.7	\$6.7
Revenue	<u>30.4</u>	<u>33.4</u>	<u>34.7</u>
Total Available	\$38.9	\$51.1	\$41.4
Expenditures			
COSF Operating	\$14.3	\$18.5	\$18.5
Capital Projects			
FY '18 Building Renewal	1.2	0	0
FY '19 Building Renewal	4.6	7.4	0
FY '20 Building Renewal ^{1/}	0	17.0	0
FY '21 Building Renewal ^{1/}	0	0	16.0
Department of Health Services	0.2	0	0
Admin. Adjustments	<u>0.9</u>	<u>1.5</u>	<u>0</u>
Total Expenditures	\$21.2	44.4	\$34.5
Ending Balance	\$ 17.7	\$6.7	\$6.9

^{1/} Since ADOA building renewal appropriations do not lapse for 2 years, monies appropriated in FY 2020 and FY 2021 may also be spent in the proceeding fiscal year.

SUMMARY OF RENT CHARGES 1/ 2/

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Acupuncture Board of Examiners												
1740 W Adams	-	6,500	-	6,500	-	11,000	-	11,000	-	4,500	-	4,500
Administration, AZ Department of												
1510 W Adams	-	434,600	-	434,600	-	-	-	-	-	(434,600)	-	(434,600)
1520 W Adams	-	239,900	-	239,900	-	-	-	-	-	(239,900)	-	(239,900)
1537 W Jackson	-	106,400	-	106,400	-	118,200	-	118,200	-	11,800	-	11,800
1616 W Adams	-	95,000	-	95,000	-	86,500	-	86,500	-	(8,500)	-	(8,500)
1802 W Jackson	-	21,600	53,600	75,200	-	24,000	59,500	83,500	-	2,400	5,900	8,300
1840 W Jackson	-	79,000	-	79,000	-	87,800	-	87,800	-	8,800	-	8,800
1850 W Jackson	-	54,500	-	54,500	-	60,600	-	60,600	-	6,100	-	6,100
1700 W Washington	41,900	101,100	-	143,000	-	159,000	-	159,000	(41,900)	57,900	-	16,000
1740 W Adams	-	77,300	-	77,300	-	36,100	-	36,100	-	(41,200)	-	(41,200)
1501 W Madison	-	74,100	-	74,100	-	82,400	-	82,400	-	8,300	-	8,300
1801 W Madison	-	26,300	-	26,300	-	29,200	-	29,200	-	2,900	-	2,900
1805 W Madison	-	30,400	-	30,400	-	33,800	-	33,800	-	3,400	-	3,400
400 W Congress, Tucson	-	58,700	-	58,700	-	65,100	-	65,100	-	6,400	-	6,400
402 W Congress, Tucson	-	69,500	-	69,500	-	77,300	-	77,300	-	7,800	-	7,800
416 W Congress, Tucson	-	3,400	-	3,400	-	3,800	-	3,800	-	400	-	400
Subtotal - AZ Dept of Administration	41,900	1,471,800	53,600	1,567,300	-	863,800	59,500	923,300	(41,900)	(608,000)	5,900	(644,000)
Administrative Hearings, Office of												
1740 W Adams	62,000	-	115,000	177,000	92,700	-	117,900	210,600	30,700	-	2,900	33,600
400 W Congress, Tucson	-	14,000	-	14,000	-	-	-	-	-	(14,000)	-	(14,000)
Subtotal - Office of Administrative Hearings	62,000	14,000	115,000	191,000	92,700	-	117,900	210,600	30,700	(14,000)	2,900	19,600
African American Affairs, AZ Commission of												
1700 W Washington	7,300	-	-	7,300	8,100	-	-	8,100	800	-	-	800
Agriculture, AZ Department of												
1520 W Adams	132,100	-	-	132,100	-	-	-	-	(132,100)	-	-	(132,100)
1688 W Adams	243,200	56,900	273,800	573,900	299,700	-	337,900	637,600	56,500	(56,900)	64,100	63,700
400 W Congress, Tucson	39,500	4,800	5,700	50,000	48,400	-	7,200	55,600	8,900	(4,800)	1,500	5,600
Subtotal - AZ Dept of Agriculture	414,800	61,700	279,500	756,000	348,100	-	345,100	693,200	(66,700)	(61,700)	65,600	(62,800)
AZ Health Care Cost Containment System												
Kingman Building	8,300	-	8,100	16,400	9,100	-	9,200	18,300	800	-	1,100	1,900
Arts, AZ Commission on the												
417 W Roosevelt	-	-	61,100	61,100	-	-	67,900	67,900	-	-	6,800	6,800
Attorney General - Department of Law												
400 W Congress, Tucson	49,700	39,000	29,100	117,800	-	-	131,500	131,500	(49,700)	(39,000)	102,400	13,700
402 W Congress, Tucson	162,300	127,100	94,100	383,500	170,500	55,400	200,300	426,200	8,200	(71,700)	106,200	42,700
416 W Congress, Tucson	-	-	141,900	141,900	-	-	157,700	157,700	-	-	15,800	15,800
Capitol Center	1,219,400	428,400	-	1,647,800	597,400	1,058,200	51,200	1,706,800	(622,000)	629,800	51,200	59,000
Subtotal - Attorney General - Dept of Law	1,431,400	594,500	265,100	2,291,000	767,900	1,113,600	540,700	2,422,200	(663,500)	519,100	275,600	131,200
Barbers, Board of												
1740 W Adams	-	22,100	-	22,100	-	25,000	-	25,000	-	2,900	-	2,900
Behavioral Health Examiners, Board of												
1740 W Adams	-	84,000	-	84,000	-	93,700	-	93,700	-	9,700	-	9,700
Charter Schools, State Board for												
1616 W Adams	86,600	-	-	86,600	96,300	-	-	96,300	9,700	-	-	9,700
Child Safety, Department of												
Kingman Building	23,100	47,400	31,800	102,300	113,700	-	-	113,700	90,600	(47,400)	(31,800)	11,400
400 W Congress, Tucson	22,200	20,800	9,900	52,900	33,200	-	-	33,200	11,000	(20,800)	(9,900)	(19,700)
Capitol Center	141,500	39,400	81,200	262,100	291,300	-	-	291,300	149,800	(39,400)	(81,200)	29,200
Subtotal - Department of Child Safety	186,800	107,600	122,900	417,300	438,200	-	-	438,200	251,400	(107,600)	(122,900)	20,900
Chiropractic Examiners, State Board of												

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1740 W Adams	-	20,000	-	20,000	-	23,300	-	23,300	-	3,300	-	3,300
Citizens Clean Elections Commission												
1616 W Adams	-	-	66,800	66,800	-	-	74,200	74,200	-	-	7,400	7,400
Contractors, Registrar of												
400 W Congress, Tucson	-	46,700	-	46,700	-	49,300	2,600	51,900	-	2,600	2,600	5,200
1700 W Washington	-	347,900	-	347,900	-	367,300	19,300	386,600	-	19,400	19,300	38,700
Subtotal - Registrar of Contractors	-	394,600	-	394,600	-	416,600	21,900	438,500	-	22,000	21,900	43,900
Corporation Commission												
1200 W Washington	-	649,300	-	649,300	-	721,600	-	721,600	-	72,300	-	72,300
1300 W Washington	-	866,600	-	866,600	-	963,000	-	963,000	-	96,400	-	96,400
400 W Congress, Tucson	6,800	58,900	3,800	69,500	4,600	68,000	4,600	77,200	(2,200)	9,100	800	7,700
Subtotal - Corporation Commission	6,800	1,574,800	3,800	1,585,400	4,600	1,752,600	4,600	1,761,800	(2,200)	177,800	800	176,400
Corrections, State Department of												
1601 W Jefferson	922,000	-	-	922,000	1,024,500	-	-	1,024,500	102,500	-	-	102,500
1645 W Jefferson	821,700	-	-	821,700	913,100	-	-	913,100	91,400	-	-	91,400
1831 W Jefferson	327,300	-	-	327,300	363,700	-	-	363,700	36,400	-	-	36,400
Subtotal - State Dept of Corrections	2,071,000	-	-	2,071,000	2,301,300	-	-	2,301,300	230,300	-	-	230,300
Cosmetology, Board of												
1740 W Adams	-	101,600	-	101,600	-	124,800	-	124,800	-	23,200	-	23,200
Dental Examiners, State Board of												
1740 W Adams	-	42,000	-	42,000	-	51,500	-	51,500	-	9,500	-	9,500
Economic Security, Department of												
1624 W Adams	78,800	35,900	28,700	143,400	60,600	-	98,800	159,400	(18,200)	(35,900)	70,100	16,000
1700 W Washington	12,800	5,900	4,700	23,400	6,500	-	19,500	26,000	(6,300)	(5,900)	14,800	2,600
1789 W Jefferson (DES West)	1,771,500	441,500	585,600	2,798,600	1,897,200	466,500	746,400	3,110,100	125,700	25,000	160,800	311,500
Kingman Building	39,200	80,500	54,100	173,800	32,800	127,600	32,800	193,200	(6,400)	47,100	(21,300)	19,400
400 W Congress, Tucson	245,700	231,400	111,300	588,400	129,900	311,800	207,800	649,500	(115,800)	80,400	96,500	61,100
DES Group Homes	171,100	245,900	-	417,000	190,100	273,300	-	463,400	19,000	27,400	-	46,400
Capitol Center	99,100	27,600	56,900	183,600	144,900	32,600	26,500	204,000	45,800	5,000	(30,400)	20,400
Subtotal - Department of Economic Security	2,418,200	1,068,700	841,300	4,328,200	2,462,000	1,211,800	1,131,800	4,805,600	43,800	143,100	290,500	477,400
Education, Department of												
1535 W Jefferson	370,100	126,500	688,700	1,185,300	474,300	131,800	711,500	1,317,600	104,200	5,300	22,800	132,300
400 W Congress, Tucson	-	23,000	81,400	104,400	-	-	-	-	-	(23,000)	(81,400)	(104,400)
416 W Congress, Tucson	-	-	-	-	-	10,400	105,600	116,000	-	10,400	105,600	116,000
Subtotal - Department of Education	370,100	149,500	770,100	1,289,700	474,300	142,200	817,100	1,433,600	104,200	(7,300)	47,000	143,900
Education, State Board of												
1535 W Jefferson	39,200	-	-	39,200	43,200	-	-	43,200	4,000	-	-	4,000
1700 W Washington	66,700	-	-	66,700	74,100	-	-	74,100	7,400	-	-	7,400
Subtotal - State Board of Education	105,900	-	-	105,900	117,300	-	-	117,300	11,400	-	-	11,400
Emergency and Military Affairs, Department of												
400 W Congress St	-	-	7,200	7,200	8,000	-	-	8,000	8,000	-	(7,200)	800
Environmental Quality, Department of												
400 W Congress, Tucson	-	122,900	-	122,900	-	162,000	-	162,000	-	39,100	-	39,100
416 W Congress, Tucson	-	-	6,500	6,500	-	7,200	-	7,200	-	7,200	(6,500)	700
Subtotal - Dept. of Environmental Quality	-	122,900	6,500	129,400	-	169,200	-	169,200	-	46,300	(6,500)	39,800
Equalization, State Board of												
400 W Congress, Tucson	24,400	-	-	24,400	27,100	-	-	27,100	2,700	-	-	2,700
416 W Congress, Tucson	1,800	-	-	1,800	2,000	-	-	2,000	200	-	-	200
Subtotal - Board of Equalization	26,200	-	-	26,200	29,100	-	-	29,100	2,900	-	-	2,900
Executive Clemency, Board of												
1645 W Jefferson	105,900	-	-	105,900	116,700	-	-	116,700	10,800	-	-	10,800
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	14,100	-	14,100	-	19,500	-	19,500	-	5,400	-	5,400
Gaming, Department of												
400 W Congress, Tucson	-	17,300	-	17,300	-	19,200	-	19,200	-	1,900	-	1,900
Governor, Office of the												

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	625,600	-	147,200	772,800	858,700	-	-	858,700	233,100	-	(147,200)	85,900
1700 W Washington (Office of Highway Safety)	-	-	90,700	90,700	-	-	100,800	100,800	-	-	10,100	10,100
400 W Congress, Tucson	36,900	-	-	36,900	41,000	-	-	41,000	4,100	-	-	4,100
Subtotal - Office of the Governor	662,500	-	237,900	900,400	899,700	-	100,800	1,000,500	237,200	-	(137,100)	100,100
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	160,600	-	-	160,600	178,500	-	-	178,500	17,900	-	-	17,900
Health Services, Department of												
1740 W Adams	-	-	-	-	5,200	-	-	5,200	5,200	-	-	5,200
1818 W Adams	257,700	-	-	257,700	286,400	-	-	286,400	28,700	-	-	28,700
400 W Congress, Tucson	103,500	61,900	-	165,400	183,600	-	-	183,600	80,100	(61,900)	-	18,200
402 W Congress, Tucson	-	4,100	-	4,100	4,500	-	-	4,500	4,500	(4,100)	-	400
Subtotal - Department of Health Services	361,200	66,000	-	427,200	479,700	-	-	479,700	118,500	(66,000)	-	52,500
Homeland Security, AZ Dept of												
1700 W Washington	-	-	163,700	163,700	-	-	181,900	181,900	-	-	18,200	18,200
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	6,600	-	6,600	-	11,100	-	11,100	-	4,500	-	4,500
Insurance, Department of												
1919 W Jefferson	-	-	-	-	-	-	5,400	5,400	-	-	5,400	5,400
Judiciary - Court of Appeals												
400 W Congress, Tucson	468,500	-	-	468,500	520,500	-	-	520,500	52,000	-	-	52,000
Judiciary - Supreme Court												
1501 W Washington	3,515,600	-	-	3,515,600	3,906,900	-	-	3,906,900	391,300	-	-	391,300
400 W Congress, Tucson	103,200	-	-	103,200	114,700	-	-	114,700	11,500	-	-	11,500
Subtotal - Supreme Court	3,618,800	-	-	3,618,800	4,021,600	-	-	4,021,600	402,800	-	-	402,800
Subtotal - Judiciary	4,087,300	-	-	4,087,300	4,542,100	-	-	4,542,100	454,800	-	-	454,800
Juvenile Corrections, Department of												
1624 W Adams	448,300	-	-	448,300	498,100	-	-	498,100	49,800	-	-	49,800
Land Department, State												
1616 W Adams	-	958,400	-	958,400	1,065,100	-	-	1,065,100	1,065,100	(958,400)	-	106,700
Liquor Licenses and Control, Department of												
400 W Congress, Tucson	-	14,400	-	14,400	-	16,000	-	16,000	-	1,600	-	1,600
Massage Therapy, Board of												
1740 W Adams	-	21,800	-	21,800	-	28,400	-	28,400	-	6,600	-	6,600
Medical Board, AZ												
1740 W Adams	-	184,600	-	184,600	-	228,500	-	228,500	-	43,900	-	43,900
Mine Inspector, State												
1700 W Washington	92,300	-	-	92,300	102,600	-	-	102,600	10,300	-	-	10,300
Naturopathic Physicians Medical Board												
1740 W Adams	-	8,200	-	8,200	-	12,900	-	12,900	-	4,700	-	4,700
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	12,400	-	-	12,400	13,700	-	-	13,700	1,300	-	-	1,300
Nursing, State Board of												
1740 W Adams	-	186,500	-	186,500	-	229,300	-	229,300	-	42,800	-	42,800
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	17,600	-	17,600	-	21,700	-	21,700	-	4,100	-	4,100
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	11,500	-	11,500	-	12,900	-	12,900	-	1,400	-	1,400
Opticians, State Board of Dispensing												
1740 W Adams	-	7,400	-	7,400	-	12,100	-	12,100	-	4,700	-	4,700
Optometry, State Board of												
1740 W Adams	-	9,100	-	9,100	-	13,900	-	13,900	-	4,800	-	4,800
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	28,100	-	28,100	-	34,500	-	34,500	-	6,400	-	6,400
Parks Board, AZ State												
1100 W Washington	-	11,600	47,100	58,700	-	-	65,200	65,200	-	(11,600)	18,100	6,500

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Personnel Board												
1740 W Adams	-	8,200	-	8,200	-	12,900	-	12,900	-	4,700	-	4,700
Pharmacy, AZ State Board of												
1616 W Adams	-	144,800	-	144,800	-	161,000	-	161,000	-	16,200	-	16,200
Physical Therapy, Board of												
1740 W Adams	-	16,900	-	16,900	-	20,600	-	20,600	-	3,700	-	3,700
Podiatry Examiners, State Board of												
1740 W Adams	-	6,400	-	6,400	-	10,900	-	10,900	-	4,500	-	4,500
Private Postsecondary Education, State Board for												
1740 W Adams	-	19,300	4,800	24,100	-	21,300	5,600	26,900	-	2,000	800	2,800
Psychologist Examiners, State Board of												
1740 W Adams	-	16,300	-	16,300	-	22,100	-	22,100	-	5,800	-	5,800
Public Safety, Department of												
14 N 18th Avenue	24,700	6,500	6,900	38,100	-	42,400	-	42,400	(24,700)	35,900	(6,900)	4,300
1700 W Washington	60,800	15,900	16,700	93,400	67,600	17,600	18,600	103,800	6,800	1,700	1,900	10,400
400 W Congress, Tucson	13,400	3,400	3,600	20,400	14,800	3,800	4,100	22,700	1,400	400	500	2,300
Subtotal - Department of Public Safety	98,900	25,800	27,200	151,900	82,400	63,800	22,700	168,900	(16,500)	38,000	(4,500)	17,000
Respiratory Care Examiners, Board of												
1740 W Adams	-	11,900	-	11,900	-	17,100	-	17,100	-	5,200	-	5,200
Revenue, Department of												
402 W Congress, Tucson	144,700	73,600	-	218,300	97,000	145,600	-	242,600	(47,700)	72,000	-	24,300
1600 W Monroe	1,845,000	950,400	-	2,795,400	1,242,500	1,863,800	-	3,106,300	(602,500)	913,400	-	310,900
Subtotal - Department of Revenue	1,989,700	1,024,000	-	3,013,700	1,339,500	2,009,400	-	3,348,900	(650,200)	985,400	-	335,200
Rio Nuevo Board												
400 W Congress, Tucson	-	-	13,800	13,800	-	-	15,300	15,300	-	-	1,500	1,500
School Facilities Board												
1700 W Washington	94,800	-	38,900	133,700	148,600	-	-	148,600	53,800	-	(38,900)	14,900
Secretary of State - Dept of State												
1700 W Washington	452,300	-	-	452,300	502,700	-	-	502,700	50,400	-	-	50,400
400 W Congress, Tucson	7,400	-	-	7,400	8,300	-	-	8,300	900	-	-	900
Records Management Addition	371,400	-	-	371,400	407,200	-	-	407,200	35,800	-	-	35,800
Polly Rosenbaum Building	1,958,300	-	-	1,958,300	2,176,300	-	-	2,176,300	218,000	-	-	218,000
Subtotal - Secretary of State - Dept of State	2,789,400	-	-	2,789,400	3,094,500	-	-	3,094,500	305,100	-	-	305,100
Transportation, Department of												
Capitol Center	-	-	-	-	-	124,400	-	124,400	-	124,400	-	124,400
Treasurer, State												
1700 W Washington	-	173,700	-	173,700	-	193,000	-	193,000	-	19,300	-	19,300
Tribal Relations, Governor's Office on												
1700 W Washington	16,200	-	-	16,200	18,000	-	-	18,000	1,800	-	-	1,800
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	29,700	-	29,700	-	36,600	-	36,600	-	6,900	-	6,900
Water Resources, Department of												
1802 W Jackson	30,400	-	-	30,400	33,800	-	-	33,800	3,400	-	-	3,400
GRAND TOTAL	18,187,200	8,876,500	3,134,400	30,198,100	19,770,000	9,352,200	3,586,800	32,709,000	1,582,800	475,700	452,400	2,510,900

1/ Reflects rental charges to agencies as of June 2019 with rental rates enacted by Laws 2019, Chapter 267, Section 14, with an office square footage rental rate of \$17.87 and storage square footage rental rate of \$6.43.

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.

Capital Outlay

Arizona Department of Transportation Building System

	FY 2021 BASELINE
BUILDING RENEWAL	
ADOT Building Renewal ^{1/2/3/}	13,281,700
SUBTOTAL	13,281,700
INDIVIDUAL PROJECTS ^{4/5/}	
Airport Planning and Development ^{5/6/7/}	30,900,000
Controlled Access Highways ^{5/}	120,983,000
Debt Service ^{5/}	151,197,000
Interstate 17, Anthem to Sunset Point ^{5/}	45,000,000
Statewide Highway Construction ^{5/8/}	106,553,000
SUBTOTAL	454,633,000
TOTAL - ALL PROJECTS ^{9/-13/}	467,914,700
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	31,181,700
State Highway Fund	436,733,000
SUBTOTAL - Other Appropriated Funds	467,914,700
SUBTOTAL - Appropriated Funds	467,914,700
Other Non-Appropriated Funds	952,950,000
Federal Funds	1,033,722,000
TOTAL - ALL SOURCES	2,454,586,700

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 A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2021 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. Of the amount appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall 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 Appropriation Act footnote)
- ^{2/} Notwithstanding A.R.S. § 35-190D, the appropriations made in this act for FY 2021 that are unexpended on June 30, 2022 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{3/} On or before January 31, 2021 and July 31, 2021, the Department of Transportation shall report to the Joint Legislative Budget Committee Staff on the status of all non-highway construction capital projects and non-highway construction capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{4/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{5/} The appropriations do not lapse until the purpose for which the respective appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- ^{6/} The amount is appropriated from the State Aviation Fund established by A.R.S. § 28-8202 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 Appropriation Act and in this act are appropriated to the Department of Transportation in FY 2021 for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)

- 7/ On or before December 31, 2020, 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. This report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)
- ~~D/ Notwithstanding A.R.S. § 41-1252, the appropriation made in subsection A (the individual projects as listed) of this section is not subject to review by the Joint Committee on Capital Review. (Capital Outlay Appropriation Act footnote)~~
- ~~D/ Of the amount appropriated in subsection A of this section for deposit into the State Aviation Fund established by A.R.S. § 28-8202, the State Transportation Board shall distribute pursuant to A.R.S. § 28-8202D at least \$1,000,000 to the Ernest A. Love Field Airport in Prescott. (Capital Outlay Appropriation Act footnote)~~
- ~~D/ Before spending the appropriation made in subsection A of this section (the individual projects as listed), the Department of Transportation shall submit the scope, purpose and estimated cost of the capital improvements to the Joint Committee on Capital Review for its review pursuant to A.R.S. § 41-1252.~~
- ~~D/ The monies distributed pursuant to this section may be used only for street and highway projects, including constructing and maintaining streets or highways.~~
- 8/ The amount appropriated for highway construction is from the State Highway Fund established by A.R.S. § 28-6991 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 paragraph. (Capital Outlay Appropriation Act footnote)
- 9/ On or before November 1, 2020, 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 modifications have been approved by the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (Capital Outlay Appropriation Act footnote)
- 10/ On or before November 1, 2020, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2022 and the estimated debt service payment amount for each of FY 2022, FY 2023, FY 2024 and FY 2025 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 *FY 2020 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
- 11/ On or before November 1, 2020, the Department of Transportation shall report capital outlay information for FY 2020, FY 2021 and FY 2022 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 2, 3 and 6, as found in the *FY 2020 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
- 12/ Unless otherwise specified, 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)
- 13/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

The following reflects one-time appropriations:

Building Renewal

Building Renewal

The Baseline includes \$13,281,700 in FY 2021 for Building Renewal within ADOT's Building System. This amount consists of \$13,000,000 from the State Highway Fund (SHF) and \$281,700 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 91% funding of the highway building renewal formula and 94.1% funding of the aviation building renewal formula. The FY 2020 budget appropriated the same amount, which

represented 93.5% funding of the highway building renewal formula and 100% funding of the aviation building renewal formula.

A footnote in the Capital Outlay Bill requires ADOT to biannually report on the status of all nonhighway construction capital projects, including building renewal projects and individual projects such as maintenance facility upgrades described in the Individual Projects section.

Individual Projects

Airport Planning and Development

The Baseline includes \$30,900,000 from the State Aviation Fund (SAF) in FY 2021 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 2020-2024 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.

Controlled Access Highways

The Baseline includes an estimated urban freeway controlled access funding level of \$120,983,000 from SHF in FY 2021. 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 Baseline includes \$151,197,000 from SHF in FY 2021 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,198,519,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2021 debt service payments. *(Please see Table 5 for more information on debt service.)*

Interstate 17, Anthem to Sunset Point

The Baseline includes \$45,000,000 from SHF in FY 2021 to continue funding a project to expand capacity on Interstate 17 from Anthem to Sunset Point. The overall \$323,000,000 project consists of 2 main parts: 1) Widen

Interstate 17 from 2 lanes to 3 lanes between Anthem and Black Canyon City and 2) Add flex lanes on the southbound alignment from Black Canyon City to Sunset Point with crossovers to and from the northbound alignment. With \$193,000,000 in half-cent sales tax monies and Federal Funds committed from Maricopa Association of Governments and ADOT, respectively, the FY 2020 Capital Outlay Bill appropriated \$130,000,000 over 3 years as follows: \$40,000,000 in FY 2020, \$45,000,000 in FY 2021, and \$45,000,000 in FY 2022. As a result, these monies will not appear in the FY 2021 Capital Outlay Bill.

Statewide Highway Construction

The Baseline includes \$106,553,000 from SHF in FY 2021 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$2,231,000,000 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 5 in Other Issues for additional information.)* A footnote in the FY 2021 Baseline 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 6 for more information.)*

Table 1 shows the allocation of the highway construction budget prior to ADOT operating and capital issues and statewide adjustments, which reduces the level of available construction funding.

As noted in the HURF distribution table *(please see Table 6)*, an additional amount of \$244,780,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2021. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

Table 1

**State Highway Fund
FY 2021 Highway Construction & Debt Service**

	<u>Capital Outlay Bill</u>
Controlled Access	\$ 120,983,000
Debt Service	151,197,000
Highway Construction	<u>106,553,000</u>
Total	\$378,733,000

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allocate \$30,000,000 of HURF revenues directly to local governments prior to the standard state/local HURF distribution. This provision would allocate the \$30,000,000 entirely to local jurisdictions as follows: 33.231% to counties, 48.097% to cities and towns, 5.247% to cities with a population larger than 300,000 individuals, and 13.425% to counties with a population of more than 800,000 individuals. This distribution among local jurisdictions reflects the same proportions as the current non-state distribution of HURF revenues.

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$1.3 billion in FY 2019 to \$1.4 billion in FY 2020 and level at \$2.0 billion in FY 2021.

Table 2

**Non-Appropriated Capital Fund Expenditures
(\$ in Thousands)**

	FY 2019 <u>Actual</u>	FY 2020 <u>Estimate</u>	FY 2021 <u>Estimate</u>
Aviation Federal Funds	\$1,302	\$1,713	\$4,458
Federal Grants	<u>632,223</u>	<u>873,791</u>	<u>1,029,264</u>
Subtotal - Federal Funds	\$633,525	\$875,504	\$1,033,722
Bond Proceeds	\$328,718	\$66,572	\$331,635
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	6,531	20,463	16,501
Maricopa Regional Area Road Fund	310,187	441,701	603,814
Subtotal - Other Non- Appropriated Funds	\$646,436	529,736	952,950
Total	\$1,279,961	\$1,405,240	\$1,986,672

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2021 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

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 24, 2019 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 \$1,092,985,000 for FY 2021. (Please see *Table 3* for additional details.)

Table 3

**State Highway Fund
Highway Construction Projects Beginning in FY 2021
(\$ in Thousands)**

	<u>FY 2021</u> ^{1/}
Construction	\$175,638
Urban Controlled Access ^{2/}	559,604
Pavement Preservation Maintenance	316,949
Other ^{3/}	<u>40,794</u>
Total	\$1,092,985

^{1/} Data from ADOT's 2020-2024 5-Year Transportation Facilities Construction Program.

^{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 2021 Baseline includes \$378,733,000 for highway construction, including \$106,553,000 of net SHF monies for statewide highway construction, prior to other adjustments as described above.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2019 through FY 2021 on a cash flow basis, as provided by ADOT. Table 3, 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 2021 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2019, *Table 5* shows that total cash highway construction expenditures were \$1.1 billion while \$317.6 million was spent on debt service. In FY 2020, total estimated cash highway construction expenditures are \$1.5 billion with total debt service of \$316 million. In FY 2021, total estimated cash highway construction expenditures are \$1.8 billion with total debt service of \$387.1 million.

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 5 does not include highway maintenance spending of \$136.7 million in FY 2019, \$141.7 million in FY 2020, and \$142.8 million in FY 2021. Of the \$387.1 million total FY 2021 debt service amount in *Table 5*, only \$151.2 million 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 4* explains the formula distribution of HURF monies between state and local governments. *Table 6* presents the overall HURF distribution for FY 2019 through FY 2021. The line in *Table 6* showing net SHF Available for Statewide Highway Construction, which totals \$106,553,000 for FY 2021, 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 2019 HURF collections of \$1,520,221,100 were 4.4% above FY 2018 collections. As of November 2019, HURF year-to-date collections were 1.1% higher than the prior year collections.

The gas tax is the largest source of HURF collections, accounting for 35% of HURF revenue in FY 2019. The average price per gallon of regular gasoline in Arizona is \$2.91 in December 2019, or 1 cent per gallon higher than a year ago, according to the American Automobile Association.

VLT comprises the second largest source of HURF collections at 31%, a percentage which has been increasing in recent years. From FY 2015 to FY 2019, the gas tax share of total collections has decreased by (2.1)% while VLT's share has increased by 2.5%.

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 4

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 5

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Estimate</u>	<u>FY 2021 Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 99.9	\$ 105.2	\$ 119.1
HURF - MAG Debt Service	43.0	37.6	32.1
MAG/PAG 15.2% Controlled Access - Construction	16.4	305.9	79.8
Net SHF Funds Available for Statewide Highway	25.9	52.0	106.6
Total SHF - Appropriated	\$ 185.2	\$ 500.7	\$ 337.6
Non-Appropriated			
SHF Highway Construction ^{1/}	\$ 0.3	\$ -	\$ -
Total SHF - Non-Appropriated	\$ 0.3	\$ -	\$ -
Total SHF Highway Construction Expenditures	\$ 185.5	\$ 500.7	\$ 337.6
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 632.2	\$ 873.8	\$ 1,029.3
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 104.4	\$ 235.2	\$ 319.0
MRARF Debt Service	149.2	142.3	196.9
Total Maricopa Regional Area Road Fund Highway	\$ 253.6	\$ 377.5	\$ 515.9
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 2.0	\$ 0	\$ 75.5
MRARF - Highway Construction Expenditures	289.2	3.0	180.8
GAN - Highway Construction Expenditures	37.5	63.6	75.4
Total Bond Proceeds Highway Construction	\$ 328.7	\$ 66.6	\$ 331.7
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	6.5	20.5	16.5
Total Local Agency Deposits Fund Highway	\$ 6.5	\$ 20.5	\$ 16.5
Total Highway Construction Expenditures	\$ 1,406.5	\$ 1,839.1	\$ 2,231.0
Total Debt Service			
SHF	\$ 142.9	\$ 142.8	\$ 151.2
Federal Aid	25.5	30.9	39.0
MRARF	149.2	142.3	196.9
Total Debt Service	\$ 317.6	\$ 316.0	\$ 387.1 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 42.5	\$ 358.0	\$ 186.5
Federal Aid	606.6	843.0	990.3
MRARF	104.4	235.2	319.0
Bond Proceeds	328.7	66.6	331.6
Local Agency Deposits Fund	6.5	20.5	16.5
Total Cash Highway Construction Expenditures	\$ 1,088.7	\$ 1,523.3	\$ 1,843.9
Total Highway Construction Expenditures	\$ 1,406.5	\$ 1,839.1	\$ 2,231.0

^{1/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{2/} Information provided by the department. Includes \$151,197,000 for HURF bonds (\$119,104,000 for statewide program and \$32,093,000 MAG program); \$38,962,000 for Grant Anticipation Notes; and \$196,869,000 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2019 <u>Actual</u>	FY 2020 <u>Estimate</u>	FY 2021 <u>Estimate</u>
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,541,705	\$1,592,587	\$1,650,457
Less: ServiceArizona ATP Fee Retention	6,393	6,681	6,981
Brick and Mortar ATP Fee Retention	4,133	4,319	4,513
ServiceArizona ATP Credit Card Fee Reimbursements	9,622	10,584	11,643
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>1,336</u>	<u>1,603</u>	<u>1,924</u>
Total HURF Collections	\$1,520,221	\$1,569,400	\$1,625,396
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	654	658	658
Dept. of Public Safety Transfer from HURF	15,509	0	0
Reversions from DPS	(327)	(50)	0
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,418	11,526	11,898
Cities ^{2/}	16,003	16,003	16,003
Counties ^{2/}	9,969	9,969	9,969
Controlled Access ^{2/}	<u>4,028</u>	<u>4,028</u>	<u>4,028</u>
Net HURF Collections	\$1,461,967	\$1,526,266	\$1,581,840
Less: Cities ^{3/}	445,900	465,511	488,561
Counties ^{3/}	277,774	289,991	304,350
VLT Transfer to General Fund ^{4/}	42,364	23,343	23,343
VLT Transfer to Parity Compensation Fund ^{5/}	3,532	3,785	3,987
VLT Transfer to General Fund (5-Year VLT) ^{6/}	1,665	1,200	1,300
VLT Transfer to General Fund (Abandoned Vehicle) ^{7/}	6,228	7,000	7,700
Controlled Access ^{8/}	<u>104,045</u>	<u>115,334</u>	<u>120,983</u>
Net SHF (Discretionary)	\$ 580,459	\$ 620,102	\$ 631,616
Plus: Other Income ^{9/}	74,650	90,050	85,214
Less: Operating Budget	339,601	397,585	397,922
Dept of Public Safety Transfer from Highway Fund	8,169	318	318
Capital Outlay	6,560	46,900	0
Building Renewal	5,250	13,000	13,000
ServiceArizona ATP VLT Retention ^{10/}	16,492	16,348	16,629
Brick and Mortar ATP VLT Retention ^{10/}	15,780	15,643	15,911
HURF Exchange Program ^{11/}	6,887	15,300	15,300
Debt Service ^{12/}	<u>142,913</u>	<u>142,745</u>	<u>151,197</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{13/}	\$ 113,457	\$ 62,313	\$ 106,553
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	425,197	461,409	244,780
STAN Account Beginning Balance	<u>257</u>	<u>0</u>	<u>0</u>
Total SHF Available for Statewide Highway Construction	\$ 538,911	\$ 523,722	\$ 351,333

^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

^{2/} The FY 2018 Revenue BRB requires, as session law, \$30 million in FY 2019 and \$60 million in FY 2020 to be allocated directly to local governments in percentages reflecting current non-state distribution of HURF revenues. The FY 2019 Revenue BRB modified the FY 2018 Revenue BRB to allocate \$30 million in FY 2020 instead of \$60 million due to the enactment of the highway safety fee. As session law, the FY 2021 Baseline continues to allocate \$30 million to local governments in the same manner.

^{3/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{4/} The FY 2019 General Appropriation Act transfers \$42,364,500 from the SHF share of VLT to the state General Fund. The FY 2020 General Appropriation Act transfers \$23,343,200 from the SHF share of VLT to the state General Fund. The FY 2021 Baseline continues to transfer \$23,343,200 from the SHF share of VLT to the state General Fund.

^{5/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{6/} 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.

^{7/} 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.

^{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, abandoned vehicle fees and an FY 2020 enacted and FY 2021 Baseline transfer from the Arizona Highway Patrol Fund to the SHF.

^{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.

Capital Outlay
Arizona Board of Regents Building Systems

FY 2021
 BASELINE

BUILDING RENEWAL

Arizona Board of Regents

TOTAL - ALL PROJECTS

0

0^{1/2/}

FUND SOURCES

General Fund

TOTAL - ALL SOURCES

0

0

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 \$32,589,700 to the universities from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$28,027,300 to the universities from the General Fund in FY 2021 for capital infrastructure projects.

Legal Structure

Pursuant to A.R.S. § 15-1682, the Arizona Board of Regents (ABOR) has the authority to lease, own, operate, and secure financing for building facilities for each of the 3 universities under its jurisdiction.

ABOR is the university system’s sole legal entity created under the State Constitution. Pursuant to A.R.S. § 15-1601, ABOR maintains Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). While ABOR delegates the authority to sign contracts to the presidents of each university, all contracts are legally established under ABOR, and all properties are legally held by ABOR, not the individual universities.

When debt is issued for a university project, only revenues from the respective university are pledged for the project’s debt service payments. As a result, financing terms are dependent upon each university’s individual credit rating, but all debt is formally issued by ABOR.

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 takes into account the replacement value, age, and life cycle of a building. In FY

2021, ABOR reports funding 100% of the building renewal formula would be \$175.5 million. The Baseline includes no funding for Building Renewal in the ABOR Building System.

One-Time Funding

Section 155 of the FY 2020 General Appropriation Act appropriated \$35,000,000 to the universities from the General Fund in FY 2020 for one-time capital improvements or operating expenditures. Of this amount, \$18,900,000 is appropriated to ASU, \$6,650,000 is appropriated to NAU, and \$9,450,000 is appropriated to UA.

A General Appropriation Act footnote requires JCCR review for any of these monies that are used for capital projects.

These monies are included in the General Fund budget of each university’s individual agency section. *(Please see the individual university sections for more information.)*

Summary of University Debt

ABOR estimates that as of the end of FY 2021, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,941,216,300. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,053,387,100
NAU	579,397,200
UA (all campuses)	<u>1,308,432,000</u>
Total	\$3,941,216,300

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2021 will be \$356,985,900. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$169,691,600
NAU	52,577,600
UA (all campuses)	<u>134,716,700</u>
Total	\$356,985,900

Of the total FY 2021 debt service payments, \$40,624,700 would be paid by Lottery monies, \$32,589,700 would be paid by the General Fund for 2003 research infrastructure projects, and \$8,027,200 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects. *(Please see the Lease-Purchase Projects, Bonding, and 2017 Capital Infrastructure Funding sections below for more information.)*

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.)*

Lease-Purchase Projects

As part of the \$3,941,216,300 in FY 2021 university debt, ABOR is projected to have \$450,234,100 in outstanding lease-purchase balances, with an overall debt service payment of \$75,938,400. The FY 2021 General Fund share of the debt service is \$32,589,700. These General Fund monies pay for the 2003 Certificates of Participation (COPs) which were issued in the amount of \$482,500,000 to provide funding for a variety of research infrastructure projects. *(Please see the 2003 Research Infrastructure Refinancing section in the ABOR narrative for more information.)*

Bonding

As part of the \$3,941,216,300 in FY 2021 university debt, ABOR is projected to have \$3,490,982,200 in outstanding bond balances, including both system revenue and lottery bonds. The projected debt service is \$281,047,500.

University Lottery Bonds

One component of the \$3.5 billion 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 maximum of \$800,000,000 to pay for new facilities. Debt service payments for SPEED bonds will total \$50,781,000 in FY 2021, of which 80% will be paid by Lottery monies and 20% with university system revenues. *(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

2017 Capital Infrastructure Appropriations

Another component of the \$3.5 billion 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 law appropriated \$27,000,000 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 2021 Baseline assumes a 1.77% increase from FY 2020, or \$28,027,300. Debt service payments will total \$16,054,300 in FY 2021, of which 50% will be paid by the General Fund and 50% will be paid with university system revenues. *(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

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 2023. 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: 5.1% (5.4% with SPEED) in FY 2022
- NAU: 6.2% (7.9% with SPEED) in FY 2021
- UA: 5.3% (6.5% with SPEED) in FY 2022

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$2.8 billion in additional debt beyond the planned projects based on these debt service ratios.

Other Issues

Auditor General Recommendations

ABOR reviews and approves commercial lease agreements on properties owned by the board, which generate lease revenues for the benefit of the universities. These include "master leases", where ABOR designates university presidents to enter into a property lease with an affiliated third party who oversees multiple subleases and long-term development of the property.

In 2018, ABOR revised its policies for commercial real estate agreements to require universities to provide documentation of economic benefits, property tax impacts on local jurisdictions, and annual reports on revenue generated from commercial leases and the universities' intended use of the revenue. No new commercial leases have been submitted to ABOR since the policy revisions were implemented.

In October 2019, the Auditor General published an ABOR performance audit that included recommendations for improvements to the board's policies for university commercial real estate leases. Specifically, the audit recommended ABOR develop written guidance for its revised lease policies and a process for ensuring designees fulfill their oversight responsibilities for master leases. The audit's recommendations are based on findings that the board lacked written guidance for its policies to ensure reports submitted by universities are consistent across all lease agreements and fulfill the intended purpose of the reports, and that some master lease agreements lacked oversight by the board's designees, which resulted in inappropriate use of lease revenues.

In addition, the audit recommended that ABOR maintain a comprehensive list of property it owns on behalf of the universities.

In response to the audit, ABOR plans to revise its policies to require identifiable performance measures for lease agreements, require an explanation of methodology for estimated economic benefits and in lieu payment collections from lease agreements, develop policies for documenting policy waiver requests, develop templates for reporting requirements, and require universities to maintain property listings. ABOR expects the policy revisions to be reviewed at its February board meeting.

Capital Outlay

Debt and Lease-Purchase Financing

FY 2021
BASELINE

LEASE-PURCHASE PAYMENTS AND DISTRIBUTIONS*

Arizona Department of Administration - Leaseback Financing ^{1/D/2/}

\$53,701,800

TOTAL - ALL PROJECTS

\$53,701,800

* Represents only General Fund lease-purchase payments not included in individual agency budgets. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 1.)

FUND SOURCES

General Fund

\$53,701,800

TOTAL - ALL SOURCES

\$53,701,800

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

FOOTNOTES

- 1/ The sum of \$53,701,800 is appropriated from the state General Fund in FY 2021 to the Department of Administration for the purpose of making a debt service payment on the sale and leaseback of state buildings authorized by Laws 2009, 3rd Special Session, Chapter 6, Section 32. (General Appropriation Act footnote)
- D/ The sum of \$24,009,800 is appropriated from the state General Fund in FY 2021 to the Department of Administration for the purpose of making a debt service payment on the sale and leaseback of state buildings authorized by Laws 2010, 6th Special Session, Chapter 4, Section 2. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Leaseback Financing

Leaseback Financing

The Baseline includes \$53,701,800 from the General Fund in FY 2021 for lease-purchase payments related to the \$1,035,419,300 state building sale/leaseback agreements.

In January 2019, the Arizona Department of Administration (ADOA) entered into an agreement (2019A) to refinance the sale/leaseback agreements originally issued in January 2010 (2010A). (Please see the *FY 2020 Appropriations Report - Capital Section for historical background*.) This refinancing will result in annual savings of \$6.4 million. Throughout the term of the 2010A, the total debt service reduction is \$70.4 million. The average tax-exempt interest rate of the 2019A agreements is approximately 2.5%. The financing will still be paid off in FY 2030.

This savings was achieved due to lower market interest rates, a shorter financing duration than the original 20-year issuance, and a higher credit rating. In 2010, the state had a credit rating of Aa3 with Moody's. At the time of the refinancing, it was Aa2 and in November 2019 it was Aa1 (Moody's). (Please see the *State Debt Rating section for more information*.)

In addition, Laws 2019, Chapter 277 appropriated \$190,000,000 from the General Fund in FY 2020 to ADOA to retire the 2010B sale leaseback financing (issued in June 2010). As a result, the FY 2021 Baseline eliminates scheduled 2010B debt service payments of \$24.0 million. The payoff reduces total debt service spending by \$240.0 million from FY 2021 to FY 2030.

Other Issues

State Debt Rating

In May 2015, both major credit rating agencies upgraded Arizona's credit rating. Standard & Poor's upgraded Arizona from AA- to AA, while Moody's upgraded Arizona from Aa3 to Aa2. In November 2019, Moody's further upgraded Arizona from Aa2 to Aa1. AA represents Standard & Poor's third highest rating while Aa1 represents Moody's second highest credit rating. Using Arizona's credit rating with Moody's as of November 2019, in comparison to other states' 2019 credit ratings, 14 states have a higher rating, 19 states have the same rating, and 16 states have a lower rating or are not rated due to a lack of state level debt. Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes.

In November 2019, when Arizona's credit rating was increased by Moody's, Arizona was given a stable outlook. In adopting its credit ratings for Arizona in November 2019, Moody's listed some of the following concerns: 1) absence of authority for the Executive to make mid-year budget reductions on its own; and 2) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108. While noting these challenges, Moody's also indicated Arizona's growing reserves, comparably decreasing debt levels, demonstrated budget discipline, and a strengthening economy as positive trends.

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 School Facilities Board (SFB) also entered into lease-purchase agreements for the construction of new schools prior to FY 2012.

At the end of FY 2021, the outstanding balance of lease-purchase agreements is expected to be \$1.5 billion.

Table 1 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the Universities, the Arizona Department of Transportation, and SFB have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. Payments started in FY 2011 and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2021 bond payment will be \$34,509,800. This results

in the General Fund receiving \$(34,509,800) less in Lottery revenues in FY 2021. However, since this is not a General Fund appropriation, it does not appear in the General Fund Balance and Payment columns in *Table 1*. (Please see the *FY 2020 Appropriations Report* for more information on the 2019 Lottery Bond refinance and future debt service payments.)

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 Arizona 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.

While the January 31, 2020 debt report provides debt information on FY 2019, *Table 1* includes the overall and General Fund debt payments and year-end balances for FY 2021.

Table 1

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance	^{1/} GF Balance	Overall FY 21 Payment	^{2/} FY 21 GF Payment	Retirement FY
ADOA Building System					
2008 A Issuance					
ADC 4000 Prison Beds, Wastewater and DHS Forensic Lab	\$ 4,005,000	\$ 4,005,000	\$ 75,100	\$ 75,100	FY 28
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 15,445,000	\$ -	\$ 3,678,100	\$ 2,206,860	FY 29
2013 B Issuance					
Refinance - 2002A Health Lab	\$ 3,900,000	\$ -	\$ 2,034,800	\$ -	FY 23
2015 Issuance					
Refinance - 2008A ADC and DHS	\$ 93,425,000	\$ 93,425,000	\$ 18,869,700	\$ 18,869,700	FY 28
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 34,465,000	\$ 34,465,000	\$ 9,996,500	\$ 2,814,400	FY 28
2016 Issuance					
ADC Kingman Refinance	\$ 60,000,000	\$ 60,000,000	\$ 17,468,300	\$ 17,468,300	FY 25
2019 A Issuance					
Refinance - Sale/Leaseback	\$ 393,615,000	\$ 393,615,000	\$ 53,701,800	\$ 53,701,800	FY 30
<i>Subtotal - ADOA</i>	\$ 604,855,000	\$ 585,510,000	\$ 105,824,300	\$ 95,136,160	
School Facilities Board					
Federal Bonds	\$ 35,202,200	\$ 35,202,200	\$ 9,938,100 ^{3/}	\$ 9,938,100 ^{3/}	FY 28
2015 Refinance	161,535,000	161,535,000	57,239,600	57,239,600	FY 24
<i>Subtotal - SFB</i>	\$ 196,737,200	\$ 196,737,200	\$ 67,177,700	\$ 67,177,700	
ABOR Building System					
Arizona State University	\$ 228,247,100	\$ 113,125,000	\$ 29,964,900	\$ 13,458,700	FY 39
Northern Arizona University	39,370,000	39,370,000	4,879,500	4,879,500	FY 31
University of Arizona	182,617,000	108,295,000	41,094,000	14,251,500	FY 72
<i>Subtotal - ABOR</i>	\$ 450,234,100	\$ 260,790,000	\$ 75,938,400	\$ 32,589,700	
Phoenix Convention Center ^{4/}	\$ 251,498,900	\$ 251,498,900	\$ 23,997,900	\$ 23,997,900	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 1,503,325,200	\$ 1,294,536,100	\$ 272,938,300	\$ 218,901,460	
Bonding Summary					
Department of Transportation ^{5/}	\$ 1,492,150,000	\$ -	\$ 190,159,000	\$ -	FY 14 - 38
ABOR Building System					
Arizona State University	\$ 1,333,450,000	\$ -	\$ 112,850,600	\$ -	FY 51
Northern Arizona University	424,617,200	-	36,647,800	-	FY 44
University of Arizona	770,190,000	-	64,713,800	-	FY 48
University Lottery Bond (SPEED)	567,860,000 ^{6/}	-	50,781,000	-	FY 48
University Infrastructure (2017) ^{7/}	394,865,000	-	16,054,300	3,897,900	FY 44
<i>Subtotal - ABOR</i>	\$ 3,490,982,200	\$ -	\$ 281,047,500	\$ 3,897,900	
Lottery Revenue Bond Refinance (2019)	\$ 223,050,000	\$ -	\$ 34,509,800 ^{8/}	\$ -	FY 29
<i>TOTAL - Bonding</i>	\$ 5,206,182,200	\$ -	\$ 505,716,300	\$ 3,897,900	
TOTAL - Lease-Purchase & Bonding	\$ 6,709,507,400	\$ 1,294,536,100	\$ 778,654,600	\$ 222,799,360	

^{1/} Represents principal balances as of June 30, 2021. 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 21 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 2021 this subsidy is expected to be \$3,976,500 of the \$9,938,100 payment.

^{4/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. 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 \$1,212,684,000 for Highway User Revenue Fund bonds and \$279,466,000 for Grant Anticipation Notes.

^{6/} Represents outstanding balance as of the end of FY 2021 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. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

^{7/} The universities will receive \$28,060,400 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding program. As of November 2019, JCCR has reviewed a total of 8 projects for the program, of which 4 have issued bonds, 2 are awaiting issuance, and 2 are cash-funded. The General Fund is expected to pay \$3,897,900 in FY 2021 for debt service.

^{8/} These obligations will be repaid with foregone General Fund revenues.

LEASE-PURCHASE APPROPRIATIONS ^{1/} Department of Administration Building System

BUDGET UNITS	Fiscal Year 2020 - Appropriations Report				Fiscal Year 2021 - Baseline				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Administration, AZ Department of												
Sale/Lease-Back ^{2/}	\$77,709,300			\$77,709,300	\$53,701,800			\$53,701,800	(\$24,007,500)	\$0	\$0	(\$24,007,500)
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$118,600		118,600		\$120,600		120,600		2,000		2,000
Administration, Arizona Department of	544,700	1,403,600	\$146,600	2,094,900	621,600	1,601,800	\$167,400	2,390,800	76,900	198,200	20,800	295,900
Deaf and the Hard of Hearing, Commission for the		227,600		227,600		231,400		231,400		3,800		3,800
Economic Opportunity, Office of	50,500	25,200	204,800	280,500					(50,500)	(25,200)	(204,800)	(280,500)
Equalization, State Board of	92,800			92,800	94,300			94,300	1,500			1,500
Financial Institutions, Department of	239,300	45,600		284,900	242,600	46,200		288,800	3,300	600		3,900
Insurance, Department of	299,600		99,900	399,500	304,700		101,600	406,300	5,100		1,700	6,800
Real Estate Department, State	184,500			184,500	187,600			187,600	3,100			3,100
Tax Appeals, State Board of	35,700			35,700	36,300			36,300	600			600
Subtotal - ADOA Building	\$1,447,100	\$1,820,600	\$451,300	\$3,719,000	\$1,487,100	\$2,000,000	\$269,000	\$3,756,100	\$40,000	\$179,400	(\$182,300)	\$37,100
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,712,600			\$15,712,600	\$15,344,500			\$15,344,500	(\$368,100)	\$0	\$0	(\$368,100)
Water and Wastewater Projects	641,400			641,400	628,000			628,000	(13,400)			(13,400)
Kingman - Refinance	17,466,700			17,466,700	17,468,300			17,468,300	1,600			1,600
Subtotal - AZ Department of Corrections	\$33,820,700	\$0	\$0	\$33,820,700	\$33,440,800	\$0	\$0	\$33,440,800	(\$379,900)	\$0	\$0	(\$379,900)
Department of Environmental Quality Building												
Automobile Theft Authority		\$44,600		\$44,600		\$45,000		\$45,000	\$0	\$400	\$0	\$400
Administration, Arizona Department of	\$57,100	147,000	15,400	219,500					(57,100)	(147,000)	(15,400)	(219,500)
Criminal Justice Commission, Arizona		11,200	175,100	186,300		11,300	176,900	188,200		100	1,800	1,900
Environmental Quality, Department of		3,336,500		3,336,500		3,370,500		3,370,500		34,000		34,000
Forestry and Fire Management, AZ Department of	233,300		34,900	268,200	235,800		35,200	271,000	2,500		300	2,800
Gaming, Department of		579,200		579,200		585,100		585,100		5,900		5,900
Housing, AZ Department of	68,500	22,800	365,400	456,700	69,200	23,100	369,100	461,400	700	300	3,700	4,700
Residential Utility Consumer Office		111,600		111,600		112,800		112,800		1,200		1,200
Technical Registration, State Board of		182,200		182,200		184,100		184,100		1,900		1,900
Water Resources, Department of	792,500			792,500	1,022,300			1,022,300	229,800			229,800
Subtotal - ADEQ Building	\$1,151,400	\$4,435,100	\$590,800	\$6,177,300	\$1,327,300	\$4,331,900	\$581,200	\$6,240,400	\$175,900	(\$103,200)	(\$9,600)	\$63,100
Health Services, Department of												
Health Services Building - Refinance	\$2,133,600	\$1,422,400		\$3,556,000	\$2,206,860	\$1,471,240		\$3,678,100	\$73,260	\$48,840	\$0	\$122,100
Health Lab - Refinance		2,037,200		2,037,200		2,034,800		2,034,800		(2,400)		(2,400)
Arizona State Hospital Forensic Unit	3,047,700			3,047,700	2,972,300			2,972,300	(75,400)			(75,400)
Subtotal - Department of Health Services	\$5,181,300	\$3,459,600	\$0	\$8,640,900	\$5,179,160	\$3,506,040	\$0	\$8,685,200	(\$2,140)	\$46,440	\$0	\$44,300
GRAND TOTAL	\$119,309,800	\$9,715,300	\$1,042,100	\$130,067,200	\$95,136,160	\$9,837,940	\$850,200	\$105,824,300	(\$24,173,640)	\$122,640	(\$191,900)	(\$24,242,900)

^{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.

^{2/} In January 2019, ADOA refinanced the 2010A sale/leaseback agreement. In addition, the FY 2020 budget appropriated \$190,000,000 to retire the 2010B sale/leaseback agreement.

Capital Outlay
Local Assistance

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
DISTRIBUTIONS			
Phoenix Convention Center	22,996,300	23,500,000	23,997,900 ^{1/}
Rio Nuevo District	14,000,000	16,000,000	16,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	36,996,300	39,500,000	39,997,900 ^{3/}
FUND SOURCES			
General Fund	36,996,300	39,500,000	39,997,900
TOTAL - ALL SOURCES	36,996,300	39,500,000	39,997,900

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 A.R.S. § 9-602, \$23,997,900 of state General Fund revenue is allocated in FY 2021 to the Arizona Convention Center Development Fund established by A.R.S. § 9-601. (General Appropriation Act footnote)
- 2/ Pursuant to A.R.S. § 42-5031, 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 \$16,000,000 in FY 2021. The actual amount of the distribution will be made pursuant to A.R.S. § 42-5031. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The Baseline includes \$23,997,900 from the General Fund in FY 2021 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2021 adjustments are as follows:

Distribution Increase

The Baseline includes an increase of \$497,900 from the General Fund in FY 2021 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 from \$23,997,900 in FY 2021 to \$29,998,900 by FY 2044.

Table 1

Phoenix Convention Center Debt Service

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2021	\$23,997,900	FY 2033	\$29,999,150
FY 2022	24,498,450	FY 2034	29,996,250
FY 2023	24,999,400	FY 2035	29,995,775
FY 2024	25,498,550	FY 2036	29,999,975
FY 2025	25,998,700	FY 2037	29,995,825
FY 2026	26,497,375	FY 2038	29,995,850
FY 2027	26,997,100	FY 2039	29,996,750
FY 2028	27,495,125	FY 2040	29,995,225
FY 2029	27,998,700	FY 2041	29,997,975
FY 2030	28,499,525	FY 2042	29,996,150
FY 2031	28,999,575	FY 2043	29,996,175
FY 2032	29,495,550	FY 2044	29,998,925

Statute requires that cumulative payments to the City of Phoenix do not exceed cumulative estimated revenue resulting from the project. (See *Other Issues* section for estimated revenues from the project.)

Rio Nuevo District

The Baseline includes \$16.0 million from the General Fund in FY 2021 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 2020.

The FY 2020 General Appropriation Act displays a \$14.0 million estimated distribution in FY 2020. This amount was based on the FY 2017 actual distribution. While the General Appropriation Act displays a projected amount for information purposes, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Subsequent to the passage of the FY 2020 General Appropriation Act, the actual FY 2019 distribution was determined to be \$16.0 million. Since the distribution is unlikely to decline, the FY 2020 estimate has been adjusted to \$16.0 million and is assumed to remain the same for FY 2021.

Background – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. 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 Corridor. (See Table 2 for the history of TPT payments)

A.R.S. § 48-4203 requires that any construction project (or other improvement to real property) with a cost of

Table 2
State TPT Payments to the Rio Nuevo District

<u>Fiscal Year</u>	<u>Distributions</u>
FY 2019	\$ 15,958,879
FY 2018	13,562,702
FY 2017	13,988,471
FY 2016	13,088,813
FY 2015	6,958,022
FY 2014	9,486,100
FY 2013	9,755,752
FY 2012	11,957,943
FY 2011	14,099,949
FY 2010	8,727,318
FY 2009	10,399,336
FY 2008	15,456,187
FY 2007	14,974,923
FY 2006	10,968,178
FY 2005	7,469,632
FY 2004	<u>5,081,197</u>
Total	\$181,933,402

more than \$500,000 be reviewed by the Joint Committee on Capital Review (JCCR).

At the April 2019 JCCR meeting, the Committee gave a favorable review of 3 projects that were approved by the Rio Nuevo Board of Directors and have executed development agreements in place. The board agreed to spend up to a total of \$12.4 million on these projects.

Other Issues

Net Revenues of Convention Center Project

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 \$47,408,800 through CY 2018 (see Table 3). As a result, the state has not reduced payments to the City of Phoenix during this time.

Table 3
Project Revenue and Debt Service Payments
(\$ in Millions)

<u>Year</u> ^{1/}	<u>Gross Revenue</u>	<u>Debt Service</u>	<u>Annual Net Revenues</u> ^{2/}	<u>Cumulative Net Revenues</u>
2018	\$23.5	\$23.5	0.0	\$46.4
2017	19.0	23.0	\$(4.0)	46.4
2016	20.6	20.4	0.2	50.4
2015	20.5	20.4	0.1	50.2
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/} Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2019)*

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2020

FY 2020 Baseline General Fund revenues are projected to be \$12.5 billion. As indicated in *Table 1*, the revised FY 2020 revenue estimate is \$626.6 million above the estimate from the FY 2020 budget enacted in May 2019.

Table 1 FY 2020 Revenue Forecast (\$ in Millions)	
Adopted FY 2020 Revenue Estimate	\$ 11,918.5
Revision to Revenue Forecast	\$ 626.6
Revised FY 2020 Revenue Estimate	\$ 12,545.1

The Baseline revenue projection is \$626.6 million above the original forecast due to:

- An increase of \$433.7 million in net revenues under the updated January consensus forecast.
- A \$192.9 million increase in the balance forward from FY 2019. The original budget assumed an ending balance of \$764.3 million for FY 2019 while the actual balance carried forward was \$957.2 million.

Current year ongoing revenue estimates are based on the consensus forecasting process (see *FY 2021 section below*). “Ongoing Revenues” reflect the underlying growth in the economy, including the impact of previously enacted tax law changes, but exclude one-time adjustments and Urban Revenue Sharing. *Table 2* shows the ongoing revenue growth rates in FY 2020 through FY 2023 for the “Big 4” General Fund revenue sources (sales, individual income, corporate income and insurance premium tax) provided by each of the components comprising the 4-sector consensus forecast.

In FY 2019, ongoing revenues grew by 10.2% and were \$253.0 million above the FY 2020 enacted budget forecast. Through December, preliminary FY 2020 year-to-date ongoing revenues are 9.7% above the prior year and are \$347 million above the enacted budget forecast.

Based on the weighted average of the components of the 4-sector consensus forecast, ongoing revenue growth is 3.6% in FY 2020. After including Urban Revenue Sharing, one-time revenues, and the carry-forward balance, overall revenues are projected to increase 7.4% in FY 2020. The January Baseline 4-sector forecast reflects net revenue growth, which includes the impact of previously enacted tax legislation. As discussed in more detail in the

Revenue Adjustments section, the net impact of tax law changes is estimated to be \$(301.7) million in FY 2020. Absent this tax reduction, the ongoing revenue growth under the updated January 4-sector forecast would be 6.2%.

The individual revenue detail for FY 2020 is found in *Table 10* at the end of this section.

FY 2021 and Beyond

The FY 2021 Baseline forecasts total net revenues of \$12.6 billion, which represents 0.2% growth above FY 2020. Ongoing net revenue, which excludes Urban Revenue Sharing and one-time revenues, is projected to be \$12.7 billion. This amount reflects a revenue increase of 4.1% compared to FY 2020. Net revenue growth, which includes the impact of previously enacted tax legislation, is projected at 4.5% for sales tax, 4.8% for individual income tax, 2.5% for corporate income tax and 1.6% for insurance premium tax.

The FY 2021 Baseline also incorporates revenue planning estimates for FY 2022 and FY 2023, which are shown in *Table 11*. Under the consensus estimates, ongoing net revenue would increase by 3.3% in FY 2022 and 4.1% in FY 2023.

The Baseline estimated growth rates for the “Big 4” revenue categories of sales, individual income, corporate income and insurance premium 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 of January 2020. Consisting of 12 public and private sector economists, this independent panel 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 (EBR) General Fund Baseline 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.
- EBR’s conservative forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast for FY 2020 through FY 2023 are detailed in *Table 2*.

Table 2

**4-Sector Estimates
Forecast Percentages (FY 2020 - FY 2023)
Ongoing Revenue**

	FY 2020					FY 2021				
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax	6.2%	6.5%	7.0%	6.7%	6.6%	4.5%	2.9%	5.9%	4.8%	4.5%
Individual Income Tax	4.3%	(1.4)%	0.2%	3.3%	1.6%	5.2%	2.7%	5.1%	6.0%	4.8%
Corporate Income Tax	11.0%	4.3%	5.7%	10.3%	7.8%	4.7%	0.0%	1.7%	3.5%	2.5%
Insurance Premium Tax	1.6%	2.7%	3.2%	1.6%	2.3%	1.0%	1.8%	2.1%	1.7%	1.6%
Overall ^{1/}	4.7%	2.2%	3.2%	4.5%	3.6%	4.4%	2.4%	4.9%	4.8%	4.1%
	FY 2022					FY 2023				
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax	3.4%	0.8%	4.2%	4.2%	3.2%	3.6%	2.9%	4.0%	3.9%	3.6%
Individual Income Tax	4.1%	1.4%	4.9%	5.9%	4.1%	4.3%	4.3%	4.9%	5.4%	4.7%
Corporate Income Tax	3.0%	(1.2)%	4.9%	4.1%	2.8%	3.7%	3.8%	5.3%	4.8%	4.4%
Insurance Premium Tax	1.5%	0.8%	1.2%	1.8%	1.3%	1.9%	0.7%	1.7%	3.1%	1.8%
Overall ^{1/}	3.4%	0.9%	4.2%	4.6%	3.3%	3.9%	3.5%	4.3%	4.6%	4.1%

^{1/} The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue categories.

Risks to the Revenue Forecast

Growth in state revenue always faces uncertainty. Much of the large upside and downside risks to the forecast continue to reflect the uncertainty regarding the future strength of the overall economy and the timing of the next recession.

December 2019 marked the 126th consecutive month of uninterrupted growth in the U.S. economy, the longest expansion in recorded history. At current time, most measures suggest that the U.S. economy remains strong albeit growing at a slower rate than in the prior year. The growth of the U.S. real Gross Domestic Product (GDP) is expected to decline from 2.9% in 2018 to 2.2% in 2019.

In November, the U.S. unemployment rate was 3.5%, the lowest jobless rate in 50 years. At the same time, the continued strength of the U.S. dollar and oil price weakness, have helped to keep inflation near 2% on a sustained basis.

Recent projections by members of the Federal Reserve Board ("Fed") call for further slowing over the next 3 years, with real GDP growth gradually declining to 1.8% by 2022. At the same time, the Fed projects that the unemployment rate will rise from its current rate of 3.5% to 3.7% in 2022. The rate of inflation is expected to remain largely unchanged at 2% through 2022.

The slowdown of the economy is due to a combination of factors, including weakening of global growth, softening of consumer spending, capacity constraints, and tariff and trade uncertainty.

While there are no clear indications of a recession in the immediate future, a slowing of economic growth makes the U.S. economy more vulnerable to any number of "economic shocks," such as a steep rise in energy or commodity prices, the outbreak of an international conflict, or natural disasters disrupting production, all of which could tip the economy into a recession.

Recent survey responses by economists as well as various forecasting models have resulted in a revision of prior recession predictions. As an example, a Wall Street Journal survey in June of a group of more than 60 economists indicated that 85.4% of the survey respondents expected the next recession to start in 2020 or 2021. This figure was revised down to 54% based on survey responses in December.

Another example of a change in risk assessment is the Federal Reserve Bank of New York's recession probability model. This model uses the slope of the yield curve (or equivalently, the difference between 10-year and 3-month Treasury rates) to calculate the probability of a recession 12 months ahead. In August, the model predicted a 37.9% chance of a recession, the highest level since March 2008. In November, the model calculated the risk of a recession starting in the next 12 months to be 24.6%.

Although the likelihood of a recession has been revised down in recent months, historical data is not in our favor. Since 1945, the average length of a U.S. economic expansion has been approximately 5 years. As noted earlier, the current expansion of 10 years and 6 months is the longest in recorded history. Therefore, although there is no natural length of time for sustained periods of economic activity, if historical averages were to hold true, the onset of the next recession will occur at some point before the end of FY 2023.

Revenue Adjustments

Table 3 provides an overview of ongoing and actual revenue growth for FY 2020 and FY 2021. Ongoing revenue represents net General Fund revenue, including the impact of previously enacted tax legislation but excluding Urban Revenue Sharing and one-time financing sources. Under the January Baseline, ongoing revenue is projected to grow by 3.6% in FY 2020 and 4.1% in FY 2021. As noted earlier, absent the impact of previously enacted tax legislation, FY 2020 ongoing revenue growth would be 6.2%. Total revenue, which represents all General Fund revenue sources, including the beginning balance, is estimated to increase by 7.4% in FY 2020 and 0.2% in FY 2021.

Ongoing 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, state conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

As indicated in footnote 1 of Table 3, ongoing revenue includes the impact of previously enacted budget legislation.

	<u>FY 2020</u>	<u>%</u>	<u>FY 2021</u>	<u>%</u>
Ongoing Revenue ^{1/}	\$12,234.6	3.6% ^{2/}	\$12,739.8	4.1%
Urban Revenue Sharing	(737.6)		(828.5)	
One-Time Financing Sources:				
Balance Forward	957.2		643.0	
Fund Transfers	<u>90.8</u>		<u>16.7</u>	
Subtotal	1,048.0		659.7	
Total Revenue	<u>\$12,545.1</u>	7.4%	<u>\$12,571.0</u>	0.2%
^{1/}	Ongoing revenue represents net General Fund revenue, including the impact of previously enacted tax law changes. It excludes Urban Revenue Sharing and one-time financing sources.			
^{2/}	FY 2020 ongoing revenue includes an estimated \$(301.7) million in previously enacted tax reductions. Excluding these tax law changes, the FY 2020 growth rate would be 6.2%.			

The following section provides a detailed description of prior year budget legislation included in ongoing revenue collections in FY 2020 through FY 2023 (see Table 8 for a complete list of each of the tax law and revenue changes included in ongoing revenue collections in FY 2020 through FY 2023). As shown in Table 8, ongoing budget legislation enacted prior to the 2020 Regular Session is estimated to reduce ongoing revenue by \$(301.7) million in FY 2020, followed by an additional reduction of \$(0.9) million in FY 2021, \$(40.3) million in FY 2022, and \$(6.0) million in FY 2023. All revenue impacts in Table 8 are stated relative to the prior year.

Each of the previously enacted tax law and revenue changes is described in more detail below. Budget legislation with a one-time impact is shown in Table 9.

1) **Corporate School Tuition Tax Credit** – Laws 2006, Chapter 14 established a tax credit available for contributions by regular ("Subchapter C") corporations to private school tuition organizations that provide scholarships and tuition grants to students of low-income families. Chapter 14 established a cap on this credit of \$5 million per year and included a sunset date of June 30, 2011. Laws 2006, Chapter 325 increased the credit cap to

\$10 million per year, and provided that the cap be increased by 20% annually, beginning in FY 2008. Laws 2009, Chapter 168 expanded the credit by making it available to insurers and repealed the June 30, 2011 sunset date. Laws 2015, Chapter 301 expanded the credit to include businesses classified as Subchapter S corporations. (For tax purposes, credits earned by an S corporation must be pro-rated, passed through to its shareholders, and applied to each shareholder's individual income tax liability.) As described in more detail under *item 2*, Laws 2019, Chapter 281 limits the annual increase of the credit cap, beginning in FY 2021.

In terms of credit history, credit donations were made up to the cap each fiscal year from FY 2013 through FY 2019. While the FY 2020 credit cap of \$107.0 million had not been reached by mid-December (\$1.6 million of the credit was still available at that time), the Department of Revenue expects this to occur before the fiscal year ends on June 30, 2020.

Under Laws 2006, Chapter 325 the credit cap would increase to \$128.4 million in FY 2021, \$154.1 million in FY 2022, and \$184.9 million in FY 2023. Absent Laws 2019, Chapter 281, which limits the growth of future credit use as described below, the JLBC Staff assumes that the credit cap under Laws 2006, Chapter 325 would have been reached in each of the next 3 fiscal years for the following reasons. First, the credit cap was reached in each of the last 7 fiscal years despite increasing by 20% annually. Absent Chapter 281, credit history suggests that this trend would have continued for several more years. Second, while the credit originally could be claimed only against corporate income tax liability, it can now be used to also offset insurance premium and individual income tax liability. Data from the Department of Revenue indicates that less than 30% of total credit use in FY 2019 was attributable to C corporations. This suggests that absent Chapter 281, there would have been enough combined corporate, individual, and insurance premium tax liability for the credit to be fully utilized through FY 2023. Therefore, absent Chapter 281, the JLBC Staff assumes that the credit would have reduced General Fund revenue by \$(21.4) million in FY 2021, followed by additional reductions of \$(25.7) million in FY 2022, and \$(30.8) million in FY 2023.

2) Limits the Increase of the Corporate STO Credit – Laws 2019, Chapter 281 limits the annual increase of the cap for the corporate school tuition tax credit to 15% in FY 2021, 10% in FY 2022, and 5% in FY 2023. Beginning in FY 2024, the increase of the credit cap is limited to the greater of 2% or the annual change of the Metropolitan Phoenix consumer price index. In dollar terms, Chapter 281 reduces the credit cap to \$123.0 million in FY 2021,

\$135.3 million in FY 2022, and \$142.1 million in FY 2023, which has the effect of limiting the year-over-year revenue loss to \$(16.0) million in FY 2021, \$(12.3) million in FY 2022, and \$(6.8) million in FY 2023.

Relative to the estimated revenue reductions under Laws 2006, Chapter 325, the changes under Laws 2019, Chapter 281 will result in savings of \$5.4 million in FY 2021, \$13.3 million in FY 2022, and \$24.0 million in FY 2023. The combined impact of Laws 2006, Chapter 325 and Laws 2019, Chapter 281 is a net revenue reduction of \$(16.0) million in FY 2021, \$(12.4) million in FY 2022, and \$(6.8) million in FY 2023.

3) Phase-Down of Insurance Premium Tax Rate – Laws 2015, Chapter 220 provided a gradual reduction of the insurance premium tax rate from 2.0% in Calendar Year (CY) 2015 to 1.7% in CY 2026 and subsequent years. Laws 2016, Chapter 358 replaced the rate schedule under Laws 2015, Chapter 220 with an accelerated schedule that gradually reduces the premium tax rate to 1.7% in CY 2021, or 5 years earlier than previously enacted. The phase-down of the premium tax rate to 1.7% is estimated to decrease insurance premium tax collections to the General Fund by \$(4.7) million in FY 2020, followed by further decreases of \$(5.0) million in FY 2021, and \$(5.4) million in FY 2022.

4) Additional Angel Investor Credit Authorization – The angel investment credit is provided to ("angel") investors that make qualified investments in small businesses certified by the Arizona Commerce Authority (ACA). The credit is equal to 30% of the qualified investment unless the investment is made in a rural or bioscience company, in which case the credit is 35%. The credit must be claimed in equal installments over 3 years. The credit program's original \$20 million cap (established under Laws 2005, Chapter 316) was reached in June 2015.

Laws 2017, Chapter 319 authorizes the ACA to issue an additional \$10 million in angel investment tax credits from July 1, 2017 through June 30, 2021. Chapter 319 prohibits the ACA from authorizing more than \$2.5 million in tax credits in any fiscal year, plus any unused credit capacity carried forward from the prior year. Chapter 319 is expected to reduce individual income tax revenue by \$(0.8) million in FY 2020. While Chapter 319 is estimated to have no revenue impact in FY 2021, individual income tax revenue is projected to increase (relative to the prior year) by \$0.8 million in FY 2022 for technical reasons, followed by an additional increase of \$0.8 million in FY 2023.

5) Extension and Expansion of Job Tax Credit

Laws 2011, 2nd Special Session, Chapter 1 created a 3-year \$3,000 annual insurance premium, individual and corporate income tax credit for each net new qualifying job added by an employer in the state. The Arizona Commerce Authority (ACA) is authorized to issue first-year credits for up to 10,000 new employees (\$30 million) each year. Laws 2017, Chapter 340 extended the job tax credit (which otherwise would have expired at the end of FY 2017) through FY 2025. Moreover, Chapter 340 expanded the credit by providing additional minimum investment and wage requirements, beginning in TY 2018. The expansion of the job tax credit is estimated to reduce General Fund revenue by \$(0.9) million in FY 2020, followed by an additional reduction of \$(0.8) million in FY 2021.

6) Increase of Military Pension Exemption – The FY 2019 Revenue Budget Reconciliation Bill (BRB) (Laws 2018, Chapter 283) increased the individual income tax exemption for military pensions from \$2,500 to \$3,500, beginning in TY 2019. Chapter 283 is estimated to reduce General Fund revenue by \$(2.0) million annually, beginning in FY 2020.

7) Reduction of Liquor Licenses Fund Transfer – Any monies remaining in the Liquor Licenses Fund in excess of \$700,000 at the end of each fiscal year is deposited in the General Fund. The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) provides several changes to the Department of Liquor Licenses and Control's operating budget, which result in the appropriation from the Liquor Licenses Fund to the department being increased by \$181,300 in FY 2020. Since these changes reduce the excess fund balance by the same amount, General Fund revenue is reduced by \$(181,300) annually, beginning in FY 2020.

8) Reduction of State Treasurer Transfer – Pursuant to A.R.S. § 35-316, the State Treasurer is required to deposit any management fees on investment earnings in excess of its Operating Fund appropriation to the General Fund. The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) increased the State Treasurer's Operating Fund appropriation by \$380,000 to fund 3 new FTE Positions associated with portfolio management, legal services, and procurement. Since the increased \$380,000 appropriation reduces the excess fund balance by the same amount on an ongoing basis, General Fund revenue, is reduced by \$(380,000) annually, beginning in FY 2020.

9) Reduction of Public Safety Transfers – Laws 2018, Chapter 265 established a new highway safety fee charged on vehicle registrations. Chapter 265 requires the Director of the Arizona Department of Transportation

(ADOT) to set the fee on car registrations sufficient to fund 110% of the Department of Public Safety's (DPS) highway patrol budget for each upcoming year, less any unencumbered balance in the Highway Patrol Fund exceeding 10% of the prior year deposit. The highway safety fee, set at \$32 per vehicle, went into effect January 1, 2019.

The new highway safety fee established by Laws 2018, Chapter 265 changed the funding of DPS such that it resulted in transfers (hereafter referred to as "public safety transfers") of \$72.4 million to the General Fund, beginning in FY 2019.

The FY 2020 Criminal Justice BRB (Laws 2019, Chapter 268) eliminates the highway safety fee on July 1, 2021 and repeals the statutory requirement that the ADOT Director sets the fee at 110% of the highway patrol budget. As a result, the current highway safety fee of \$32 per vehicle will be levied through FY 2021.

Relative to Laws 2018, Chapter 265, the changes under Laws 2019, Chapter 268 have the effect of reducing public safety transfers to the General Fund from \$72.4 million to \$23.3 million in FY 2020 and FY 2021, and from \$72.4 million to \$0 in FY 2022 and FY 2023. Therefore, the revenue impact of Laws 2019, Chapter 268 relative to Laws 2018, Chapter 265 is \$(49.0) million in FY 2020 and FY 2021, and \$(72.4) in FY 2022 and FY 2023. As shown in *Table 8*, this means that relative to the prior year, Laws 2019, Chapter 268 reduces public safety transfers by \$(49.0) million in FY 2020, \$0 in FY 2021, \$(23.3) million in FY 2022, and \$0 in FY 2023.

Laws 2019, Chapter 273 Omnibus Tax Provisions

Laws 2019, Chapter 273 contains numerous provisions related to individual income tax, corporate income tax, and transaction privilege tax (TPT), as described under *items 10 – 12* below. In FY 2019, the bill resulted in a General Fund revenue increase of \$155.0 million. The FY 2019 revenue gain was solely attributable to conforming Arizona to the federal income tax code (*for more detail, see item 10 below*) for TY 2018. Conformity is estimated to result in additional revenues of \$62.0 million beginning in FY 2020, for a total of \$217.0 million.

Apart from conformity, Chapter 273 makes several changes to the state's individual income tax statutes, beginning in TY 2019 (*for more detail, see item 11 below*). While some of these changes will result in increased revenues, beginning in FY 2020, other provisions will reduce revenues. On a net basis, the changes to the state individual income tax code described under *item 11* below are estimated to reduce revenues by \$(326.0) million annually, beginning in FY 2020.

As discussed in more detail under *item 12* below, Chapter 273 includes several provisions that enable the state to collect sales tax from out-of-state businesses, beginning on October 1, 2019. These provisions are expected to result in an ongoing General Fund revenue increase of \$85.0 million annually. However, due to the October 1, 2019 effective date, the revenue gain in FY 2020 is limited to \$57 million. This is followed by an additional revenue gain of \$28 million, beginning in FY 2021, for an annual total of \$85 million.

The ongoing annual impact of Chapter 273, by major provision, is summarized in *Table 4* below. On a net basis, Chapter 273 will result in an ongoing revenue loss of \$(24.0) million annually. This amount represents \$217 million gain from conformity plus \$85 million gain from Wayfair legislation offset by \$(326) million in new income tax reductions.

<u>Revenue Additions</u>	<u>Impact</u>
Conformity	\$217.0
Wayfair	85.0
Eliminate Personal/Dependent Exemptions	353.9
Eliminate Lottery Winning Subtraction	0.1
Total, Additional Revenue	\$656.0
<u>Revenue Subtractions</u>	<u>Impact</u>
Increase Standard Deduction	\$(404.0)
Dependent Tax Credit	(144.0)
Bracket/Rate Reduction	(108.0)
25% Charitable Deduction	(24.0)
Total, Reduced Revenue	\$(680.0)
Net Ongoing Impact	\$ (24.0)

Income Tax Provisions

10) TY 2018 and TY 2019 Conformity – Chapter 273 conforms Arizona to the federal definition of adjusted gross income as of January 1, 2018 for tax year (TY) 2018, and January 1, 2019 for TY 2019.

11) Changes to Arizona Individual Income Tax Statutes – Beginning in TY 2019, Chapter 273 makes several changes to the state's individual income tax statutes, as described below.

- Reduces the number of marginal individual income tax brackets from 5 to 4 and reduces each marginal rate as shown in *Table 5*.
- Removes the Arizona subtraction from taxable income for lottery winnings.

<u>Brackets – Current</u>	<u>Rates – TY 2018</u>	<u>Brackets – Enacted</u>	<u>Rates – TY 2019</u>
\$0 - \$10,600	2.59%	\$0 - \$26,500	2.59%
\$10,601 - 26,500	2.88%	Collapsed	2.59%
\$26,501 - \$53,000	3.36%	\$26,501 - \$53,000	3.34%
\$53,001 - \$159,000	4.24%	\$53,001 - \$159,000	4.17%
\$159,001 and over	4.54%	\$159,001 and over	4.50%

<u>Filing Status</u>	<u>Standard Deduction - Current Law</u>	<u>Standard Deduction - Enacted</u>
Single/Married Filing Separate	\$5,312	\$12,000
Single Head of Household	\$10,613	\$18,000
Married Filing Jointly	\$10,613	\$24,000

- Increases the standard deduction as shown in *Table 6* and indexes the standard deduction to the same inflation measure used to calculate the federal standard deduction.
- Eliminates the state personal and dependent exemptions, shown in *Table 7*.

Personal Exemption, No Dependents	\$2,200
Personal Exemption, Married with Dependents	\$6,600
Dependent Exemption	\$2,300

- Allows taxpayers that take the standard deduction to increase their standard deduction by 25% of their charitable contributions that otherwise would have been deductible had they itemized their tax returns.
- Establishes a dependent tax credit of \$100 for each dependent under 17 years old and \$25 for each dependent age 17 and above. This credit is phased out for singles with over \$200,000 of adjusted gross income and \$400,000 for married couples filing jointly.

TPT Provisions

12) Enactment of Wayfair Legislation – In June 2018, the United States Supreme Court overruled in *South Dakota v. Wayfair Inc.* a 1992 ruling made by the same court in *Quill Corp v. North Dakota*, which had held that only out-of-state ("remote") businesses with a physical presence ("nexus") inside a state could be required to collect and remit sales tax in that state. As a result of the Wayfair ruling, the physical presence requirement was effectively replaced by an economic nexus requirement.

Beginning October 1, 2019, Chapter 273 establishes the economic nexus thresholds under which an out-of-state

business is required to collect and remit tax on retail sales in Arizona, which are as follows:

- If the out-of-state business does not conduct sales through a marketplace facilitator, economic nexus applies if sales in Arizona exceed \$200,000 in calendar year (CY) 2019, \$150,000 in CY 2020, and \$100,000 in CY 2021 and thereafter.
- If the out-of-state business is a marketplace facilitator, economic nexus applies if sales in Arizona from the marketplace facilitator's own business or on behalf of at least one marketplace seller exceed \$100,000 in the calendar year.

Besides establishing the state's economic nexus threshold requirements, Chapter 273 also added new language in state statutes with respect to the municipal tax treatment of retail sales. (*For more details, see page 433 in the FY 2020 Appropriations Report.*)

13) Expands TPT Exemption for Propagative Materials – Under current law, propagative materials such as seeds, roots, bulbs, and cuttings are exempt from state TPT and use tax. Beginning on December 1, 2019, Laws 2019, Chapter 288 expands this exemption to include fertilizers, insecticides and similar materials. Chapter 288 is estimated to reduce General Fund revenues by \$(7.4) million in FY 2020, followed by an additional reduction of \$(7.4) million, beginning in FY 2021.

14) TPT Estimated Payment Threshold Change – A business with a combined tax liability for transaction privilege, telecommunication services excise, and county excise taxes above a certain amount, as provided in statute, is required to make a single estimated advance payment in June of each year. From FY 2013 through FY 2019, the annual liability threshold for making the June advance payment was \$1.0 million. The estimated payment, which is in addition to the regular June sales tax bill, is required to equal either: (1) one-half of the actual tax liability for May, or (2) the actual tax liability for the first 15 days of June. In July of each year, those taxpayers that made an estimated payment in the prior month can subtract that amount from their July tax bill. While the June estimated payment does not result in any increase of a business' sales tax liability on a calendar year basis, it has the effect of advancing a portion of next fiscal year's General Fund revenue into the current fiscal year.

Laws 2019, Chapter 290 increases the liability threshold for the June estimated payment to \$1.6 million in 2020, \$2.3 million in 2021, \$3.1 million in 2022, and \$4.1 million in 2023 and each year thereafter. Chapter 290 is estimated to reduce General Fund revenues by \$(10.3) million in FY 2020. Relative to FY 2020, Chapter 290 is

expected to result in a revenue gain of \$0.3 million in FY 2021. On a year-over-year basis, there is no anticipated revenue gain or loss in FY 2022 and FY 2023.

15) Expands the Charitable Tax Credit – Under current law, taxpayers can claim an individual income tax credit for cash contributions made to charitable organizations that provide services to children who have chronic illness or physical disability. Laws 2019, Chapter 297 expands this credit to include all persons who have chronic illness or physical disability, including adults. Chapter 297 is estimated to reduce General Fund revenues by \$(1.2) million annually, beginning in FY 2020.

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 that is currently distributed to cities and towns is 15% of net individual and corporate income tax collections from 2 years prior.

As indicated in *Table 10*, total URS distributions will increase from \$737.6 million in FY 2020 to \$828.5 million in FY 2021. This URS increase results in a FY 2021 General Fund revenue loss of \$(90.9) million relative to FY 2020. As shown in *Table 11*, URS distributions are estimated to increase to \$846.6 million in FY 2022 and \$885.2 million in FY 2023, which will result in net General Fund revenue losses of \$(18.1) million and \$(38.6) million in FY 2022 and FY 2023, respectively.

One-Time Financing

As shown in *Table 9*, one-time financing sources are included in the budget for FY 2020. The following is a discussion of the one-time financing sources.

FY 2020

The \$1.05 billion in one-time financing sources for FY 2020 includes:

Previously Enacted Fund Transfers

As a result of a settlement between the Attorney General and Volkswagen related to the car maker's vehicle emissions violations, the budget enacted in May 2018 provides for a total of \$1.8 million in transfers from the Department of Environmental Quality's Air Quality Fund and the Department of Public Safety's Joint Fund to the General Fund in FY 2020.

Prescription Drug Rebate Fund Transfer

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) requires the Arizona Health Care Cost Containment System (AHCCCS) to transfer \$69.0 million

from the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 to the General Fund on or before June 30, 2020. The Prescription Drug Rebate Fund consists of federally-mandated and state-negotiated rebates paid by drug manufacturers to AHCCCS for prescription drugs used by AHCCCS enrollees. The \$69.0 million transfer consists of higher-than-budgeted rebate receipts from prior years. Based on rebate growth trends, the multi-year spending plan associated with the FY 2020 enacted budget further assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund through FY 2023.

Wells Fargo Settlement

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) requires the transfer of \$20.0 million to the General Fund from the monies received by the Attorney General (AG) pursuant to a settlement with Wells Fargo & Company. The AG, along with 49 other states, brought a lawsuit against Wells Fargo for alleged misconduct, including accounts opened without customer knowledge and improperly charged mortgage fees. As a result of the settlement, the AG received \$37.1 million, of which \$17.1 million was deposited into the Consumer Protection – Consumer Fraud Revolving Fund. The remaining \$20.0 million is to be transferred to the General Fund by June 30, 2020.

Balance Forward

The FY 2019 General Fund ending balance carried forward into FY 2020 was \$957.2 million.

FY 2021

The \$659.7 million in one-time financing sources for FY 2021 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2021.

Balance Forward

The FY 2020 General Fund ending balance carried into FY 2021 is projected to be \$643.0 million.

FY 2022

The \$36.7 million in one-time financing sources for FY 2022 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2022.

DWR Infrastructure Repayment

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriates \$20.0 million from the General Fund to the Department of Water Resources' (DWR) Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be fully reimbursed to the General Fund on or before December 31, 2021.

Balance Forward

The Baseline assumes that the FY 2021 cash balance will be allocated as part of the FY 2022 budget process. Therefore, the FY 2021 General Fund ending balance carried into FY 2022 is assumed to be \$0 million.

FY 2023

The \$16.7 million in one-time financing sources for FY 2023 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2023.

Table 8

Prior Year Budget Legislation with Ongoing Revenue Impact in FY 2020 through FY 2023
(\$ in Millions) ^{1/}

<u>Prior Year Legislation / Description of Provision</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>Laws 2006, Ch. 14 & Ch. 325</u>				
1) Corporate school tuition credit for low-income students	\$(17.8)	\$(21.4)	\$(25.7)	\$(30.8)
<u>Laws 2019, Ch. 281</u>				
2) Phases down annual increase of the corporate tuition credit from 20% to 5% over 3 years, beginning in FY 2021	<u>0.0</u>	<u>5.4</u>	<u>13.3</u>	<u>24.0</u>
Net Impact of Laws 2006, Ch. 14 & 325 and Laws 2019, Ch. 281	(17.8)	(16.0)	(12.4)	(6.8)
<u>Laws 2015, Ch. 220 & Laws 2016, Ch. 358</u>				
3) Phases down insurance premium tax rate from 2.0% to 1.7% over 6 years, beginning in FY 2017	(4.7)	(5.0)	(5.4)	0.0
<u>Laws 2017, Ch. 319</u>				
4) Adds a total of \$10 million in new angel investment credits	(0.8)	0.0	0.8	0.8
<u>Laws 2017, Ch. 340</u>				
5) Modifies eligibility requirements for job tax credit and extends credit through FY 2025	(0.9)	(0.8)	0.0	0.0
<u>Laws 2018, Ch. 283</u>				
6) Increases military pension exemption from \$2,500 to \$3,500, beginning in TY 2019	(2.0)	0.0	0.0	0.0
<u>Laws 2019, Ch. 263</u>				
7) Reduces Liquor Licenses Fund transfers to General Fund	(0.2)	0.0	0.0	0.0
<u>Laws 2019, Ch. 263</u>				
8) Reduces State Treasurer transfer to General Fund	(0.4)	0.0	0.0	0.0
<u>Laws 2019, Ch. 268</u>				
9) Reduces Public Safety Transfers to General Fund	(49.0)	0.0	(23.3)	0.0
<u>Laws 2019, Ch. 273</u>				
10) Conforms state tax statutes to Internal Revenue Code for TY 2018 and TY 2019	62.0	0.0	0.0	0.0
11) Makes following changes to Arizona Individual Income Tax statutes, beginning TY 2019:				
Eliminates personal and dependent exemptions	353.9	0.0	0.0	0.0
Eliminates lottery winning subtraction	0.1	0.0	0.0	0.0
Increases standard deduction	(404.0)	0.0	0.0	0.0
Creates a dependent tax credit	(144.0)	0.0	0.0	0.0
Reduces the number of tax brackets/lowers marginal rates	(108.0)	0.0	0.0	0.0
<u>Additional std. deduction on 25% of charitable contributions</u>	<u>(24.0)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal – Individual Income Tax Changes	(326.0)	0.0	0.0	0.0
12) Enacts Arizona’s Wayfair Legislation on Remote Sales	<u>57.0</u>	<u>28.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal – Laws 2019, Chapter 273	(207.0)	28.0	0.0	0.0
<u>Laws 2019, Ch. 288</u>				
13) Expands TPT exemption on propagative materials (including fertilizers), beginning December 1, 2019.	(7.4)	(7.4)	0.0	0.0
<u>Laws 2019, Ch. 290</u>				
14) Increases the June estimated payment threshold from \$1 million to \$4.1 million over 4 years, beginning in FY 2020	\$(10.3)	\$0.3	\$0.0	\$0.0
<u>Laws 2019, Ch. 297</u>				
15) Expands charitable tax credit to include adults with chronic illness or physical disability, beginning in TY 2019	<u>(1.2)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Revenue Impact over Prior Year	\$(301.7)	\$(0.9)	\$(40.3)	\$(6.0)

^{1/} Represents marginal pricing: All revenue impacts are stated relative to the prior year.

Table 9

**FY 2020 through FY 2023 One-Time Financing Sources
(\$ in Millions)**

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Balance Forward	\$957.2	\$643.0	\$0.0	\$0.0
Budget Legislation:				
Previously Enacted Fund Transfers	1.8	0.0	0.0	0.0
Prescription Drug Rebate Fund Transfer	69.0	16.7	16.7	16.7
Wells Fargo Settlement	20.0	0.0	0.0	0.0
Water Infrastructure Repayment	<u>0.0</u>	<u>0.0</u>	<u>20.0</u>	<u>0.0</u>
Total One-Time Financing	<u>\$1,048.0</u>	<u>\$659.7</u>	<u>\$36.7</u>	<u>\$16.7</u>

Table 10

GENERAL FUND REVENUE - FY 2019 - FY 2021

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2019	% CHANGE PRIOR YR	FORECAST FY 2020	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,096,879.9	6.5%	5,432,837.5	6.6%	335,957.7	5,678,451.6	4.5%	245,614.1
Income - Individual	5,009,020.6	10.2%	5,089,635.6	1.6%	80,615.0	5,332,694.0	4.8%	243,058.4
- Corporate	514,264.1	37.8%	554,505.3	7.8%	40,241.2	568,453.5	2.5%	13,948.2
Property	29,683.3	-23.3%	28,137.4	-5.2%	(1,545.9)	28,949.2	2.9%	811.8
Luxury - Tobacco	21,040.8	-4.3%	20,580.4	-2.2%	(460.4)	20,114.6	-2.3%	(465.8)
- Liquor	37,259.4	3.4%	38,618.1	3.6%	1,358.7	39,635.8	2.6%	1,017.7
Insurance Premium	549,760.6	7.9%	562,295.7	2.3%	12,535.2	571,537.4	1.6%	9,241.7
Other Taxes	13,539.4	77.0%	12,997.4	-4.0%	(542.0)	14,561.9	12.0%	1,564.5
Subtotal - Taxes	11,271,448.0	9.2%	11,739,607.4	4.2%	468,159.4	12,254,398.1	4.4%	514,790.7
Other Non-Tax Revenues:								
Lottery	82,886.1	21.1%	103,594.7	25.0%	20,708.6	99,818.1	-3.6%	(3,776.7)
Licenses, Fees and Permits	32,019.5	-15.7%	32,662.6	2.0%	643.0	33,343.3	2.1%	680.8
Interest	53,106.7	141.3%	35,563.2	-33.0%	(17,543.5)	35,817.9	0.7%	254.7
Sales and Services	24,054.0	-29.5%	23,072.0	-4.1%	(982.0)	22,312.8	-3.3%	(759.2)
Other Miscellaneous	111,313.8	2.8%	101,864.2	-8.5%	(9,449.6)	105,734.2	3.8%	3,870.0
Transfers and Reimbursements	63,365.2	56.1%	79,471.8	25.4%	16,106.6	69,657.1	-12.3%	(9,814.8)
Public Safety Transfers	72,364.5	N/A	23,343.2	-67.7%	(49,021.3)	23,343.2	0.0%	0.0
Disproportionate Share Revenue	95,552.6	14.2%	95,431.5	-0.1%	(121.1)	95,417.3	0.0%	(14.2)
Subtotal - Other Non-Tax	534,662.3	35.3%	495,003.2	-7.4%	(39,659.1)	485,444	-1.9%	(9,559.3)
Net Ongoing Revenue	11,806,110.3	10.2%	12,234,610.6	3.6%	428,500.3	12,739,841.9	4.1%	505,231.4
Urban Revenue Sharing (URS)	(674,804.4)	N/A	(737,573.6)	N/A	(62,769.2)	(828,492.9)	N/A	(90,919.2)
Net Ongoing Revenue w/ URS	11,131,305.9	10.9%	11,497,037.0	3.3%	365,731.1	11,911,349.0	3.6%	414,312.2
One-Time Financing Sources:								
Pre-2019 Enacted Fund Transfers	100,425.9	35.0%	1,840.7	-98.2%	(98,585.2)	0.0	-100.0%	(1,840.7)
Prescription Drug Rebate Fund Transfer	0.0	N/A	69,000.0	N/A	69,000.0	16,700.0	-75.8%	(52,300.0)
Wells Fargo Settlement Fund Transfer	0.0	N/A	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	100,425.9	35.0%	90,840.7	-9.5%	(9,585.2)	16,700.0	-81.6%	(74,140.7)
Subtotal - Revenues	11,231,731.7	11.1%	11,587,877.7	3.2%	356,146.0	11,928,049.0	2.9%	340,171.5
Balance Forward	449,632.0	198.0%	957,241.0	112.9%	507,609.0	642,962.8	-32.8%	(314,278.2)
Total - Resources	11,681,363.7	13.9%	12,545,118.7	7.4%	863,755.0	12,571,011.8	0.2%	25,893.3

Table 11

GENERAL FUND REVENUE - FY 2022 - FY 2023

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2023	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,858,106.0	3.2%	179,654.3	6,069,515.2	3.6%	211,409.2
Income - Individual	5,552,056.5	4.1%	219,362.5	5,815,397.9	4.7%	263,341.5
- Corporate	584,170.2	2.8%	15,716.7	609,933.1	4.4%	25,762.9
Property	29,787.8	2.9%	838.6	30,654.1	2.9%	866.3
Luxury - Tobacco	19,671.4	-2.2%	(443.3)	19,237.1	-2.2%	(434.2)
- Liquor	40,715.9	2.7%	1,080.1	41,830.8	2.7%	1,114.9
Insurance Premium	579,052.7	1.3%	7,515.3	589,710.7	1.8%	10,658.0
Other Taxes	16,317.4	12.1%	1,755.5	18,287.5	12.1%	1,970.0
Subtotal - Taxes	12,679,877.9	3.5%	425,479.8	13,194,566.4	4.1%	514,688.5
Other Non-Tax Revenues:						
Lottery	107,255.9	7.5%	7,437.8	118,252.4	10.3%	10,996.5
Licenses, Fees and Permits	34,064.1	2.2%	720.8	34,827.4	2.2%	763.2
Interest	38,077.2	6.3%	2,259.2	40,312.3	5.9%	2,235.1
Sales and Services	21,686.6	-2.8%	(626.2)	21,183.9	-2.3%	(502.7)
Other Miscellaneous	109,632.8	3.7%	3,898.6	113,558.7	3.6%	3,925.9
Transfers and Reimbursements	72,107.2	3.5%	2,450.2	74,715.1	3.6%	2,607.8
Public Safety Transfers	0.0	-100.0%	(23,343.2)	0.0	N/A	0.0
Disproportionate Share Revenue	95,602.8	0.2%	185.5	95,630.8	0.0%	28.0
Subtotal - Other Non-Tax	478,426.7	-1.4%	(7,017.3)	498,480.6	4.2%	20,053.9
Net Ongoing Revenue	13,158,304.5	3.3%	418,462.5	13,693,047.0	4.1%	534,742.5
Urban Revenue Sharing (URS)	(846,621.1)	N/A	(18,128.3)	(885,172.1)	N/A	(38,551.0)
Net Ongoing Revenue w/ URS	12,311,683.4	3.4%	400,334.3	12,807,874.9	4.0%	496,191.5
One-Time Financing Sources:						
Pre-2019 Enacted Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	16,700.0	0.0%	0.0	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Subtotal - One-Time Financing Sources	36,700.0	119.8%	20,000.0	16,700.0	-54.5%	(20,000.0)
Subtotal - Revenues	12,348,383.4	3.5%	420,334.3	12,824,574.9	3.9%	476,191.5
Balance Forward	-	-100.0%	(642,962.8)	-	N/A	0.0
Total - Resources	12,348,383.4	-1.8%	(222,628.5)	12,824,574.9	3.9%	476,191.5

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.
- The BSF's total balance cannot be larger than 10.0% of the current year's General Fund revenues, excluding the beginning balance. Prior to Laws 2019, Chapter 54 the percentage was set at 7.0%.
- 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 2018

In CY 2017, Arizona adjusted personal income increased by 2.61%, with a trend growth rate of 3.15%. Since the CY 2017 growth rate was (0.54)% lower than the trend growth rate, but still higher than 2.0%, the formula did not recommend a withdrawal. A deposit requires the most recent calendar year growth rate to exceed the trend growth rate. The Legislature did not authorize any deposit or withdrawal.

Beginning in FY 2016, A.R.S. § 35-144 authorizes BSF monies to be used by the State Forester to pay wildland fire suppression claims. When a federal agency makes payment on the claim, the State Forester must reimburse the State Treasurer for that amount within 45 days. Through FY 2019, the State Forester's outstanding unreimbursed claims balance could not exceed \$10.0 million. Beginning in FY 2020, Laws 2019, Chapter 269 increases the cap to \$20.0 million. The balance consists of the cumulative amount the State Forester has used for fire suppression claims less the amount it has reimbursed to the State Treasurer.

In FY 2018, the State Forester's outstanding balance increased by \$6.5 million. Combined with prior year FY

2016 and FY 2017 year-end outstanding balances of \$3.5 million, the FY 2018 year-end outstanding balance was \$10.0 million. The Forester effectively reached the statutory \$10.0 million cap. The State Forester reimburses outstanding claims to the Treasurer upon federal payment on the claims and draws down new funds as old claims are repaid.

Laws 2017, Chapter 305 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2018.

Additionally, Laws 2017, Chapter 305 appropriated \$2.6 million from BSF interest earnings to the Department of Education for financial assistance to school districts and charter schools located in counties with a population of less than 500,000. The distribution also applies to school districts and charter schools that primarily serve homeless or special needs students, regardless of location. The distribution is proportionally allocated based on average daily membership counts from the 2016-2017 school year.

The FY 2019 General Appropriation Act (Laws 2018, Chapter 276) 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 2018. Chapter 276 required the BSF to be fully reimbursed by September 1, 2018. DES did not use any of these monies.

FY 2019

In CY 2018, Arizona adjusted personal income increased by 3.31%, with a trend growth rate of 3.29%. Since the CY 2018 "excess" growth rate was 0.02%, the formula recommended a deposit of \$2.0 million in FY 2019. The Legislature did not authorize the deposit. However, independent of the formula, the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$271.1 million for deposit into the BSF in FY 2019.

In FY 2019, the State Forester repaid \$6.0 million to the BSF, leaving an FY 2019 ending usage balance of \$4.0.

Laws 2018, Chapter 276 appropriated \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

Laws 2018, Chapter 276 also allowed the Department of Public Safety to use up to \$23.3 million from the BSF in FY 2019 to provide temporary operating funding. Chapter 276 requires the BSF to be fully reimbursed by September 1, 2019. In August and September 2018, DPS withdrew

\$10.0 million and \$13.3 million, respectively. DPS reimbursed the State Treasurer at the end of FY 2019.

FY 2020

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted income will grow by 3.40% in CY 2019. Since this is 0.18% above the estimated trend growth rate of 3.22%, the formula is projected to recommend a BSF deposit of \$20.0 million in FY 2020.

The FY 2020 General Appropriation Act appropriates \$271.1 million in FY 2020 for deposit into the BSF. This is in addition to the \$271.1 million deposited in FY 2019. These amounts were determined independent of the formula.

Laws 2019, Chapter 263 also authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2020. Chapter 263 requires the BSF to be fully reimbursed by September 1, 2020.

Laws 2019, Chapter 269 increases the maximum outstanding unreimbursed claims balance from \$10.0 million to \$20.0 million. As of November 2019, the State Forester's outstanding balance is effectively \$9.2 million. By increasing the maximum balance, the State Forester will be able to pay any new claims until its outstanding balance reaches \$20.0 million.

Laws 2019, Chapter 54 adjusts the limit on the fiscal year-end BSF balance from 7.0% of General Fund revenues for the fiscal year to 10.0% of General Fund revenues for the fiscal year. For FY 2020, the fiscal year-end balance is estimated to be \$1.0 billion compared to an estimated maximum balance of \$1.1 billion.

FY 2021

EBR currently projects that Arizona real adjusted income will grow by 2.80% in CY 2020. Since this is (0.73)% below the estimated trend growth rate of 3.53%, but still higher than 2.0%, the formula is projected to recommend no withdrawal in FY 2021.

STATUTORY CHANGES

The Baseline would, as session law, continue to notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2023.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2018	Actual FY 2019	Estimate FY 2020	Estimate FY 2021
General Fund Revenues				
Adjusted Revenues	\$10,036,152.7 ^{2/}	\$11,131,320.8 ^{2/}	\$11,497,037.0	\$11,911,349.0
Statutory Limit of Revenues	7.0%	7.0%	10.0% ^{3/}	10.0% ^{3/}
Maximum Balance	702,530.7	779,192.5	1,149,703.7	1,191,134.9
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	2.61%	3.31%	3.40%	2.80%
7-Year Average Income Growth	<u>3.15%</u>	<u>3.29%</u>	<u>3.22%</u>	<u>3.53%</u>
Annual Difference	(0.54)%	0.02%	0.18%	(0.73)%
BSF Transactions				
Beginning BSF Balance	461,446.9	457,786.0	742,968.0	1,004,075.0
BSF Formula Recommendation	0.0	2,007.2	20,036.4	0.0
Actual Transfer In				
General Fund Appropriation	0.0	271,107.0 ^{4/}	271,107.0 ^{4/}	0.0
Actual Transfer Out				
State Forester Claims ^{5/6/}	(6,498.3)	6,028.8	0.0	0.0
Arts Commission ^{7/8/}	(1,500.0)	(2,000.0)	0.0	0.0
ADE Rural Assistance ^{9/}	(2,600.0)	0.0	0.0	0.0
DPS Operating Funding ^{10/}	0.0	0.0	0.0	0.0
DES Reimbursement Grants ^{11/12/}	<u>0.0</u>	<u>0.0</u>	<u>(25,000.0)</u>	<u>25,000.0</u>
SUBTOTAL	(10,598.3)	4,028.8	(25,000.0)	25,000.0
Balance	450,848.6	732,921.8	989,075.0	1,029,075.0
Interest Earnings & Equity Gains/Losses ^{13/}	6,937.4	10,046.2	15,000.0	15,000.0
Ending BSF Balance	\$457,786.0	\$742,968.0	\$1,004,075.0	\$1,044,075.0
Percent of Revenues	4.6%	6.7%	8.7%	8.8%

^{1/} BSF history prior to FY 2018 can be found on the JLBC website.

^{2/} Actual General Fund revenue for FY 2018 and FY 2019, as determined by the Economic Estimates Commission.

^{3/} Laws 2019, Chapter 54 adjusts the limit on the fiscal year-end BSF balance from 7.0% to 10.0% of General Fund revenues for the fiscal year.

^{4/} Laws 2019, Chapter 263 appropriates \$271.1 million from the General Fund in each of FY 2019 and FY 2020 for deposit into the BSF.

^{5/} Laws 2016, Chapter 219 authorizes BSF monies to be used by the State Forester to pay certain wildland fire suppression claims, not to exceed \$10.0 million. The monies must be reimbursed to the State Treasurer within 45 days of a federal agency's payment on the claim.

^{6/} The cumulative transfers out through November 2019 is \$9.2 million. Laws 2019, Chapter 269 increases the maximum outstanding balance to \$20.0 million beginning in FY 2020.

^{7/} Laws 2017, Chapter 305 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2018.

^{8/} Laws 2018, Chapter 276 appropriates \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

^{9/} Laws 2017, Chapter 305 appropriated \$2.6 million from BSF interest earnings to the Department of Education for rural assistance in FY 2018.

^{10/} Laws 2018, Chapter 276 authorized the Department of Public Safety (DPS) to use up to \$23.3 million in BSF monies for temporary operating funding in FY 2019. DPS reimbursed this amount prior to September 2019, as required by Chapter 276.

^{11/} Laws 2018, Chapter 276 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 2018. Chapter 276 required the BSF to be fully reimbursed by September 1, 2018. DES did not use any of these monies.

^{12/} Laws 2019, Chapter 263 authorizes the Department of Economic Security (DES) to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2020. Chapter 263 requires the BSF to be fully reimbursed by September 1, 2020.

^{13/} Interest earnings for FY 2020 and FY 2021 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 dispatcher positions.
- 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 will be enrolled in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement benefit.

- 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 2021 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 retirement systems in FY 2021 is estimated to be \$253.6 million and the Total State Funds cost is \$701.0 million. *(Please see Table 1 for the total costs.)*

ASRS

The General Fund cost associated with ASRS in FY 2021 is estimated to be \$70.4 million and the Total State Funds cost is \$356.8 million.

At its November 2019 meeting, the ASRS Board of Trustees increased the pension contribution rate to 12.04% of Personal Services in FY 2021. The FY 2020 rate was 11.94%. The employer contribution rate for disability insurance increased from 0.17% to 0.18%, for a total overall employer contribution rate of 12.22% (compared to 12.11% last year).

While ASRS reported a strong gain in this year's actuarial valuation, the system projects slower growth in future years that will result in lower investment returns.

Table 1			
Arizona Public Retirement FY 2021 System Employer Cost			
	<u>FY 2021 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 70,355,500	\$ 286,412,800	\$ 356,768,300
Public Safety Personnel Retirement System	27,884,000	102,911,300	130,795,300
Corrections Officer Retirement Plan	121,152,900	2,499,500	123,652,400
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	13,868,200	287,200	14,155,400
University Optional Retirement Plan	20,319,100	55,324,600	75,643,700
Grand Total	\$ 253,579,700	\$ 447,435,400	\$ 701,015,100

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2021 Baseline change in Personal Services costs. These estimates are based on Tier 1 and Tier 2 employer contribution rates, and do not include the impact of Tier 3 employer contribution rates.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

PSPRS

The PSPRS system consists of numerous state and local subgroups, each with its own contribution rate.

The General Fund cost associated with PSPRS in FY 2021 is estimated to be \$27.9 million and the Total State Funds cost is \$130.8 million.

In aggregate, the Tier 1 and Tier 2 PSPRS employer contribution rate is 2.21% higher. Most of the rate increase in the PSPRS system is because the assumed earnings rate was decreased from 7.40% to 7.30% and actuarial mortality tables were updated to reflect longer projected lifespans for members. While the aggregate change in PSPRS systemwide is 2.21%, state entities will see varying changes in their contribution rate.

CORP

The General Fund cost associated with CORP is \$121.2 million in FY 2021 and the Total State Funds cost is \$123.7 million.

In aggregate, the Tier 1 and Tier 2 CORP employer contribution rate is 3.45% higher. The largest reasons for the increase in CORP costs was lower than expected overall payroll growth and the assumed earnings rate decreasing from 7.40% to 7.30%.

Several state entities will see similar increases in their contribution rate. For example, the Department of Corrections' Tier 1 and Tier 2 rate will increase from 27.51% in FY 2020 to 30.72% in FY 2021.

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2021 is estimated to be \$13.9 million and the Total State Funds cost is \$14.2 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

Laws 2018, Chapter 343 requires the state to pay the actuarially required employer rate for EORP. Previously, the rate had been capped in statute at 23.50%. The rate change began in FY 2019 resulting in an employer contribution rate of 61.50%. In FY 2020, the EORP employer contribution rate was 61.43%. In FY 2021, the actuarially calculated employer contribution rate is 55.21%, however, the PSPRS Board elected to maintain the rate at 61.43% for FY 2021.

For EODCRS members, the total employer contribution rate is the same, with 6.0% of the employer contribution rate is deposited into the individual employees'

retirement investment account and the remainder being deposited into the EORP Fund.

UORP

The General Fund cost associated with UORP in FY 2021 is estimated to be \$20.3 million and the Total State Funds cost is \$75.6 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% 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 2021.

Funded Status

To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. The funded status, or the amount of actuarial assets relative to the amount of liabilities, of each plan is:

- 71.3% for ASRS;
- 46.4% for PSPRS;
- 53.1% for CORP; and
- 31.5% for EORP.

The above percentages exclude the retiree health portion of the pension plan.

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent currently-funded formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2021 budget.

FY 2021 Budget

The Baseline includes only FY 2021 for all budget units. The Baseline also includes supplemental FY 2020 funding for selected budget units. All FY 2021 changes are referenced to the original FY 2020 appropriated amount.

In addition, A.R.S. § 35-125 requires the annual General Appropriation Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2023.

Changes from Prior Year

The Baseline includes adjustments for one-time appropriations, annualization of any items funded for a partial year, and funding formula requirements.

The individual agency descriptions in this volume provide further narrative detail on these changes. In addition, the book provides the line item detail for individual agency budgets. The major technical issues pertaining to each of these line items are described below.

The individual agency descriptions also include the following years of budget data:

- *FY 2019 Actual* - This dollar amount represents the FY 2019 expenditures as reported by the agency. Pursuant to the Executive's budget instructions, the amount is to exclude administrative adjustments, or payments for obligations incurred in FY 2018 but for which the state was not billed until FY 2019.
- *FY 2020 Estimate* - This dollar amount represents the FY 2020 appropriations as of the end of the 54th Legislature, 1st Regular Session. It does *not* include any supplemental FY 2020 funding in the Baseline.

- *FY 2021 Baseline* - This dollar amount represents the FY 2021 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the "Summary of Funds" section at the end of each individual agency's narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees.

ERE Rates - This category typically represents changes in the state's cost of employee benefits. The rates have been held constant from FY 2020 to FY 2021 in the Baseline.

Medical and Dental Insurance - The Baseline includes a decrease of \$(10,544,400) from the General Fund and \$(10,000,000) from Other Appropriated Funds to remove one-time funding for a deposit into the Health Insurance Trust Fund (HITF). Although these monies were allocated to individual budgets in FY 2020, this decrease is reflected as a statewide adjustment in the Baseline for FY 2021. The Baseline includes no further changes to agency budgets for medical and dental insurance costs. (*Please see the HITF discussions in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.*)

Life Insurance - \$7.28 per employee per year, a decrease from the CY 2019 rate of \$17.94 per employee per year rate set by ADOA. The Baseline does not adjust agency budgets for this change.

Unemployment Insurance - 0.10% of Personal Services for each agency, unchanged from the FY 2020 rate set by ADOA.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2020 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, 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 - 0.43% of Personal Services for each agency, unchanged from the FY 2020 rate established in statute. The government information technology review function in the ADOA budget is 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 2020 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.

Attorney General Legal Services - \$1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2020 amount set in the FY 2020 budget. (Please see the Attorney General narrative for details.)

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2020 workers' compensation rates. ADOA estimates the average statewide rate is 0.97%.

Federal Insurance Contributions Act (FICA) - Effective January 1, 2020, Social Security employer taxes are paid at a rate of 6.20% up to \$137,700, an increase from the previous maximum of \$132,900. The rate is unchanged. The Baseline does not adjust agency budgets for this change.

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 2020. Effective January 1, 2013, the federal Affordable Care Act imposed an additional 0.9% Medicare withholding on employees 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 2021 rates as determined by the state's retirement systems have changed from the FY 2020 rates. The total contribution from ASRS employees and employers combined will be 24.08%, an increase from the FY 2020 rate of 23.88%; both employers and employees will see their rates increase in FY 2021 to 12.04% from 11.94% in FY 2020. These rates exclude disability insurance (see below).

Employer contribution rates for other retirement systems including the Public Safety Personnel Retirement Plan, the Corrections Officers Retirement Plan, and the Elected Officials' Retirement Plan also changed. The Baseline does not adjust agency budgets for changes in retirement rates. (Please see the Consolidated Retirement Report for more details.)

Disability Insurance - For Arizona State Retirement Systems (ASRS) employees, the employer will pay 0.18% of Personal Services for disability insurance, an increase of 0.01% from the FY 2020 rate of 0.17%. The employee rate will also be 0.18%.

Rates for disability insurance for PSPRS and CORP employers are changed from FY 2020. The PSPRS rate is 1.41% for defined-contribution employees (a decrease from 1.51%). The CORP rate is 0.65% (a decrease from 0.70%) for employees in defined-contribution plans. The Baseline assumes no changes in the rates for employees in defined-benefit plans, which were 2.41% in PSPRS and 0.32% in CORP in FY 2020. The disability insurance rate for participants in the Elected Officials' Defined Contribution Retirement System will be 0.125%. The Baseline does not adjust agency budgets for any changes in disability insurance rates.

Risk Management - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges determined and billed by ADOA. The billings vary by individual agency and are unchanged from the FY 2020 rates.

Rent - Individual agency budgets' Other Operating Expenditures include monies to pay rent for state-owned or lease-purchase space, as well as for privately-owned space.

As required by statute, ADOA charges \$17.97 per square foot for all state agencies occupying state-owned space and \$6.43 per square foot for state-owned storage space in FY 2020. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2021. (Please see the Capital Outlay - ADOA Building System narrative for more details.)

The Baseline does not address increases in rent for privately-owned space.

Program C	<u>40,000</u>
Total Appropriations - Agency X	\$100,000

Format

Each agency section in this book includes the proposed agency budget format. Any changes from the prior year format are noted. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- Lump Sum by Agency
- Lump Sum by Program
- Modified Lump Sum by Agency
- Detailed Line Item by Agency

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

Details on each of these common formats are below:

Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	\$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately. If Special Line Items are listed separately, transfers to or from those lines must receive prior ADOA and Governor's Office of Strategic Planning and Budgeting (OSPB) approval.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA and OSPB approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	\$30,000
Program B	30,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek the recommendation of the Joint Legislative Budget Committee and approval by ADOA and OSPB before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173E). In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total Appropriations - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA and OSPB approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	<u>5,000</u>
Total Appropriations - Agency X	\$100,000

Footnotes

The individual agency sections of this book include proposed footnotes, which are narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law.

Agency footnotes are shown after the number table at the start of an agency's narrative. Most footnotes are unchanged from FY 2020 or updated for technical reasons

(e.g., fiscal year references). Non-technical changes are indicated with strike-through font for deletions and all-capital text for new language. Proposed new footnotes will include the word "NEW" at the start of the footnote. Footnotes proposed for deletion will be footnoted with a "D/" and the entire text struck-through.

(Please see the Major Footnote Changes section for a listing of major footnote changes from FY 2020.)

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2020 unless noted.

Expenditure Reporting - It is the intent of the Legislature that all budget units receiving appropriations continue to 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.

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2021 for submission to the JLBC Director by October 1, 2021. This report shall include both appropriated and non-appropriated positions. The Universities are exempt from the ADOA report but are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2020 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2020.

Transfer Authority - ADOA shall provide a monthly report to JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2020 General Fund ending balance by September 15, 2019. The JLBC Staff shall report to JLBC by October 15, 2019 as to whether FY 2021's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections.

Long-Term Budget Estimates - 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 to be based on existing statutory funding requirements. A.R.S. § 35-125 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. *(Please see the FY 2021 Baseline*

Summary section for details on the FY 2021 - FY 2023 revenue and expenditure estimates.)

Non-Lapsing Appropriations - The General Appropriation Act will designate certain appropriations with "*", meaning that the appropriation is exempt from lapsing.

Expenditure Authority - For the purposes of the General Appropriation Act, "expenditure authority" means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review - For the purposes of the General Appropriation Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *(Please see the FY 2021 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.)*

In addition to agency-specific statutory changes, the Baseline would, as session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Other Issues

This section may also include other information of general interest, including FY 2020 supplementals.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 2 "balance sheet" expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling \$128,000,000 in FY 2020 for FY 2019 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2019, but for which the state was unbilled until FY 2020. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$128,000,000 is unchanged from the originally-budgeted FY 2020 total.

In addition to the FY 2020 figure, the Baseline assumes a FY 2021 administrative adjustment total of \$146,000,000, an increase of \$18,000,000 from the revised FY 2020 total. The FY 2020 amount reflects 84% of prior-year reversionments (see *Reversionments discussion below*).

Reversionments - The Baseline assumes that state agencies will revert \$(173,000,000) of FY 2020 appropriations back to the General Fund because the agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2021. This amount is unchanged from the originally-budgeted FY 2020 total.

In addition to the FY 2020 estimate, the Baseline also assumes a FY 2021 reversionment total of \$(184,000,000), an increase of \$(11,000,000) from the revised FY 2020 total. The FY 2020 and FY 2021 amounts reflect between 1.5% and 1.6% of non-capital-related appropriated spending.

***JLBC STAFF
AND
AGENCY DIRECTORY LISTINGS***

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS
(As of January 17, 2020)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Elliot Chau	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	David Geriminsky [Executive Director]	602-542-3095
Administration, Arizona Department of	Rebecca Perrera/ Morgan Dorcheus	Andy Tobin [Director]	602-542-1500
Administrative Hearings, Office of	Alexis Pagel	Greg Hanchett [Interim Director]	602-542-9830
African-American Affairs, Arizona Commission of	Alexis Pagel	Cloves Campbell [Executive Director]	602-542-5484
Agriculture, Arizona Department of	Henry Furtick	Mark Killian [Director]	602-542-4373
Arizona Health Care Cost Containment System	Maggie Rocker/Elliot Chau	Jami Snyder [Director]	602-417-4111
Arizona State University	Morgan Dorcheus	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Ryan Fleischman	Jaime Dempsey [Executive Director]	602-771-6520
Athletic Training, Board of	Steve Grunig	Karen Whiteford [Executive Director]	602-589-8353
Attorney General - Department of Law	Ryan Fleischman	Honorable Mark Brnovich [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Lindsey Perry [Auditor General]	602-553-0333
Automobile Theft Authority	Jordan Johnston	James McGuffin [Executive Director]	602-364-2888
Barbers, Board of	Lydia Chew	Sam Barcelona [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Maggie Rocker	Tobi Zavala [Executive Director]	602-542-1617
Charter Schools, State Board for	Lydia Chew	Ashley Berg [Executive Director]	602-364-3080
Child Safety, Department of	Patrick Moran	Mike Faust [Director]	602-255-2564
Chiropractic Examiners, State Board of	Elliot Chau	Martin Kollasch [Executive Director]	602-542-9101
Citizens Clean Elections Commission	Maggie Rocker	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Elliot Chau	Sandra Watson [President and CEO]	602-845-1229
Community Colleges, Arizona	Geoffrey Paulsen	--	--
Constable Ethics Standards and Training Board	Ryan Fleischman	Mike Cobb [Chairman]	602-343-6280
Contractors, Registrar of	Alexis Pagel	Jeffrey Fleetham [Director]	602-771-6700
Corporation Commission	Jeremy Gunderson	Honorable Bob Burns [Chairman]	602-542-3682
Corrections, State Department of	Geoffrey Paulsen	David Shinn [Director]	602-542-5225
Cosmetology, Board of	Lydia Chew	Kim Scoplitte [Director]	480-784-4539
Court of Appeals, Division I	Geoffrey Paulsen	Honorable Samuel Anderson Thumma [Chief Judge]	602-452-6790
Court of Appeals, Division II	Geoffrey Paulsen	Honorable Peter Eckerstrom [Chief Judge]	520-628-6950
Criminal Justice Commission, Arizona	Ryan Fleischman	Andrew LeFevre [Executive Director]	602-364-1146
Deaf and the Blind, Arizona State Schools for the	Lydia Chew	Annette Reichman [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Lydia Chew	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Elliot Chau	Ryan Edmonson [Executive Director]	602-542-4451
Early Childhood Development and Health Board, Arizona	Lydia Chew	Marilee Dal Pra [Executive Director]	602-771-5100
Economic Opportunity, Office of	Elliot Chau	Sandra Watson [Director]	602-771-0484
Economic Security, Department of	Alexis Pagel	Dr. Cara Christ [Interim Director]	602-542-5757
Education, State Board of	Lydia Chew	Alicia Williams [Executive Director]	602-542-5057
Education, Department of	Patrick Moran/Lydia Chew	Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-364-1972
Emergency and Military Affairs, Department of	Alexis Pagel	Michael McGuire [Adjutant General]	602-267-2710
Environmental Quality, Department of	Ryan Fleischman	Misael Cabrera [Director]	602-771-2204
Equal Opportunity, Governor's Office of	Alexis Pagel	Barry Wong [Executive Director]	602-542-3711
Equalization, State Board of	Elliot Chau	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Jordan Johnston	Kathryn Blades [Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Henry Furtick	Wanell Costello [Executive Director]	602-252-6771
Financial Institutions, Department of	Jeremy Gunderson	Keith Schraad [Interim Superintendent]	602-771-2800
Forestry and Fire Management, Arizona Department of	Henry Furtick	David Tenney [State Forester]	602-771-1400
Funeral Directors and Embalmers, State Board of	Steve Grunig	Judith Stapley [Executive Director]	602-542-8152
Game and Fish Department, Arizona	Alexis Pagel	Ty Gray [Director]	602-942-3000
Gaming, Department of	Henry Furtick	Ted Vogt [Director]	602-771-4263
Governor, Office of the	Steve Grunig	Honorable Doug Ducey [Governor]	602-542-4331
Governor's Office of Strategic Planning and Budgeting	Steve Grunig	Matthew Gress [Director]	602-542-5381

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u> JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Health Services, Department of	Morgan Dorcheus	Dr. Cara Christ [Director]	602-542-1025
Historical Society, Arizona	Lydia Chew	W. James Burns [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Lydia Chew	Fred Veil [Executive Director]	928-445-3122
Homeland Security, Arizona Department of	Alexis Pagel	Gilbert M. Orrantia [Director]	602-542-7013
Homeopathic and Integrated Medicine Examiners, Board of	Steve Grunig	Susie Myers [Executive Director]	602-542-3095
House of Representatives	Steve Grunig	Honorable Rusty Bowers [Speaker of the House]	602-926-3312
Housing, Arizona Department of	Henry Furtick	Carol Ditmore [Director]	602-771-1007
Industrial Commission of Arizona	Jordan Johnston	James Ashley [Director]	602-542-4411
Insurance, Department of	Jeremy Gunderson	Keith Schraad [Director]	602-364-3471
Insurance and Financial Institutions, Department of	Jeremy Gunderson	Keith Schraad [Director]	602-364-3471
Joint Legislative Budget Committee	Steve Grunig	Richard Stavneak [Director]	602-926-5491
Juvenile Corrections, Department of	Ryan Fleischman	Jeff Hood [Director]	602-364-4051
Land Department, State	Henry Furtick	Lisa Atkins [Land Commissioner]	602-542-4621
Legislative Council	Steve Grunig	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses and Control, Department of	Jeremy Gunderson	John Cocca [Director]	602-542-9020
Lottery Commission, Arizona State	Jeremy Gunderson	Gregory Edgar [Executive Director]	480-921-4505
Massage Therapy, Board of	Steve Grunig	Thomas Aughterton [Interim Executive Director]	602-542-8804
Medical Board, Arizona	Maggie Rocker	Patricia McSorley [Executive Director]	480-551-2700
Mine Inspector, State	Henry Furtick	Honorable Joe Hart [State Mine Inspector]	602-542-5971
Naturopathic Physicians Medical Board	Steve Grunig	Gail Anthony [Director]	602-542-8242
Navigable Stream Adjudication Commission, Arizona	Henry Furtick	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Alexis Pagel	Rita Cheng, Ph.D. [President]	928-523-3232
Nursing, State Board of	Maggie Rocker	Joey Ridenour [Executive Director]	602-771-7801
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	Steve Grunig	Allen Imig [Executive Director]	602-542-8156
Occupational Therapy Examiners, Board of	Steve Grunig	Karen Whiteford [Executive Director]	602-589-8352
Opticians, State Board of Dispensing	Steve Grunig	Megan Darian [Executive Director]	602-542-8158
Optometry, State Board of	Steve Grunig	Margaret Whelan [Executive Director]	602-542-8155
Osteopathic Examiners, Arizona Board of	Maggie Rocker	Justin Bohall [Executive Director]	480-657-7703
Parents Commission on Drug Education and Prevention, AZ	Jordan Johnston	Maria Fuentes [Director]	602-542-1773
Parks Board, Arizona State	Henry Furtick	Robert Broscheid [Executive Director]	602-542-4174
Personnel Board, State	Alexis Pagel	Robin Van Staeyen [Executive Director]	602-542-3888
Pharmacy, Arizona State Board of	Maggie Rocker	Kamlesh Gandhi [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Karen Donahue [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Rebecca Perrera	Ted Ihrman [Interim Superintendent]	928-277-2750
Podiatry Examiners, State Board of	Steve Grunig	Heather Broadus [Executive Director]	602-542-8151
Postsecondary Education, Commission for	Alexis Pagel	April L. Osborn [Executive Director]	602-542-7230
Power Authority, Arizona	Ryan Fleischman	Edward A. Gerak [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Alexis Pagel	Teri R. Stanfill [Executive Director]	602-542-2399
Psychologist Examiners, State Board of	Steve Grunig	Heidi Herbst Paakkonen [Director]	602-542-8162
Public Safety, Department of	Jordan Johnston	Frank Milstead [Director]	602-223-2359
Public Safety Personnel Retirement System	Ryan Fleischman	Michael Townsend [Administrator]	602-255-5575
Real Estate Department, State	Alexis Pagel	Judy Lowe [Commissioner]	602-771-7799
Regents, Arizona Board of	Morgan Dorcheus	John Arnold [Executive Director]	602-229-2507
Residential Utility Consumer Office	Jeremy Gunderson	Jordy Fuentes [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Jack Confer [Director]	602-542-5995
Retirement System, Arizona State	Ryan Fleischman	Paul Matson [Director]	602-240-2000
Revenue, Department of	Jeremy Gunderson	Carlton Woodruff [Director]	602-716-6090
School Facilities Board	Rebecca Perrera	Paul Bakalis [Director]	602-542-6504
Secretary of State, Department of State	Maggie Rocker	Honorable Katie Hobbs [Secretary of State]	602-542-4285
Senate	Steve Grunig	Honorable Karen Fann [President of the Senate]	602-926-4371
Superior Court	Geoffrey Paulsen	David K. Byers [Director]	602-452-3301
Supreme Court	Geoffrey Paulsen	Robert Brutinel [Chief Justice]	602-452-3534
Tax Appeals, State Board of	Elliot Chau	Karen Rice-Brogdon [Chairperson]	602-364-1102
Technical Registration, State Board of	Jordan Johnston	Melissa Cornelius [Executive Director]	602-364-4930
Tourism, Office of	Henry Furtick	Debbie Johnson [Director]	602-364-3717

AGENCY/DEPARTMENT/BUDGET AREA

Transportation, Department of
Treasurer, State
Tribal Relations, Governor's Office on
University of Arizona
Veterans' Services, Department of

Veterinary Medical Examining Board, Arizona State
Water Resources, Department of

OTHER ASSIGNMENTS

Capital Review
Economic and Revenue Forecast
Federal/Non-Appropriated Funds
Fiscal Note Manager

JLBC ANALYST

Jordan Johnston
Jeremy Gunderson
Alexis Pagel
Morgan Dorcheus
Rebecca Perrera

Steve Grunig
Elliot Chau

Jack Brown
Hans Olofsson
Stefan Shepherd
Stefan Shepherd

AGENCY/DEPARTMENT HEADS

John Halikowski [Director]
Honorable Kimberly Yee [State Treasurer]
Kristine FireThunder [Executive Director]
Robert Robbins, M.D. [President]
Colonel Wanda Wright [Director]

Victoria Whitmore [Executive Director]
Thomas Buschatzke [Director]

TELEPHONE
NUMBER

602-712-7227
602-542-7800
602-542-4421
520-621-5511
602-255-3373

602-542-8150
602-771-8426

[] Denotes Title for Information Purposes

**STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors Jack Brown
..... Stefan Shepherd
- Chief Economist..... Hans Olofsson
- Principal Fiscal Analysts..... Patrick Moran
..... Rebecca Perrera
- Senior Fiscal Analysts Morgan Dorcheus
..... Henry Furtick
..... Steve Grunig
..... Jeremy Gunderson
..... Geoffrey Paulsen
- Fiscal Analysts Elliot Chau
..... Lydia Chew
..... Ryan Fleischman
..... Jordan Johnston
..... Alexis Pagel
..... Maggie Rocker
- Senior Administrative Assistant/JLBC & JCCR Clerk Kristy Paddack